

Wealth, poverty and fragile states

MIFFed by misrule

A new category of countries mixes modest affluence with miserable governance

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MOST people think they know what a failed state looks like. An obvious one is Somalia, where an outbreak of famine in the south was formally acknowledged by the United Nations this week. Help has started to trickle in after the Shabab, an Islamist militia, lifted its ban on aid agencies that it once termed anti-Muslim. In most ways the afflicted region epitomises the collapse of authority: extremists control roads and markets; the government is powerless outside the capital; outsiders provide what little assistance exists.

But not all failed or fragile states look like Somalia. This month the World Bank issued its annual list of countries by income category: rich, middle, poor. Several African countries are faring rather better than Somalia; they have graduated from poor to middle-income status. Yet strikingly, some 15 of the 56 countries on the bank's lower-middle income list (ie, over a quarter) also appear on the list of fragile and failed states maintained by the OECD, a rich-country club. They range from Côte d'Ivoire to Yemen; the most important of them are Pakistan and Nigeria. State failure, it appears, does not necessarily go hand in hand with other human woes, such as poverty.

Why should it matter that a group of countries has crossed some arbitrary line separating poor from middle-income status? Perhaps, some may say, it shows that state failure is an extremely elastic term, embracing both countries in total collapse (Somalia, Chad) and those which merely contain large ungoverned spaces. In fact, the emergence of a group of middle-income but failed or fragile states is more than a curiosity. The group—call them MIFFs—includes countries crucial to the future of west Africa and South Asia. The new state of South Sudan (see picture), which combