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Working Paper

GLOBAL POVERTY AND THE NEW BOTTOM BILLION:

WHAT IF THREE-QUARTERS OF THE WORLD'S POOR LIVE IN MIDDLE-INCOME COUNTRIES?

Working Paper number 74 November, 2010

Andy Sumner
Institute of Development Studies

International Policy Centre for Inclusive Growth

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International Policy Centre for Inclusive Growth
United Nations Development Programme

International Policy Centre for Inclusive Growth (IPC - IG)
Poverty Practice, Bureau for Development Policy, UNDP
Esplanada dos Ministérios, Bloco O, 7º andar
70052-900 Brasilia, DF - Brazil
Telephone: +55 61 2105 5000

E-mail: ipc@ipc-undp.org ▪ URL: www.ipc-undp.org

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GLOBAL POVERTY AND THE NEW BOTTOM BILLION:
WHAT IF THREE-QUARTERS OF THE WORLD'S POOR LIVE IN MIDDLE-INCOME COUNTRIES?

Andy Sumner*

ABSTRACT

This paper argues that the problem of global poverty has changed because most of the world's poor no longer live in poor countries, meaning low-income countries (LICs). In the past, poverty was viewed predominantly as a LIC issue. Nowadays such simplistic assumptions/classifications can be misleading because a number of the large countries that have graduated into the middle-income (MIC) category still have large numbers of poor people. We estimate that in 1990 some 93 per cent of the world's poor people lived in LICs. In contrast, we estimate that in 2007–2008 some three-quarters of the world's approximately 1.3 billion poor people now live in MICs; only about a quarter of the poor (about 370 million) live in the remaining 39 LICs, which are mostly in sub-Saharan Africa.

This is a startling change over two decades. It implies there is a new "bottom billion" who do not live in fragile and conflict-affected states (FCAS) but largely in stable MICs. Further, such global patterns are evident across monetary, nutritional and multidimensional poverty measures. In reaching that conclusion, this paper discusses the origin and current definitions of the low/middle/upper-income classification; relates these classifications to International Development Association (IDA) eligibility/allocation thresholds; summarises the definition of FCAS; makes preliminary estimates for 2007–2008 and the number of poor people in each income and fragility category; makes an approximate estimation of the changes in these numbers over the last 20 years; and compares the global distribution of the poor by measures of monetary, educational, nutritional and multidimensional poverty.

We recognise that the endeavour of this paper is an inherently imprecise exercise, but we argue that the general pattern is robust enough to warrant further investigation and discussion. Indeed, the results raise all sorts of questions about the definitions of country categories in themselves. They also raise numerous questions about the future of poverty reduction in heterogeneous contexts, about the role of inequality, about structural societal change, and about aid and development policy. One way of reading the data is that poverty is increasingly turning from an international to a national distribution problem, and that governance and domestic taxation and redistribution policies are becoming more important than official development assistance (ODA).

* Institute of Development Studies.

ABBREVIATIONS

CIS	Commonwealth of Independent States
CPIA	Country Policy and Institutional Assessment
EIU	Economist Intelligence Unit
FDI	Foreign direct investment
GDF	Global Development Finance
GNI	Gross National Income
HIC	Higher-income Country
IBRD	International Bank for Reconstruction and Development
ICP	International Comparison Programme
IDA	International Development Association
IMF	International Monetary Fund
LDC	Least Developed Country
LIC	Lower-income Country
LSMS	Living Standards Measurement Study
MIC	Middle-income Country
MPI	Multidimensional Poverty Index
ODA	Official Development Assistance
PPP	Purchasing Power Parity
UMIC	Upper Middle-income Country
UNCTAD	United Nations Conference on Trade and Development
WEO	World Economic Outlook
WDI	World Development Indicators
WDR	World Development Report

1 INTRODUCTION

If development is about poverty reduction, where the poor live is a crucial question. This paper seeks to add to the existing analysis of global poverty estimates by region, by estimating the global distribution of the world's poor by low-income country (LIC) and middle-income country (MIC) classification, as well as by fragile and conflict-affected states (FCAS).[1]

We recognise that the endeavour of this paper is an inherently imprecise exercise, but we argue that the general pattern generated is robust enough to warrant further investigation and discussion. Indeed, the results raise all sorts of questions about the definitions of country categories, about the future of poverty reduction in heterogeneous contexts, about the role of inequality and structural societal change, and about aid and development policy. The full set of poverty estimates for 2007–2008 by monetary, nutritional, educational and multidimensional poverty measures are annexed to this paper (the Excel charts for 1988–1990 and 2007–2008 are available from the author on request).

2 EXISTING ESTIMATES OF GLOBAL POVERTY

The World Bank's most recent systematic estimate of global poverty is that by Chen and Ravallion (2008). They updated the international poverty line (based on the average of a sample of developing countries) with a new US$1.25 per capita/day international poverty line (see Table 1). Note at the outset that the US$1.25/day level and its precursors have faced considerable criticism for a range of reasons (see Fischer, 2010). We use the US$1.25 level in this paper because, for better or worse, it is Millennium Development Goal (MDG) 1a and we compare our findings with the global poverty distribution generated with MDG 1b (nutrition), MDG 2 (education) and the new multidimensional poverty measure.

TABLE 1

The History of the US$1.25 International Poverty Line (IPL)

IPL	Year published	Basis of IPL and estimates
US$1 (1985 PPP)	1990 WDR	Countries with survey data had an average poverty line of US$0.75–US$1 (1985 PPP). 22 LSMS household surveys covering 75% world population.
US$1.08 (1993 PPP)	2000/1 WDR	IPL updated with new PPP data from ICP for 117 countries.
US$1.25 (2005 PPP)	Chen and Ravallion (2008)	IPL updated to US$1.25 as average of poverty lines in 15 poorest countries. New PPP data from 146 countries (including China for the first time). 700 surveys for 115 countries covering 91% of world population.

Sources: Chen and Ravallion (2004; 2007; 2008).

Notes: PPP = purchasing power parity;
WDR = World Development Report;
ICP = International Comparison Programme;
LSMS = Living Standards Measurement Programme.

Chen and Ravallion (2008) estimated that in 2005, some 1.38 billion people lived below the new international poverty line of US$1.25/day, and that this number fell by 400 million between 1990 and 2005 from 1.81 billion in 1990. Consequently, the distribution of the global poor shifted. In 1990, China accounted for 40 per cent of the global poor, whereas in 2005 the poor mainly lived in India (a third) and sub-Saharan Africa (a third) (see Figure 1). And while the percentage of people living in poverty has drastically fallen in China, poverty has risen in absolute numbers in India and sub-Saharan Africa since 1990.[2] Looking ahead to 2015, if we take the Chen and Ravallion estimates of the US$1.25/day, the MDG target of halving income poverty would mean 0.9 billion poor people in 2015, even if MDG 1 is met.[3]

FIGURE 1

Where Do the >$1.25/day Poor Live? 1990

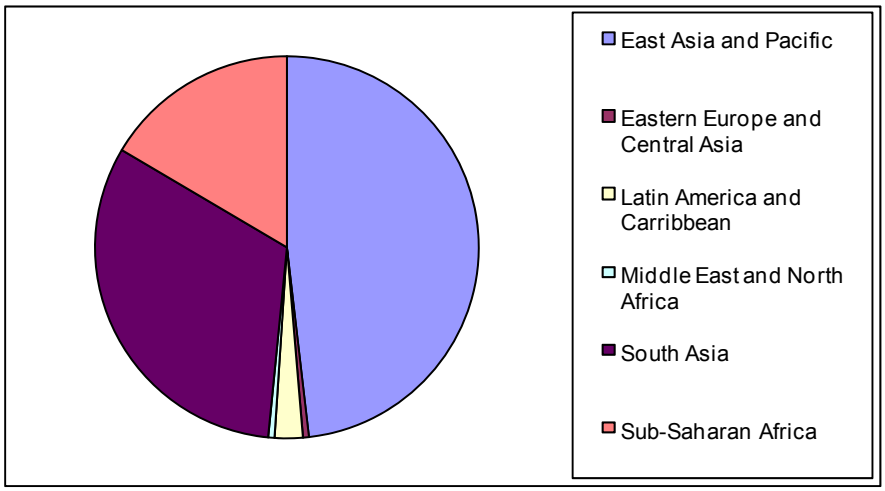
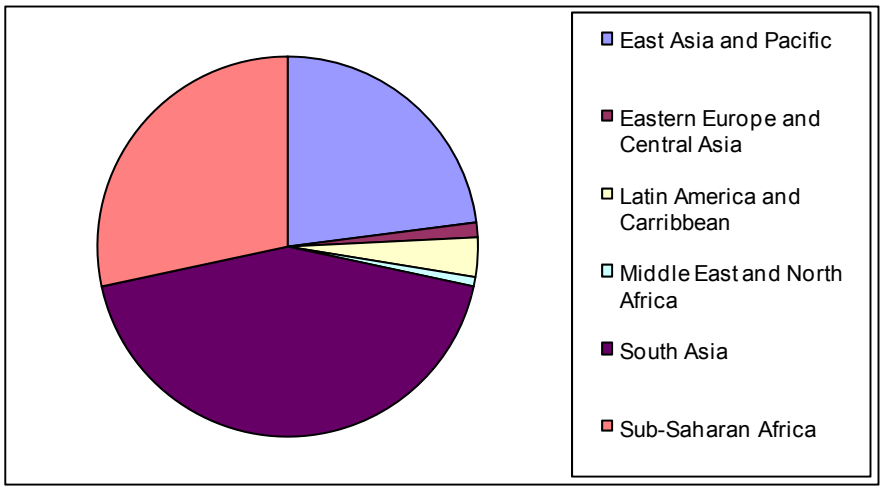


FIGURE 2

Where Do the >$1.25/day Poor Live? 2005



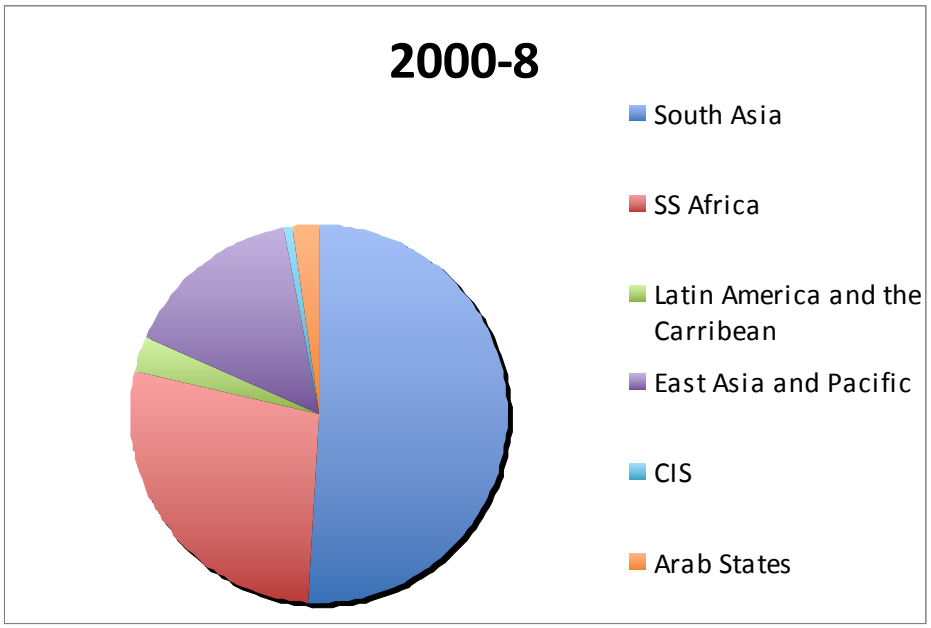
Source: Chen and Ravallion (2008: 44).

In contrast, the Multidimensional Poverty Index (MPI) of Alkire and Santos (2010) in the UNDP's *Human Development Report 2010* argues that, if you take a multidimensional approach (an index of 10 indicators of social development) and consider 104 countries for which there are data (or 78 per cent of the world's population), there are 1.7 billion poor people. Of these, 51 per cent live in South Asia, 28 per cent in sub-Saharan Africa, 15 per cent in East Asia and the Pacific, 3 per cent in Latin America and the Caribbean, 1 per cent in the Commonwealth of Independent States (CIS), and 2 per cent in the Arab states (see Figure 2). In some countries, the MPI is considerably higher than the US$1.25 headcount and in other countries the opposite is true. Further, Alkire and Santos (2010: 32) note that South Asia has almost twice the number of poor people as Africa (the next poorest region) and eight states in India have as many poor people (421 million) as the 26 poorest African countries (410 million).

One final estimate of the global distribution of the world's poor is that of McKay and Baulch (2004), who sought to estimate the global number and distribution of the world's chronic poor (those in dollar-a-day poverty for more than five years). Their estimate of 300–420 million chronic poor people in the late 1990s suggested that they mainly live in South Asia (44 per cent) and sub-Saharan Africa (29 per cent). But these estimates are based on extrapolation from a small number of countries for which there are data on chronic poverty.

FIGURE 3

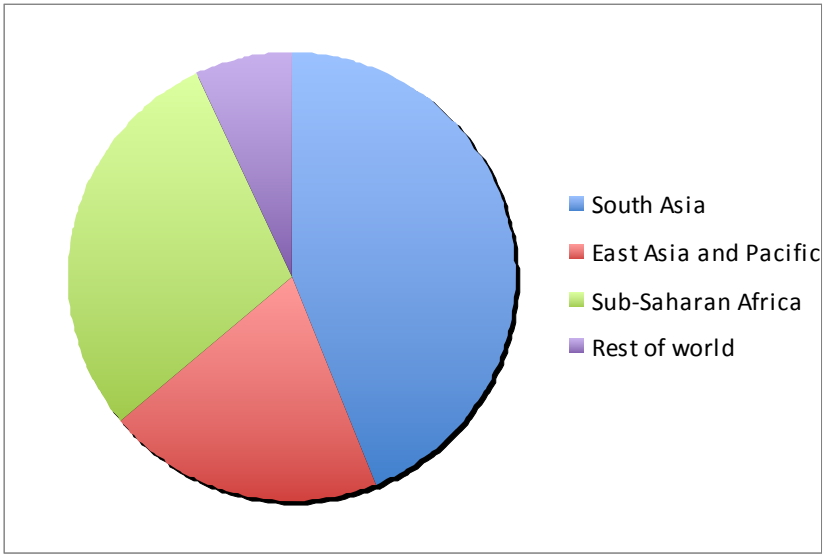
Where Do the Multidimensional Poor Live?



Source: Alkire and Santos (2010: 32).

FIGURE 4

Where Do the Chronic Poor Live (those in dollar-a-day poverty for more than five years)?



Source: McKay and Baulch (2004: 9).

The above estimates are useful in describing the global distribution of the poor by region. It is also possible to estimate the global distribution of the poor by country type or classifications such as low/middle income and fragile and conflict-affected states. That is the contribution of this paper.

3 COUNTRY CLASSIFICATIONS

There are several ways to classify countries, such as:

- UNDP's low, medium and high human development based on income per capita, education and health criteria in the Human Development Index.
- UNCTAD's least developed countries (LDC), based on three components: gross national income (GNI) per capita; indicators for human assets (including nutrition, child mortality, school enrolment, adult literacy); and an economic vulnerability indicator, including measures of the instability of agricultural production, population displaced by natural disasters, instability in exports, the share of agriculture in GDP and exports, and proxies for economic "smallness" (fewer than 75 million people) and "remoteness".
- IMF's *World Economic Outlook* (WEO) emerging and developing countries list, which is based on criteria that are not consistent over time (see discussion in WEO Statistical Annex).

In this paper, however, we have chosen to use the low/middle income classifications of the World Bank and the various FCAS classifications because these are two of the most widely used country classifications. As we note, both have important limitations (see discussion in text and Annex 1). We do present, in each table, estimates for the least developed countries.

3.1 LICS AND MICS

The World Bank's classifications of LIC, lower middle-income (LMIC), upper middle-income (UMIC) and high-income (HIC) countries are based on GNI per capita classifications (see Table 2). These classifications are based on the Bank's operational lending categories (civil works preferences, IDA eligibility and so on) and thus seek to give better conditions to poorer countries on the basis of economic capacity as measured by GNI per capita.[4]

TABLE 2

World Bank Classifications Thresholds (GNI US$ per capita, Atlas methodology)

Bank's fiscal year	**FY90**	**FY95**	**FY00**	**FY05**	**FY10**	**FY11**
Data for calendar year	**1988**	**1993**	**1998**	**2003**	**2008**	**2009**
World Bank Analytical Classifications (presented in WDI)						
Low-income	<=545	<=695	<=760	<=765	<=975	<=995
Lower middle-income	546–2,200	696–2,785	761–3,030	766–3,035	976–3,855	996–3,945
Upper middle-income	2,201–6,000	2,786–8,625	3,031–9,360	3,036–9,385	3,856–11,905	3,946–12,195
Bank Operational Lending Categories						
Civil works preference	<=545	<= 695	<=760	<=765	<=975	<=995
IDA eligibility	<=1,070	<=1,345	<=1,460	<=1,465	<=1,855	<=1,905
IDA allocation	<=660	<=835	<=895	<=895	<=1,135	<=1,165

Source: World Bank: http://data.worldbank.org/about/country-classifications/a-short-history.

Note: WDI = World Development Indicators; IDA = International Development Association.

The thresholds are recalibrated annually in the light of international inflation (measured as the average inflation of Japan, the United Kingdom, the United States and the Eurozone). These measures classify all 186 World Bank member countries and other economies with populations of more than 30,000 (210 countries in total). The thresholds are constant in real terms (if one assumes international inflation rates for the world's richest countries are appropriate for the world's poorest countries, which generally have higher inflation rates). The actual basis of the original thresholds is complex (see Annex 1). After rising substantially in the 1990s, the total number of LICs has fallen considerably since 2000. Over the last decade the number of LICs has fallen from around 60 to just 39 in the most recent data released on 1 July 2010 for FY2011 (see Table 3).

TABLE 3

Number of Countries in Each World Bank Category

Year	**FY90**	**FY95**	**FY00**	**FY05**	**FY10**	**FY11**
Data basis	**1988**	**1993**	**1998**	**2003**	**2008**	**2009**
Low-income	48	58	61	60	43	39
Lower middle-income	51	66	56	55	55	60
Upper middle-income	26	37	36	37	46	50
High-income	41	40	50	55	67	71

Source: World Bank: http://data.worldbank.org/about/country-classifications/a-short-history.

This, of course, has immediate consequences for global poverty distributions. Of the 27 countries achieving MIC status since 2000, six were "transition" countries (perhaps returning to historical economic capacities) and several were small islands. Most notable for the global distribution of poverty, however, is the reclassification of some very populous countries such as India, Nigeria and Pakistan (China had already graduated in 1999). Of this list, only two countries, Côte d'Ivoire and Pakistan, were very close to the threshold, and Pakistan (which was technically under the LMIC threshold by US$20) has a significant impact on the global poverty distribution. Note also that India is only US$45 per capita over the threshold, but a reasonable assumption is that growth in India will continue and the country is not in danger of slipping back. We take up the "special cases" of India and China later in the discussion. We note here that just four countries (India, Pakistan, Indonesia and Nigeria) account for much of the total number of poor that have "moved" to MIC countries.

TABLE 4

Countries Graduating from LIC to MIC Based on 2000–2008/9 Data (bolded countries are close to LIC threshold)

Country (graduation year, by year of data)	GNI per capita, Atlas method, current US$ 2008	Poor people (2007 or nearest year)	Year of poverty data
Graduation in FY2000–2008			
Angola (2004)	3340	7,755,206	2000
Armenia (2002)	3350	112,144	2007
Azerbaijan (2003)	3830	167,837	2005
Bhutan (2006)	1900	161,454	2003
Cameroon (2005)	1150	5,329,157	2001
Republic of Congo (2005)	1790	1,848,410	2005
Côte d'Ivoire (2008)	**980**	**4,218,671**	**2002**
Georgia (2003)	2500	600,035	2005
India (2007)	1040	455,829,819	2005
Indonesia (2003)	1880	66,052,861	2007
Lesotho (2005)	1060	849,790	2003
Moldova (2005)	1500	87,286	2007
Mongolia (2007)	1670	59,163	2008
Nicaragua (2005)	1080	862,470	2005
Nigeria (2008)	1170	88,591,832	2004
Pakistan (2008)	**950**	**35,188,895**	**2005**
Sao Tome and Principe (2008)	1030	40,558	2001
Solomon Islands (2008)	1010	…	…
Sudan (2007)	1100	…	…
Timor-Leste (2007)	2460	395,754	2007
Turkmenistan (2000)	2840	…	…
Ukraine (2002)	3210	925,164	2008
New MICs 2000–8: Total poor		**669,076,506**	
Graduation in FY2010			
Senegal (2009)	…	3,779,230	2005
Tuvalu (2009)	…	…	…
Uzbekistan (2009)	…	11,832,730	2003
Vietnam (2009)	…	18,047,340	2006
Yemen (2009)	…	3,685,450	2005
New MICs 2000–9: Total poor		**706,421,256**	

Source: Processed from WDI.

Note: For FY of graduation +2 years; China graduated in 1999.

In recently released data (1 July 2010), five more countries have graduated and one country fell back to LIC status (see Table 4). Data on these countries' GNI per capita have not yet been added to the World Development Indicators (WDI), so it is not yet easily possible to see how close to the LIC/IDA thresholds they are with comparable, consistent GNI Atlas method data. For this reason, and because we are seeking to keep some reasonable consistency between data years for comparability, we use FY2010 data (which are based on the data year 2008) to estimate the subsequent global distribution of poverty, since we use poverty data from the most recent available year, which is 2007 or 2008.)

It is worth noting that at least 10 (we do not yet have comparable GNI Atlas data for the five new MICs noted above in WDI) of the 27 new MICs actually fall under the IDA allocation threshold of US$1,135 per capita and have been referred to as "blend" countries by the World Bank (in that they are MICs and thus IBRD-eligible but also under the IDA allocation threshold). These countries are officially MICs but they only just qualify for IDA and in most cases they barely do so (see Table 5). This group of 10 countries includes India and Pakistan, and thus 497 million poor people.

We can then assess where the poor live (see Section 4 for fuller details, and for quick reference see Tables 4–6).

TABLE 5

MIC Countries That Are IDA Allocation Threshold-Eligible

LMIC (based on data for 2008)	GNI per capita (US$, 2008)	Poor people (2007 or nearest year)	Year of poverty data
Côte d'Ivoire	980	4,218,671	2002
Djibouti	1130	143,726	2002
India	1040	455,829,819	2005
Lesotho	1060	849,790	2003
Nicaragua	1080	862,470	2005
Pakistan	950	35,188,895	2005
Papua New Guinea	1040	…	…
Sao Tome and Principe	1030	40,558	2001
Solomon Islands	1010	…	…
Sudan	1100	…	…
Total poor		497,133,929	

Source: Processed from WDI.

TABLE 6

Estimates of Percentage of World's Poor in LIC, MIC and IDA Allocation Groups

	Countries	Countries with poverty data	Poor (millions) in countries with poverty data	FCAS with data as % of the world's poor
LIC	43	36	370.76	28
MIC	101	67	956.57	72
MIC + IDA allocation	10	7	497.13	37

Source: Processed from WDI.

Notes: Poverty data are for 2007 as most recent available year or nearest year to 2007 in WDI; LIC/MIC status is based on World Bank country classifications for FY2010, which are based on 2008 data.

3.2 FCAS AND NON-FCAS

In addition to the LIC/MIC/IDA classifications there are also the FCAS classifications. Paul Collier (2007: 3) has popularised the idea of the need to focus on the "bottom billion"—the total population, not the poor population—who live in 60 or so countries "falling behind and often falling apart".[5]

It is true that fragile states are more off-track on the MDGs than other types of developing countries (UNDP, 2009). In 2010, the *World Development Report* will present data showing that much of the "off-trackness" of MDGs is accounted for by FCAS. When it comes to finding the poor, however, the picture is a bit more complicated. Fragile states are significant for global poverty, but so are populous developing countries.[6]

The classification of FCAS is complex. Stewart and Brown (2009) review various definitions and conclude that FCAS are marked by three failures: of authority, delivery and legitimacy (2009: 3–4). But there is no "official" or agreed list of FCAS. For example, Britain's Department for International Development (DFID) and the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD-DAC) do not publish "official" lists but keep informal ones. There are three lists that might be called academic lists, or indices commonly referred to, which produce different lists of countries. These are the World Bank's Country Policy and Institutional Assessment (CPIA) index; the Brookings Index of State Weakness in the Developing World 2009; and the Carleton University Country Indicators for Foreign Policy (CIFP) 2008 index (see Annex 1). These lists are not consistent. On the one hand, if we consider them together, just 17 FCAS are common to all three. On the other hand, aggregating the lists creates a tally of 43 FCAS (see Annex 1). The list of 43 was used in OECD (2010) Resource Flows to FCAS, and the European Report on Development (2009) applied the same aggregating methodology to Africa.[7]

An alternative definition of FCAS would differentiate on the basis of the extent of fragility. The quickest (and crudest) way to produce this would be a "wisdom of crowds approach", and thus:

- higher fragility = country on all three lists (N = 17);
- low or medium fragility = country on one or more list (N = 26).

This raises a question about the oft-cited figure that a third of the world's poor live in fragile states. Does it refer to one list, 17 or 43 countries? The mathematical basis of this figure is somewhat of a mystery (the present author has asked a number of relevant academics and policy people).

We can then estimate how many poor people live in FCAS by various definitions (see Section 4 for full details, and for quick reference see Tables 7 and 8). If we take the FCAS common to all lists, we get just 6 per cent of the world's poor. The Brookings and Carleton lists produce a count of 19–21 per cent of the world's poor living in FCAS. In contrast, the World Bank list produces a much lower count at 10 per cent with more countries, because it does not include populous Ethiopia and Nigeria. The aggregated list of OECD (2010) produces a count of 23 per cent of the world's poor living in FCAS. It should be noted that poverty data is lacking for three populous FCAS (countries with populations of more than 20 million) (by various lists), and taken together they have a population of 101 million (Afghanistan, Iraq and Sudan).

It is also worth noting that just six of the FCAS for which data are available account for a large proportion (16 per cent) of the world's poor. These are the Democratic Republic of Congo, Ethiopia, Nepal, Nigeria, Pakistan and Uganda. In short, most of the poor in FCAS live in just six countries or so (one might add Afghanistan, Iraq and Sudan).

TABLE 7

Estimates of Percentage of World's Poor in FCAS by Different Definitions

	Countries	Countries with poverty data	Poor (millions) in countries with poverty data	FCAS Countries with data as % of the world's poor
FCAS common to all lists	17	12	82.09	6
Brookings list	28	19	245.90	19
Carleton list	30	21	275.68	21
World Bank list	32	21	127.84	10
Aggregated list	43	29	299.90	23

Source: Processed from WDI.

Note: FCAS definitions in Annex 1.

TABLE 8

FCAS with More Than 10 Million Poor People

	Population living under US$1.25 per capita per day	
	Poor (thousands)	Year
Dem. Rep. of Congo	36,005.64	2006
Ethiopia	29,147.62	2005
Nepal	14,703.78	2004
Nigeria	88,591.83	2004
Pakistan	35,188.89	2005
Uganda	14,788.73	2005
Total	218,426.49	

Source: Processed from WDI.

Note: FCAS definitions in Annex 1.

4 THE GLOBAL DISTRIBUTION OF THE WORLD'S POOR

We have noted estimates so far of the global distribution of the world's poor by LICs/MICs and FCAS. These were produced by taking the most recent US$1.25 poverty data (2007–2008 or nearest year) and corresponding population data for the year of poverty estimate from the WDI. The purpose of this is not to establish a precise global poverty estimate or a precise estimate of the distribution of the world's poor. It is merely to argue that the poverty "problem" has changed radically. The large majority of the world's absolute poor (almost a billion people) live in stable MICs, many of which have substantial domestic resources. This raises all sorts of questions about the future of poverty reduction, aid and development policy.

If we take a global perspective, the available data generate a total world poverty headcount for countries on which there are data in 2007–2008 of 1.327 billion (see Annex 2 for available country poverty estimates), which is somewhat similar to Chen and Ravallion's

estimate of a global poor headcount of 1.38 billion for 2005. There are important caveats to this somewhat crude methodology (see below), and the absolute numbers should be treated with caution because of missing data for a number of countries and different data years. Data for 1990 should be treated with particular caution. In our view, what is robust enough for this paper is the distribution of the world's poor in 2007–2008.

For 2007–2008 we can have greater confidence in estimates of the global distribution of the world's poor, because we have data for 67/101 MICs, 36/43 LICs and 29/43 fragile states listed in WDI. In total these data account for 80 per cent of the world's population in 2007. Most of the countries for which there are no data have relatively small populations and their absence will not make a substantial difference to our global estimates. There are, however, three populous countries (more than 20 million people) for which data are missing, as previously noted: Afghanistan (population of 29 million in 2007), Iraq (population of 31 million in 2007) and Sudan (population of 41 million in 2007).

These preliminary estimates, as noted, suggest that most of the world's poor, about a billion people, no longer live in LICs (see Tables 9 and 10 and Figure 5). Of course, this largely reflects the fact that some large LICs have transitioned to MICs.

The data suggest that 72 per cent of the world's poor live in MICs and 61 per cent of the world's poor live in stable MICs. LICs account for just 28 per cent of the world's poor, while fragile LICs account for just 12 per cent. Contrary to earlier estimates that a third of the poor live in fragile states, our rough estimate is about 23 per cent and they are split fairly evenly between fragile LICs and fragile MICs.[8] In contrast, in 1988–1990, with a more limited dataset and thus some caution, we estimate that 93 per cent of the world's poor lived in LICs and just 7 per cent in MICs.

What happens when China and India are removed? Over the last 20 years the proportion of the world's poor accounted for by China and India has fallen from two-thirds to a half. The percentage of global poverty in the MICs (minus China and India) has risen from 7 to 22 per cent (much of this is concentrated in Indonesia, Nigeria and Pakistan). The percentage of global poverty in the LICs (minus China and India) has fallen from 31 per cent to 28 per cent.

TABLE 9

Summary Estimates. Global Distribution of World's Poor by Country Type, 2007/8 (%)

	Fragile and conflict-affected	Not fragile or conflict-affected	Total
Low-income	12	16	28
Middle-income	11	61	72
Total	23	77	100

Source: Processed from World Development Indicators.

There are, of course, several very important caveats to these rather crude estimates. First, although we have used 2007–2008 or the nearest year, most data are not for 2007–2008 and thus are not strictly speaking comparable, and the underlying data used to construct the FCAS lists will be for various years as available. Further, the same set of FCAS has been used in both the 1988–1990 and 2007–2008 estimates (even though in 1988–1990 those same countries may not have been FCAS). Second, these data are not an exact estimate because data are missing for some countries: as noted, 80 per cent of the global population is covered.

Third, population and purchasing power parity (PPP) data are always open to question (for a discussion of PPPs, see Klasen, 2010). Fourth, poverty rates may well have changed since 2007–2008, not least because of the global economic crisis, and thus the global distribution of the poor may also have changed. Finally, the WDI show that recent US$1.25 rates for individual countries are not strictly comparable to earlier periods (such as 1990) because of revisions in PPP exchange rates.

TABLE 10

Estimates of Change in Global Distribution of World's US$1.25/day Poor (%) 1988 versus 2007–2008

	% of world's poor		Millions	
	1988-90	2007-8	1988-90	2007-8
Middle-income country (MIC)	**7**	**72**	**120.88**	**956.57**
MIC minus China and India	7	22	120.88	293.18
MIC FCAS	1	11	18.25	143.51
MIC NON-FCAS	6	61	102.64	813.06
Low-income country (LIC)	**93**	**28**	**1,547.13**	**370.76**
LIC minus China and India	31	28	408.68	370.76
LIC FCAS	13	12	210.08	156.38
LIC NON-FCAS	80	16	1,337.05	214.38
Fragile and conflict-affected states (FCAS = 43)	14	23	228.33	299.90
Sub-Saharan Africa	13	27	223.99	355.07
Least Developed countries (50)*	14	25	241.06	334.98
China and India	68	50	1,138.45	663.39
Total	100	100	1,668.02	1,328.69

Source: Processed from World Development Indicators.

Notes: 2007-2008 estimates based on poverty data is for 2007 or nearest year in WDI; LIC/MIC status based on World Bank country classifications for FY2010, which are based on 2008 data. The 1988-1990 estimates are based on poverty data for 1990 or nearest year in WDI. LIC/MIC status based on World Bank country classifications for FY1990, which are based on 1988 data. The 1988-1990 estimates should be treated with caution because of data availability. In both 1988-1990 and 2007-2008, FCAS are 43 country compilation of the three FCAS lists (based on data from various years); least developed countries = same group of 50 used in both time points although Cape Verde graduated in 2006 and some of these LDCs are now MICs.

How much difference does it make if we use other poverty measures? What is perhaps surprising is that, with the exception of children out of school, there is little difference between different poverty measures and the global poverty distributions generated (see Table 11 and Figures 5 and 6). LICs account for 28–29 per cent of the world's poor; MICs for 70–72 per cent; sub-Saharan Africa for 24–28 per cent; China/India for 43–50 per cent; and FCAS for 23–30 per cent. But the education measure—the global distribution of the world's poor by children who are not in primary school—does generate a more even split between LICs and MICs.

UNESCO (2010: 1) estimates there were 73 million children out of school in 2007. Available WDI data (Table 12) generate a count of almost 60 million, 56 per cent of whom are in MICs and 39 per cent in LICs; the rest are in HICs—for example, WDI suggest there are 1.8 million children out of school in the United States and 0.5 million in Saudi Arabia. The global share of out-of-school primary-age children has increased from 19 per cent to

56 per cent in MICs over the last 20 years and declined in LICs from 74 per cent to 39 per cent. Unfortunately, data for India and China are unavailable for both data points.

In contrast, estimates of child malnutrition are 112 million (WHO 2009: 10). Our WDI data generate a count of 128–188 million malnourished children by height-for-age and weight-for-age respectively (see Table 13). Data are available for China and India for 2007–2008 but not for 1990. They suggest that in 2007–2008, China and India accounted for 43–48 per cent of the world's malnourished children. These nutrition data follow the pattern similar to that of the US$1.25 data for LICs/MICs/FCAS. Finally, the UNDP multidimensional poverty index data also follow the pattern of the US$1.25 data in terms of the global distribution of the world's poor by LICs/MICs/FCAS (see Table 14). These data raise various questions for further exploration. We conclude and discuss future research avenues.

TABLE 11

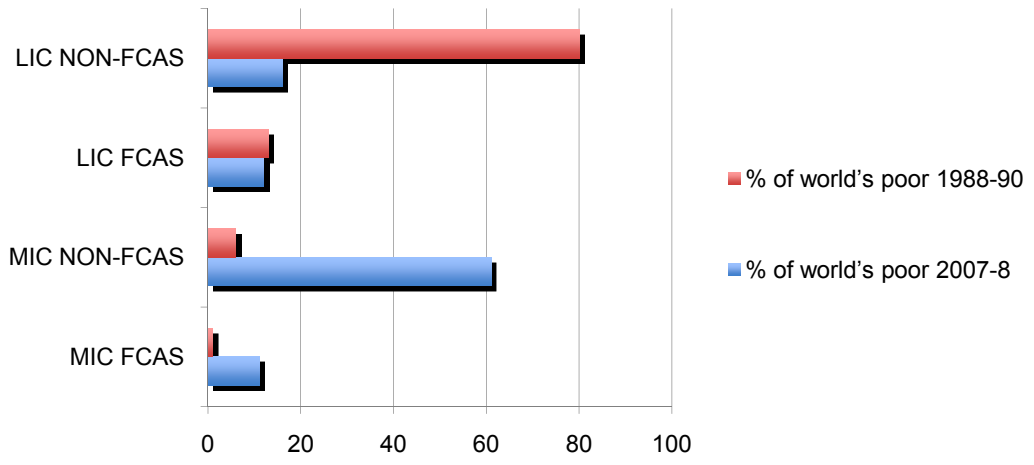
Global Distribution of World's Poor (%) by Various Measures, 2007–2008

	US$1.25	Children out of school	Children below height	Children below weight	Multi-dimensional poverty (MPI)
Middle-income country (MIC)	**72**	**56**	**71**	**71**	**70**
MIC minus China and India	22	-	28	23	22
MIC FCAS	11	35	15	14	13
MIC NON-FCAS	61	21	56	58	57
Low-income country (LIC)	**28**	**39**	**28**	**28**	**29**
LIC minus China and India	28	-	-	-	-
LIC FCAS	12	26	16	16	15
LIC NON-FCAS	16	13	12	12	14
Fragile and conflict-affected states (43)	23	61	31	30	29
Sub-Saharan Africa	27	54	27	24	28
Least developed countries (50)*	25	40	27	27	27
China and India	50	-	43	48	-
Total	100	95*	99*	99*	100

Note: * = does not add up to 100% exactly because of rounding up components and education poverty in HICs; least developed countries = same group of 50 used in both time points, though Cape Verde graduated in 2006 and some of these LDCs are now MICs.

FIGURE 5

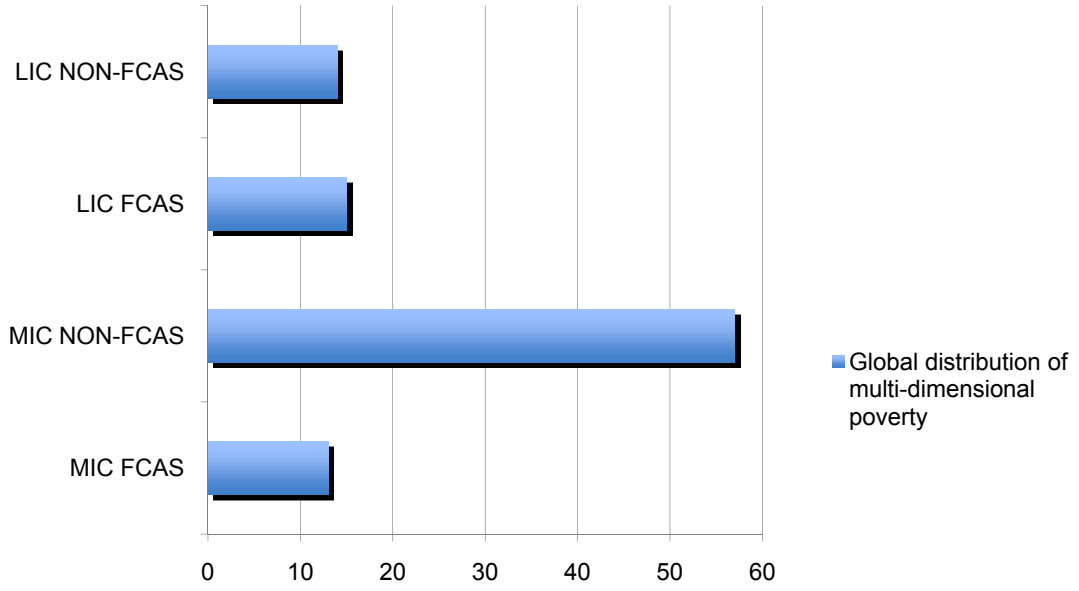
Global Distribution of World's Poor by Country Type, 1988–1990 versus 2007–2008 (%)



Source: Data processed from WDI.

FIGURE 6

Global Distribution of World's Poor (%) by MPI, 2000–2008



Source: Data processed from MPI database.

TABLE 12

Estimates of Change in Global Distribution of World's Poor by Millions of Children Not in Primary School, 1988 versus 2007–2008

	Global distribution (%)		Millions	
	1988-90	2007-8	1988-90	2007-8
Middle-income country (MIC)	**19%**	**56%**	**15.04**	**32.63**
MIC FCAS	4%	35%	3.42	20.39
MIC NON-FCAS	17%	21%	13.54	12.40
Low-income country (LIC)	**74%**	**39%**	**58.03**	**22.83**
LIC FCAS	48%	26%	37.29	15.42
LIC NON-FCAS	27%	13%	20.74	7.41
Fragile and conflict-affected states (FCAS = 43)	52%	61%	40.72	35.83
Sub-Saharan Africa	46%	54%	36.10	31.63
Least developed countries (50)*	43%	40%	33.80	23.69
Total	100%	100%	77.97	58.60

Source: Calculated from WDI and UNESCO database. No 1990 data for India and no data for China in 2007-8.

Note: The number of children of primary school age out of school in 1990 is estimated using WDI data on % net primary-school enrolment and an estimation of primary school-age population using data from UNESCO and from the WDI. So those values are not historical data but estimates. Least developed countries = same group of 50 used in both time points, though Cape Verde graduated in 2006 and some of these LDCs are now MICs.

TABLE 13

Estimates of Change in Global Distribution of World's Poor by Millions of Children Malnourished (below height and weight), 1988–1990 versus 2007–2008

	% of world's poor		Millions	
	1988-90	2007-8	1988-90	2007-8
BELOW HEIGHT-FOR-AGE				
Middle-income country (MIC)	**25%**	**71%**	**18.65**	**132.55**
MIC minus China and India		28%		52.25
MIC FCAS	3%	15%	2.05	27.55
MIC NON-FCAS	24%	56%	18.02	105.79
Low-income country (LIC)	**72%**	**28%**	**53.82**	**53.13**
LIC minus China and India				
LIC FCAS	35%	16%	26.38	30.50
LIC NON-FCAS	37%	12%	27.44	22.64
Fragile and conflict-affected states (FCAS = 43)	38%	31%	28.43	58.08
Sub-Saharan Africa	33%	27%	24.77	50.13
Least developed countries (50)*	34%	27%	25.10	49.80
China and India		43%		80.30
Total			74.51	187.66
BELOW WEIGHT-FOR-AGE				
Middle-income country (MIC)	**14%**	**71%**	**7.26**	**90.86**
MIC minus China and India		23%		29.31
MIC FCAS	2%	14%	1.00	17.84
MIC NON-FCAS	13%	58%	6.84	73.39
Low-income country (LIC)	**84%**	**28%**	**42.82**	**35.86**
LIC minus China and India				
LIC FCAS	35%	16%	17.57	20.00
LIC NON-FCAS	50%	12%	25.25	15.87
Fragile and conflict-affected states (FCAS = 43)	37%	30%	18.57	37.85
Sub-Saharan Africa	29%	24%	14.93	30.18
Least developed countries (50)*	33%	27%	16.80	34.90
China and India		48%		61.55
Total			50.83	127.58

Source: Calculated from WDI and World Population Prospects 2008.

Note: The number of malnourished children is estimated using WDI values on % of underweight/under height children in the 0-4 year-old population and data on population aged 0-4 from the World Population Prospects 2008 revision. Because the values are not necessarily from the same year, but always from close years, those values are not historical data but estimates; least developed countries = same group of 50 used in both time points, though Cape Verde graduated in 2006 and some of these LDCs are now MICs.

TABLE 14

Estimates of Change in Global Distribution of World's Poor by Multidimensional Poverty Index, 2000–2008

	% of world's poor	Millions
Middle-income country (MIC)	**70**	**1,169.32**
MIC minus China and India	22	358.57
MIC FCAS	13	223.00
MIC NON-FCAS	57	946.32
Low-income country (LIC)	**29**	**489.23**
LIC minus China and India	n/a	n/a
LIC FCAS	15	252.74
LIC NON-FCAS	14	236.49
Fragile and conflict-affected states (FCAS = 43)	29	475.74
Sub-Saharan Africa	28	465.36
China and India		
Least developed countries (50)*	27	455.30
Total	100	1,660.00

Source: Calculated from MPI database, which is based on MPI for 2000-2008 and population data for 2007.

Note: Least developed countries = same group of 50 used in both time points, though Cape Verde graduated in 2006 and some of these LDCs are now MICs. The 2010 HDR has slightly different MPI numbers from those in the OPHI database because of updated population numbers.

5 CONCLUSIONS AND POTENTIAL POLICY IMPLICATIONS

5.1 GLOBAL POVERTY ESTIMATES

In the past, poverty has been viewed mainly as a LIC issue. Nowadays such simplistic assumptions/classifications can be misleading because a number of the large countries that have graduated into the MIC category still have a large number of poor people.

The data presented in this paper should be seen as preliminary estimates. Clearly, the first part of any research agenda is to further probe the data and the shifting global distribution of poverty (see below). As emphasised earlier, this is an inherently imprecise exercise but we argue here that the general pattern is robust enough to warrant further investigation and discussion. Indeed, the results raise all sorts of questions. The analysis presented can be summed up in three points, as follows.

First, there is a new "bottom billion" who are living in the MICs: most of the world's poor (three-quarters of them, or almost 1 billion poor people) now live in MICs. Indeed, about two-thirds of the world's poor live in stable MICs. This is not just about India and China, because the percentage of global poverty accounted for by the MICs minus China and India has risen considerably from 7 per cent to 22 per cent.

Second, the remaining 39 LICs account for just a quarter of the world's poor, and fragile LICs account for just 12 per cent of the world's poor.

Third, contrary to earlier estimates that a third of the poor live in fragile states, our estimate is about 23 per cent if one takes the broadest definition of FCAS (43 countries), and they are split fairly evenly between fragile LICs and fragile MICs.

Of course there are methodological caveats to the above. We note here that just four countries (India, Pakistan, Indonesia and Nigeria) account for much of the total number of poor that have "moved" to MIC countries. More importantly, is the above an artefact of methodology in itself? How meaningful are country classifications? Further, one should register some caution regarding the above headlines. We could equally say that the share of the poor living in Africa more than doubled.

The headlines, though, do raise questions not only about the definitions of country categories but also about the future of poverty reduction in heterogeneous contexts; about the role of inequality and structural societal change; and about aid and development policy. One way of reading the data is that poverty is increasingly turning from an international to a national distribution problem, and that governance and domestic taxation and redistribution policies become more important than ODA.

5.2 A FUTURE RESEARCH AGENDA

5.2.1 Revisiting and rethinking the country classifications and definitions

Further investigation of the LIC/MIC definitions is needed. Are the original formulas for LICs/MICs in the early 1970s still relevant in 2010? What are the original formulas and their underlying logic? Is the LIC/MIC threshold line consistent over time if average LIC/MIC grouping inflation rates are used instead of international inflation in rich countries? Then there is the broader definition of a poor country. What is a LIC in 2010? What do the "average" LICs and MICs look like in 2010? Perhaps we need new thinking about definitions, or should make better use of the ones we have. The UNCTAD least-developed categories have a strong and clear analytical basis, so why do so few people use them (the present author is guilty here too)?

Any categorisation of countries is contentious—see Harris, Moore and Schmidt (2009) for a recent review of "developing"-country classifications. Increasingly, too, it is recognised that FCAS definitions are conceptually redundant. FCAS are too heterogeneous. Differentiation is needed between failed, very fragile and semi-fragile and post-conflict stable countries, each with different dynamics. The issues facing countries in each of these categories might well differ if they are LICs or MICs. This too should be explored further. This paper, then, adds to the growing question marks over FCAS definitions and their operational usefulness.

5.2.2 The future of poverty reduction—understanding poverty reduction in heterogeneous contexts; the role of inequality and structural societal change

There are particularly important new research avenues to be explored in comparative poverty heterogeneity. How do the extent, nature and causes of poverty differ between countries (and thus how might policy responses differ)? Why is poverty still high in MICs? Is a focus on inequality more important than a focus on immediate poverty reduction? What about demographics? What is happening to the labour force? Why has growth led to MICs with high poverty and little societal change? Does educational poverty really differ from monetary and nutritional poverty in terms of LIC/MIC distribution and, if so, why?

Such issues might fruitfully be explored in the 27 new MICs, comparing them to older MICs and to the remaining 39 LICs. Growth without social, economic or political transformation might begin to explain the continuing levels of absolute poverty in the MICs. When one takes an initial look at the new MICs (Table 15 and Annex 3) some change in agricultural employment is evident but there is surprisingly little change in inequality and tax revenue. In the 27 new MICs, however, there has been a radical increase in foreign exchange reserves and an equally radical fall in aid as a percentage of gross capital formation. Certainly, if we go further and take some of the largest and longer-standing MICs, aid is insignificant and has been for some time, and foreign exchange reserves are large (see Table 16).

TABLE 15

Data on Reserves, ODA and Structural Indicators in the 27 New MICs versus Other Groups (averages for countries with two data points)

	Total reserves in months of imports		Net ODA received (% of GNI)		Net ODA received (% of gross capital formation)	
	1988-90	2007-8	1988-90	2007-8	1988-90	2007-8
27 new MICS	1.3	5.0	7.0	5.8	40.4	28.4
MIC	2.9	5.3	7.2	4.5	33.6	15.7
MIC FCAS	1.8	4.2	13.6	9.4	73.7	53.9
MIC NON-FCAS	3.1	5.5	6.1	3.3	26.5	8.3
LIC	2.3	4.3	16.4	15.4	88.3	62.6
LIC FCAS	2.2	4.5	17.0	19.3	108.5	77.4
LIC NON-FCAS	2.3	4.1	15.9	10.7	68.9	44.4
FCAS	2.1	4.4	15.7	15.5	95.9	68.9
Sub-Saharan Africa	2.3	4.3	15.3	13.0	93.9	54.4
LDCs	2.3	4.1	19.1	15.7	-	66.0
	Employment in agriculture (% of total employment)		**Gini index**		**Tax revenue (% of GDP)**	
27 new MICS	**45.9**	**39.0**	**40.6**	**39.7**	**18.3**	**19.4**
MIC	21.8	23.5	40.4	43.6	18.1	18.1
MIC FCAS	41.0	33.7	38.2	40.8	20.1	15.4
MIC NON-FCAS	20.9	22.6	40.5	43.8	18.0	18.3
LIC	--	--	--	--	--	--
LIC FCAS	--	--	--	--	--	--
LIC NON-FCAS	--	--	--	--	--	--
FCAS	--	--	--	--	--	--
Sub-Saharan Africa	--	--	--	--	--	--
LDCs	--	--	--	--	---	--

Source: Processed from WDI.

Note: -- = insufficient number of countries with two data points. Least developed countries = same group of 50 used in both time points, though Cape Verde graduated in 2006.

TABLE 16

Selected Large MICs and Poor People, Net ODA, Aid Dependency and Foreign Exchange Reserves

Country	Number of poor people (under US$1.25/day, millions, 2007)	Net ODA (US$bn, 2008)	Aid dependency ratio (2008, >9% GNI = high)	Foreign exchange reserves (2008–2010, $bn)
China	207,559	1.5	0.0	1953.3
India	455,830	2.1	0.2	279.0
Indonesia	47,002	1.2	0.3	71.8
Nigeria	88,592	1.3	0.7	53.0
South Africa	11,528	1.1	0.4	42.0

Sources: World Bank, World Development Indicators; Global Development Finance (GDF); International Monetary Fund (IMF); Economist Intelligence Unit (EIU).

This needs more exploration with a range of indicators of course, and greater investigation into why countries are achieving MIC status with relatively little, if any, transformation. It also raises issues of short-run and long-run development. The goal of development for the last 20 years has largely been growth-led poverty reduction. Barder has suggested this objective needs revisiting because the

> emphasis on the one goal—poverty reduction defined as a permanent reduction in the global poverty headcount through economic growth—has contributed both to poor programme selection and poor programme design and implementation, and it has thereby undermined the effectiveness of aid (Barder, 2009: 2).

Further, a new agenda should

> not target a single measure of poverty reduction but explicitly manage a portfolio of objectives that (a) promote long-term and permanent changes in developing countries by investing resources and sharing knowledge; (b) tackle the causes of poverty by changing the policies of rich countries and investing in global public goods; (c) transfer income and consumption from the world's rich to the world's poor to enable them to live better lives while development is taking place, as a matter of global social justice; and (d) target more assistance on those in chronic and deep poverty (Barder, 2009: 2).

This resonates with other calls for a new approach to development objectives:

> The objective, through economic development and statebuilding, is transformation of developing countries into middle class societies in which citizens hold their governments accountable for provision of physical security and basic social services ... A good indicator of progress in transformation is a growing middle class that has the economic heft and consequent political voice to hold government accountable for the domestic social contract (Birdsall, 2009: 2).

This might mean that long-term poverty reduction requires a greater focus on structural economic transformation (perhaps assessed by the percentage of employment in agriculture) or a social transformation to a low level of inequality (assessed by Gini coefficient and implied emergence of a middle/consuming class), or political transformation (assessed by tax revenue as percentage of GDP and the implied accountability that follows).

5.2.3 The future of aid—rethinking the future of aid and aid effectiveness

Finally, aid needs some rethinking. Aid, and "aid effectiveness" in particular, are going through a major rethink already (see detailed discussion in Evans, 2010). There is the transparency and accountability revolution (see Barder, 2009), and much broader and deeper changes are afoot. There is a further questioning of whether aid effectiveness debates have missed the point by focusing on quantity or quality of aid (Fischer, 2010), and even suggestions that traditional ODA is dead (Severino and Ray, 2009 and 2010).

Severino and Ray (2009) discuss a "triple revolution" in ODA as regards goals, players and instruments (all mushrooming), questioning the validity of the current definition of ODA in terms of loans and grants from governments. Key drivers of the rethink have been the changing landscape and nature of aid, notably the new non-DAC donors (accounting for 15 per cent of global ODA) and other actors such as the foundations; the new modalities (innovative finance mechanisms) and the likely dwarfing of traditional ODA by climate financing; and new institutions such as cash-on-delivery and output-based aid (see Birdsall and Savedoff, 2010).

In short, the very definition of what aid is and what it hopes to achieve are on the table for discussion. Add to the mix some pressing timelines such as that for the Paris Declaration in December 2010 and the post-MDG debates that are likely to emerge following the September 2010 MDG summit, and we have some fundamental questions. What aid modalities are appropriate for different types of countries? And what indicators of aid effectiveness make sense in different countries? Is poverty reduction, as a goal for aid, achieved at the expense of societal change and thus future emancipation from aid? If the poor live in stable MICs, do those countries need aid flows or are domestic resources available? Whose "responsibility" are the poor in MICs: donors or governments or both? If most stable MICs do not need aid (judging by their aid dependency ratios) should aid flows be redirected to LICs, to FCAS LICs and/or to global public goods? What should the donor-recipient partnership/strategy and aid instruments for MICs be? Do we need new/different aid objectives and new/different aid instruments?

In sum, if most of the world's poor live in MICs, a considerable research agenda is required to address the implications of this for research and policy for global poverty reduction.

ANNEX 1. COUNTRY CLASSIFICATIONS

WORLD BANK LIC/MIC CLASSIFICATIONS

The short history on the web of the Bank's classifications notes that the thresholds were established by

> finding a stable relationship between a summary measure of well-being such as poverty incidence and infant mortality on the one hand 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 the Bank's resources, the original per capita income thresholds were established. [9]

The World Bank's Operational Manual (2010, Annex D: 7) notes "countries are eligible for IDA on the basis of (a) relative poverty and (b) lack of creditworthiness … To receive IDA resources, countries must also meet tests of performance".[10]

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—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; Part 2 countries were less developed countries of which only a subset could be expected to draw on IDA's concessional resources.] When the operational guidelines were established in the 1970s, the thresholds were based on cross-country analysis that looked at various other indicators besides per capita income, such as the manufacturing sector's contribution to GDP, export growth, infant mortality, nutrition, and the education standard reached. While it was recognised that per capita income did not, by itself, constitute or measure welfare or success in development, countries at various income levels, taken as a group, did exhibit similar characteristics for these other indicators that were studied. The thresholds are those formalised in FY77.[11]

The current FY 2010 thresholds are:

- Low-income countries are those with GNI per capita of less than US$995, 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 an international competitive bidding process).
- Lower-middle income status is currently US$996–3,945 per capita.

IDA eligibility and IDA allocation are an additional layer of complexity because the World Bank has resource constraints. IDA loans are interest-free loans and grants (that is, they are highly concessional, unlike IBRD loans which are non-concessional) and are based on the Bank's IDA allocation threshold or ability to lend since FY1994. The IDA eligibility threshold (the ceiling for eligibility) is up to US$1,905 per capita based on a historical formula that is no longer applied because of insufficient resources. Instead, there is the IDA allocation threshold (the actual or effective operational cut-off for IDA eligibility), which is US$1,165 per capita. Effectively, there is one historical formula to determine need for IDA (the IDA eligibility threshold) and another formula since 1994 to determine what the IDA is able to deliver (the IDA allocation threshold) based on World Bank resources.

In sum, countries with GNI per capita below the "civil works preference" are LICs. Then it becomes more complex. Countries whose GNI per capita is higher than the "civil works preference" but lower than the threshold for 17-year IBRD loans are LMICs. Countries whose GNI per capita is higher than the operational threshold for 17-year IBRD loans are UMICs (although this is only as the LMIC/UMIC threshold because the IBRD categories were streamlined and the 17-year operational threshold was eliminated in 2008). Further, an explicit benchmark of US$6,000 per capita (1987 prices) was established in 1989 to differentiate between MICs and HICs.

COUNTRY CLASSIFICATIONS—FCAS

TABLE A1

Key Differences between FCAS Lists

FCAS Index/List	The Brookings Index of State Weakness in the Developing World	Carleton University Country Indicators for Foreign Policy project	World Bank's Country Policy and Institutional Assessments List (CPIA)
Definition used for fragile and conflict-affected	Fragile states are those countries where there is "occurrence and intensity of violent conflict or its residual effects (e.g. population displacement), illegal seizure of political power, perceptions of political instability, territory affected by conflict and state-sponsored political violence and gross human rights abuses." Bottom two quintiles of rankings are FCAS.	Assessment of basic security within borders, basic social needs and/or the political legitimacy to effectively represent their citizens at home or abroad. Fragile states lack the functional authority to provide basic security within their borders, the institutional capacity to provide basic social needs for populations and/or political legitimacy to effectively represent citizens at home and abroad.	CPIA divide low-income countries into five categories, the lowest two of which are fragile states that have a CPIA rating of 3.2 or less. There is a separate group of unranked countries, also deemed fragile. List excludes MICs. Defined as fragile state if it is LIC, IDA-eligible, with CPIA score of 3.2 or below. Core fragile is CPIA below 3.0, marginal if between 3.2 and 3.0.
Broad areas covered in indicators used in constructing index	*Economic*: recent economic growth; quality of existing policies; conducive to private sector development; degree of equitable income distribution. *Political*: quality of institutions; extent to which citizens accept legitimacy of government; government accountability to citizens; rule of law; extent of corruption; democratisation; freedom of expression/ association; ability of state bureaucracy. *Security*: ability of state to provide physical security for citizens. Measures: occurrence and intensity of violent conflict or residual effects (e.g. population displacements); illegal seizure of political power; perceptions of political instability; territory affected by political instability and state-sponsored violence and human rights abuses. *Social welfare*: how well state meets basic needs including nutrition, health, education and access to clean water/sanitation.	*Governance*: freedom of press; government effectiveness; perception of level of corruption; level of democracy; refugees hosted; restrictions on civil liberty; rule of law. *Economic*: GDP growth; percentage GDP per capita; total GDP; FDI; foreign aid, inequality; Gini coefficient; inflation; informal economy; unemployment; women in labour force. *Security and crime*: conflict intensity; human rights; military expenditure; political stability; refugees produced; terrorism. *Human development*: access to water/sanitation; education; food security; health infrastructure; prevalence of HIV/AIDS; HDI; literacy. *Demography*: life expectancy; migration; population density/diversity; population growth; slum population. *Environment*: arable/fertile land; consumption of energy; disaster risk index; pollution; change in annual percentage of forest cover.	*Economic management*: macroeconomic management; fiscal policy; debt policy. *Structural policies*: trade; financial sector; business regulatory environment. *Policies for social inclusion/ equity*: gender equality; equity of public resource use; building human resources; social protection and labour; policies and institutions for environmental sustainability. *Public sector management and institutions*: property rights and rule-based government; quality of budgetary/financial management; efficiency of revenue mobilisation; quality of public administration; transparency/accountability and corruption in public sector.

Sources: Brookings Index: www.brookings.edu/reports/2008/02_weak_states_index.aspx; World Bank CPIA: www.worldbank.org; Carleton CFIP: www.carleton.ca/cifp.

Note: There is also the Foreign Policy/Fund for Peace "Failed States Index". This assesses extremities such as loss of physical control of territory. It is composed of 12 indicators. See www.foreignpolicy.com/articles/2010/06/21/2010_failed_states_index_interactive_map_and_rankings.

TABLE A2

Comparison of FCAS Lists (bold indicates countries common to all 3 lists)

The Brookings Index of State Weakness in the Developing World 2008	Carleton University Country Indicators for Foreign Policy project (CIFP) 2008	World Bank's Country Policy and Institutional Assessments List (CPIA) 2008	Aggregated list (all 3 lists) used in OECD (2010)
28 countries	*30 countries*	*32 countries*	*43 countries*
Afghanistan	Afghanistan	Afghanistan	**Afghanistan**
Angola	Angola	Angola	**Angola**
Burma	Burundi	Burundi	**Burundi**
Burundi	Central Afr. Rep.	Cameroon	Cameroon
Central Afr. Rep.	Chad	Central Afr. Rep.	**Central Afr. Rep.**
Chad	Comoros	Chad	**Chad**
Congo, Dem. Rep.	Congo, Dem. Rep.	Comoros	Comoros
Congo, Rep.	Côte d'Ivoire	Congo, Dem. Rep.	**Congo, Dem. Rep.**
Côte d'Ivoire	Djibouti	Congo, Rep.	Congo, Rep.
Equatorial Guinea	Equatorial Guinea	Côte d'Ivoire	**Côte d'Ivoire**
Eritrea	Eritrea	Djibouti	Djibouti
Ethiopia	Ethiopia	Eritrea	Equatorial Guinea
Guinea	Guinea	Gambia, The	**Eritrea**
Guinea-Bissau	Guinea-Bissau	Guinea	Ethiopia
Haiti	Haiti	Guinea-Bissau	Gambia, The
Iraq	Iraq	Haiti	**Guinea**
Liberia	Kenya	Kiribati	**Guinea-Bissau**
Nepal	Liberia	Pakistan	**Haiti**
Niger	Myanmar (Burma)	Papua New Guinea	Iraq
Nigeria	Nepal	Sao Tome And Principe	Kenya
North Korea	Nigeria	Sierra Leone	Kiribati
Rwanda	Pakistan	Solomon Islands	**Liberia**
Sierra Leone	Sierra Leone	Sudan	Myanmar
Somalia	Somalia	Tajikistan	Nepal
Sudan	Sudan	Timor-Leste	Niger
Togo	Togo	Togo	Nigeria
Uganda	Uganda	Tonga	North Korea
Zimbabwe	West Bank and Gaza	Yemen, Rep.	Pakistan
	Yemen, Rep.	Zimbabwe	Papua New Guinea
	Zimbabwe	Plus Unrated:	Rwanda
		Liberia	Sao Tome And Principe
		Myanmar	**Sierra Leone**
		Somalia	Solomon Islands
			Somalia
			Sudan
			Tajikistan
			Timor-Leste
			Togo
			Tonga
			Uganda
			West Bank and Gaza
			Yemen, Rep.
			Zimbabwe

Sources: Brookings Index: www.brookings.edu/reports/2008/02_weak_states_index.aspx ; World Bank CPIA: www.worldbank.org; Carleton CIFP: www.carleton.ca/cifp/.

Note: Thanks to Dan Coppard, Development Initiatives.

ANNEX 2. POVERTY ESTIMATES, 2007–2008

TABLE A3

Poverty Estimates by Monetary, Educational, Nutritional and Multidimensional Poverty (millions, 2007–2008 or nearest available year)

	Population living under US$1.25 pc/day	Children out of primary school	Children malnourished (below height)	Children malnourished (below weight)	Multidimensional poor
Afghanistan	…	…	2.701	1.498	…
Albania	0.062	0.023	0.060	0.015	0.030
Algeria	…	0.142	0.735	0.350	…
American Samoa	…	…	…	…	…
Andorra	…	0.001	…	…	…
Angola	7.755	…	1.557	0.843	13.614
Antigua and Barbuda	…	0.003	…	…	…
Argentina	1.326	0.035	0.272	0.076	1.181
Armenia	0.112	0.008	0.038	0.009	0.070
Aruba	…	0.000	…	…	…
Australia	…	0.055	…	…	…
Austria	…	0.007	…	…	…
Azerbaijan	0.168	0.020	0.179	0.056	0.461
Bahamas, The	…	0.003	…	…	…
Bahrain	…	0.001	…	…	…
Bangladesh	76.010	1.545	7.537	7.205	91.166
Barbados	…	…	…	…	…
Belarus	0.194	0.036	0.021	0.006	0.002
Belgium	…	0.015	…	…	…
Belize	…	0.000	0.008	0.002	0.017
Benin	3.483	0.099	0.595	0.269	6.044
Bermuda	…	0.000	…	…	…
Bhutan	0.161	0.016	…	…	…
Bolivia	1.130	0.070	0.403	0.073	3.446
Bosnia and Herzegovina	0.076	…	0.021	0.003	0.031
Botswana	…	0.011	0.062	0.023	…
Brazil	9.905	0.906	1.229	0.381	16.205
Brunei Darussalam	…	0.001	…	…	…
Bulgaria	0.156	0.010	0.029	0.005	…
Burkina Faso	7.267	1.048	1.119	0.941	12.142
Burundi	6.183	0.122	0.685	…	6.591
Cambodia	3.701	0.212	0.621	0.453	7.703
Cameroon	5.329	0.338	1.028	0.469	10.211
Canada	…	0.013	…	…	…
Cape Verde	0.092	0.009	…	…	…

Cayman Islands	…	0.000	…	…	…
Central African Republic	2.471	0.284	0.288	0.141	3.716
Chad	5.801	0.594	0.831	0.629	6.667
Channel Islands	…	…	…	…	…
Chile	0.329	0.087	0.026	0.007	…
China	207.559	…	19.066	5.947	165.787
Colombia	6.997	0.265	0.720	0.227	4.090
Comoros	0.271	0.022	0.042	0.022	0.444
Congo, Dem. Rep. of	36.006	5.768	5.176	3.187	45.740
Congo, Rep.	1.848	0.192	0.166	0.063	2.012
Costa Rica	0.089	…	…	…	…
Côte d'Ivoire	4.219	…	1.205	0.502	10.484
Croatia	0.089	0.002	…	…	0.070
Cuba	…	0.009	…	…	…
Cyprus	…	0.000	…	…	…
Czech Republic	…	0.036	0.012	0.010	0.001
Denmark	…	0.016	…	…	…
Djibouti	0.144	0.071	0.028	0.027	0.235
Dominica	…	0.003	…	…	…
Dominican Republic	0.434	0.175	0.109	0.037	1.083
Ecuador	0.626	0.012	0.413	0.088	0.294
Egypt, Arab Rep.	1.543	0.461	2.788	0.617	5.138
El Salvador	0.393	0.041	0.156	0.039	…
Equatorial Guinea	…	0.025	0.034	0.010	…
Eritrea	…	0.328	0.321	0.253	…
Estonia	0.027	0.003	…	…	0.094
Ethiopia	29.148	3.109	6.380	4.354	70.709
Faeroe Islands	…	…	…	…	…
Fiji	…	0.006	…	…	…
Finland	…	0.013	…	…	…
France	…	0.030	…	…	…
French Polynesia	…	…	…	…	…
Gabon	0.066	0.037	0.047	0.016	0.495
Gambia, The	0.493	0.062	0.070	0.040	0.967
Georgia	0.600	0.016	0.034	0.005	0.035
Germany	…	0.004	0.047	0.040	…
Ghana	6.716	0.918	0.894	0.442	6.894
Greece	…	0.002	…	…	…
Greenland	…	…	…	…	…
Grenada	…	0.001	…	…	…
Guam	…	…	…	…	…
Guatemala	1.524	0.069	1.106	0.360	3.466

Guinea	6.221	0.402	0.609	0.349	7.906
Guinea-Bissau	0.668	0.089	0.119	0.043	…
Guyana	…	0.001	0.014	0.008	0.110
Haiti	4.832	…	0.367	0.234	5.556
Honduras	1.279	0.071	0.283	0.081	2.349
Hong Kong SAR, China	…	0.010	…	…	…
Hungary	0.202	0.020	…	…	0.076
Iceland	…	0.001	…	…	…
India	455.830	5.564	61.228	55.604	644.958
Indonesia	66.053	0.492	8.475	4.143	46.666
Iran, Islamic Rep. of	1.382	0.020	…	…	…
Iraq	…	0.572	1.189	0.307	4.203
Ireland	…	0.014	…	…	…
Isle of Man	…	…	…	…	…
Israel	…	0.021	…	…	…
Italy	…	0.019	…	…	…
Jamaica	0.053	0.050	0.010	0.006	…
Japan	…	0.000	…	…	…
Jordan	0.111	0.055	0.085	0.025	0.159
Kazakhstan	0.310	0.009	0.210	0.059	0.090
Kenya	7.063	0.812	2.129	0.981	22.835
Kiribati	…	0.000	…	…	…
Korea, DPR	…	…	0.740	0.295	…
Korea, Rep.	…	0.045	…	…	…
Kosovo	…	…	…	…	…
Kuwait	…	0.013	…	…	…
Kyrgyz Republic	0.179	0.038	0.092	0.014	0.258
Lao PDR	2.461	0.165	0.362	0.240	2.882
Latvia	0.046	0.007	…	…	0.007
Lebanon	…	0.055	0.056	0.014	…
Lesotho	0.850	0.101	0.124	0.045	0.961
Liberia	3.034	0.109	0.220	0.114	3.022
Libya	…	…	0.139	0.037	…
Liechtenstein	…	0.000	…	…	…
Lithuania	0.069	0.008	…	…	…
Luxembourg	…	0.001	…	…	…
Macao SAR, China	…	…	…	…	…
Macedonia, FYR	0.041	0.009	0.014	0.002	0.038
Madagascar	11.948	0.019	1.549	1.079	13.114
Malawi	9.807	0.383	1.313	0.382	10.406
Malaysia	0.503	0.080	…	…	…
Maldives	…	0.001	0.008	0.007	…

Mali	6.232	0.658	0.788	0.571	10.806
Malta	…	0.002	…	…	…
Marshall Islands	…	0.003	…	…	…
Mauritania	0.551	0.094	0.131	0.105	1.912
Mauritius	…	0.009	…	…	…
Mayotte	…	…	…	…	…
Mexico	4.201	0.080	…	0.360	4.278
Micronesia, Fed. States of	…	…	…	…	…
Moldova	0.087	0.024	…	0.006	0.081
Monaco	…	…	…	…	…
Mongolia	0.059	0.010	…	0.012	0.410
Montenegro	0.012	…	…	0.001	0.009
Morocco	0.781	0.395	…	0.293	8.892
Mozambique	14.776	0.863	…	0.782	17.475
Myanmar	…	…	…	1.363	6.969
Namibia	…	0.032	0.080	0.047	0.832
Nepal	14.704	0.718	1.797	1.414	18.322
Netherlands Antilles	…	0.001	…	…	…
Netherlands, The	…	0.016	…	…	…
New Caledonia	…	…	…	…	…
New Zealand	…	0.002	…	…	…
Nicaragua	0.862	0.019	0.126	0.029	2.281
Niger	8.632	1.265	1.459	1.062	13.070
Nigeria	88.592	8.650	10.163	6.429	93.832
Northern Mariana Islands	…	…	…	…	…
Norway	…	0.007	…	…	…
Oman	…	0.103	…	…	…
Pakistan	35.189	7.173	9.468	7.141	88.276
Palau	…	…	…	…	…
Panama	0.312	0.004	…	…	…
Papua New Guinea	…	…	0.403	0.166	…
Paraguay	0.395	0.058	…	…	0.809
Peru	2.192	0.011	0.889	0.161	5.645
Philippines	19.702	1.115	2.906	2.729	11.158
Poland	0.763	0.109	…	…	…
Portugal	…	0.006	…	…	…
Puerto Rico	…	…	…	…	…
Qatar	…	0.001	…	…	…
Romania	0.431	0.030	0.137	0.037	…
Russian Federation	2.842	…	…	…	1.795
Rwanda	6.092	0.033	0.782	0.272	7.730

Samoa	…	0.000	…	…	…
San Marino	…	…	…	…	…
Sao Tome and Principe	0.041	0.000	0.008	0.002	0.103
Saudi Arabia	…	0.502	0.264	0.151	…
Senegal	3.779	0.523	0.381	0.275	7.964
Serbia	0.147	0.005	0.048	0.011	0.081
Seychelles	0.002	0.000	…	…	…
Sierra Leone	2.526	…	0.412	0.249	4.399
Singapore	…	…	0.009	…	…
Slovak Republic	…	0.020	…	…	0.000
Slovenia	0.040	0.003	…	…	0.000
Solomon Islands	…	0.026	…	…	…
Somalia	…	…	0.644	0.502	7.061
South Africa	11.528	0.503	…	…	1.510
Spain	…	0.006	…	…	…
Sri Lanka	2.639	0.003	0.302	0.369	1.061
St. Kitts and Nevis	…	0.002	…	…	…
St. Lucia	…	0.001	…	…	…
St. Vincent and the Grenadines	…	0.000	…	…	…
Sudan	…	3.195	2.167	1.812	…
Suriname	…	0.009	0.008	…	0.037
Swaziland	0.687	0.037	0.047	0.010	0.494
Sweden	…	0.040	…	…	…
Switzerland	…	0.008	…	…	…
Syrian Arab Republic	…	0.071	0.740	0.259	1.134
Tajikistan	1.387	0.017	0.285	0.128	1.145
Tanzania	30.213	0.033	3.061	1.151	26.952
Thailand	1.306	…	0.760	0.339	1.105
Timor-Leste	0.396	0.064	0.092	0.067	…
Togo	2.377	0.143	0.254	0.204	3.416
Tonga	…	0.000	…	…	…
Trinidad and Tobago	…	0.004	0.005	0.004	0.073
Tunisia	0.244	0.007	0.069	0.025	0.285
Turkey	1.853	0.507	1.022	0.229	6.183
Turkmenistan	…	…	…	…	…
Uganda	14.789	0.283	2.180	0.924	…
Ukraine	0.925	0.163	0.454	0.081	1.014
United Arab Emirates	…	0.003	…	…	0.025
United Kingdom	…	0.066	…	…	…
United States	…	1.815	0.816	0.272	…
Uruguay	0.066	0.007	0.036	0.015	0.056

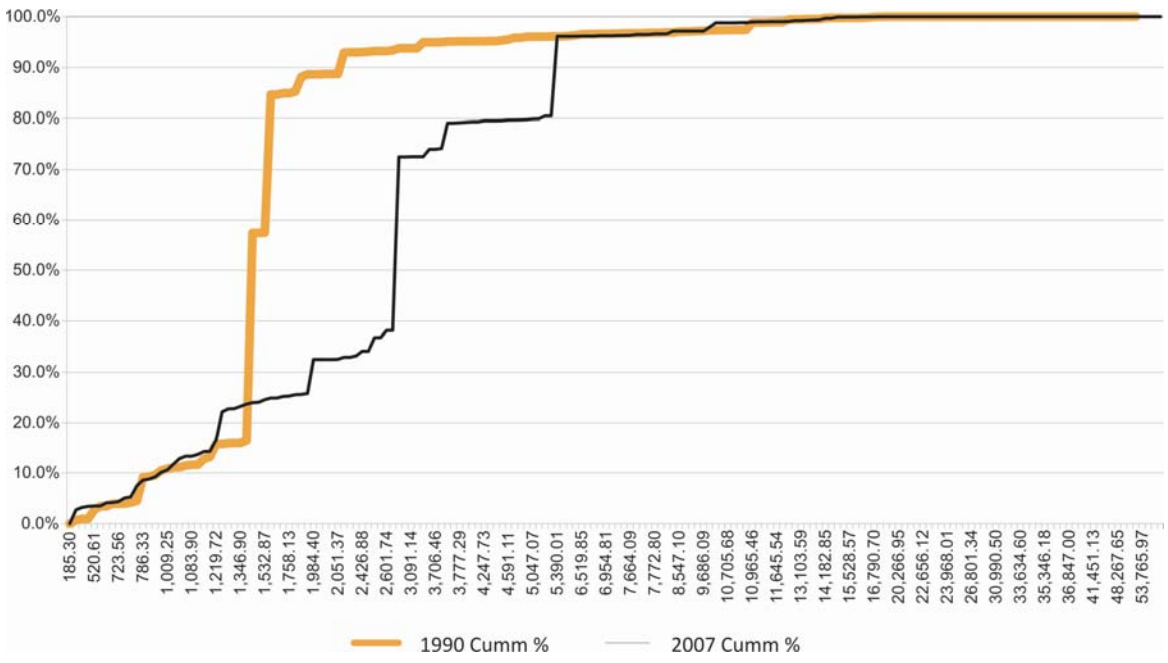
Uzbekistan	11.833	0.172	0.511	0.115	0.625
Vanuatu	…	0.001	…	…	…
Venezuela	0.954	0.195	…	…	…
Vietnam	18.047	0.513	2.702	1.524	12.313
Virgin Islands (U.S.)	…	…	…	…	…
West Bank and Gaza	…	0.108	0.078	0.015	0.028
Yemen, Rep. of	3.685	1.037	2.007	1.499	11.710
Zambia	7.376	0.132	0.981	0.319	7.830
Zimbabwe	…	0.224	…	0.238	4.769
Countries with data as % global population	**80%**	**74%**	**81%**	**84%**	**78%**

Sources: Processed from WDI; MPI data from OHPI MPI database.

Note: Author notes some discrepancies in WDI data for income poverty versus other poverty counts, which suggests income poverty is underestimated.

FIGURE A1

Cumulative Poor, 1988-1990 versus 2007-2008



ANNEX 3. THE POST-2000 MICS

TABLE A4

The 27 New MICs: Key Macroeconomic Indicators

Country (graduation year by year of data)	Total reserves in months of imports		Net ODA received (% of GNI)		Net ODA received (% of gross capital formation)		Employment in agriculture (% of total employment)		Gini index		Tax revenue (% of GDP)	
	1988–90	2007–8	1988–90	2007–8	1988–90	2007–8	1988–90	2007–8	1988–90	2007–8	1988–90	2007–8
Angola (2004)	0.59	3.85	3.24	0.49	22.11	2.97	5.10	…	…	58.64	…	…
Armenia (2002)	0.55	4.83	0.13	3.69	0.33	10.06	…	46.20	…	30.25	…	15.96
Azerbaijan (2003)	1.11	3.46	2.09	0.81	0.11	3.17	30.90	38.70	34.96	16.83	25.56	16.74
Bhutan (2006)	…	…	15.45	8.00	50.50	18.61	…	43.60	…	46.74	4.70	7.93
Cameroon (2005)	0.15	5.37	4.16	9.26	22.37	52.06	76.90	60.60	…	44.56	9.77	…
Congo, Rep. (2005)	0.07	3.16	9.34	2.35	48.78	6.54	…	…	…	47.32	…	6.24
Côte d'Ivoire (2008)	0.06	3.14	7.45	0.90	95.05	9.95	…	…	36.89	48.39	…	15.48
Georgia (2003)	…	2.57	0.00	3.72	0.01	11.66	…	53.40	…	40.80	…	17.72
India (2007)	2.04	11.16	0.45	0.12	1.82	0.30	…	…	…	36.80	10.11	12.39
Indonesia (2003)	3.14	5.31	1.57	0.24	4.89	0.83	55.90	41.20	…	37.58	17.75	12.33
Lesotho (2005)	1.12	5.31	14.84	6.17	42.92	31.73	…	…	57.94	52.50	37.41	54.37
Moldova (2005)	2.78	3.48	…	5.54	…	15.91	33.80	32.80	34.32	37.35	…	20.57
Mongolia (2007)	0.57	6.24	0.70	6.23	1.75	15.09	39.50	37.70	33.20	36.57	13.15	25.30
Nicaragua (2005)	2.18	2.74	33.36	15.02	169.37	46.19	39.30	29.10	56.38	52.33	26.27	17.97
Nigeria (2008)	5.03	10.93	1.00	1.27	…	…	46.90	…	44.95	42.93	…	…
Pakistan (2008)	1.10	4.44	2.70	1.54	14.87	6.96	51.10	43.60	33.23	31.18	13.32	9.84
Sao Tome and Principe (2008)	…	5.50	…	23.82	…	…	39.90	27.90	…	50.60	…	…
Senegal (2009)	0.13	3.55	14.70	7.77	155.36	24.94	…	33.70	54.14	39.19	…	16.12
Solomon Islands (2008)	1.29	3.85	22.02	48.83	74.49	306.74	…	…	…	…	…	…
Sudan (2007)	0.13	1.26	7.13	5.07	58.53	18.84	…	…	…	…	…	…
Timor-Leste (2007)	…	…	…	16.10	…	…	…	…	…	31.92	…	…
Turkmenistan (2000)	…	…	0.95	0.33	2.59	8.82	…	…	26.17	…	…	…
Tuvalu (2009)	…	…	…	…	…	…	…	…	…	…	…	…
Ukraine (2002)	0.43	5.10	…	0.30	…	1.10	…	11.00	42.33	47.06	16.20	17.77
Uzbekistan (2009)	…	…	0.48	0.76	2.41	3.91	41.20	…	24.95	36.72	…	…
Vietnam (2009)	…	4.08	2.98	3.77	22.20	8.48	…	57.90	35.68	37.77		
Yemen (2009)	2.05	8.39	8.34	1.04	56.92	8.71	52.60	…	39.45	37.69	10.86	
Average for countries with 2 data points	**1.3**	**5.0**	**7.0**	**5.8**	**40.4**	**28.4**	**45.9**	**39.0**	**40.6**	**39.7**	**18.3**	**19.4**

Source: WDI.REFERENCES.

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NOTES

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2. Klasen (2010), among others, has noted that these results probably overestimate poverty rates in China and India because they are driven in part by the recalculation of the 2005 PPP data.

3. However, the recent Ravallion and Chen (March 2010) estimate for the impact of the economic crisis on MDG 1 at US$1.25/day was to add 65 million more poor people in 2009 and 2010. The World Bank (2010: 115) estimates are that if recovery from the current economic recession is rapid there will be an estimated 918 million poor people in 2015. If recovery is weak there will be 1.132 billion poor people in 2015. In either case about 40 per cent of the world's poor will live in sub-Saharan Africa.

4. The World Bank uses such estimates for operational purposes and for lending as a measure of poverty on which to base IDA credit allocations; to distinguish more advanced countries that should receive IBRD loans; and for countries where preference is granted to domestic civil works contractors.

5. Collier's focus on the poorest countries (LICs and "fragile states") has been acted upon by a number of donors such as Britain's Department for International Development (DFID) and the World Bank, for instance in terms of priorities chosen and programmes funded. Take, as one example, DFID's (2009: 71,129) White Paper, which allocated half of all new bilateral country funding to fragile states and noted the closing of nine country offices between 2007 and 2010, thus echoing Collier that development agencies should stop aid to countries on a path to sustained growth and focus on the core problem of the bottom billion.

6. For example, *The Lancet* estimated just six countries account for 50 per cent of under-five mortality (U5M) (over 5 million children). These are a mix of fragile and non-fragile populous countries: India, Nigeria, Democratic Republic of Congo, Ethiopia, Pakistan and China (and 42 countries account for 90 per cent of U5M: Bryce et al., 2005). Similarly, maternal deaths are concentrated in 11 countries, which account for 65 per cent of all maternal deaths (348,400 women). Again, many are fragile states but some are not: India, Nigeria, Democratic Republic of Congo, Afghanistan, Ethiopia, Bangladesh, Indonesia, Pakistan, Niger, Tanzania and Angola (WHO/UNICEF/UNFPA/World Bank, 2007). Both sets of estimates were recently and contentiously revised (see Hogan et al., 2010; You et al., 2010).

7. When Harttgen and Klasen (2010) assessed the usefulness of the concept of "fragility" and how lists differ, they concluded that the heterogeneity of countries under various FCAS classifications is so great it is not useful to treat them as a group because the problems they face and the solutions differ greatly.

8. We could take these proportions and extrapolate the millions of poor people based on the proportions of the world's poor. However, here we simply list actual data in millions for countries with data in our dataset.

9. See http://data.worldbank.org/about/country-classifications/a-short-history.

10. The World Bank Operational Manual for July 2010 is available at http://siteresources.worldbank.org/OPSMANUAL/Resources/OP310_AnnexD_July2010_decCorrections_06292010.pdf.

11. Personal email communication, 18 August 2010.

International Policy Centre for Inclusive Growth

International Policy Centre for Inclusive Growth (IPC - IG)
Poverty Practice, Bureau for Development Policy, UNDP
Esplanada dos Ministérios, Bloco O, 7º andar
70052-900 Brasilia, DF - Brazil
Telephone: +55 61 2105 5000

E-mail: ipc@ipc-undp.org ▪ URL: www.ipc-undp.org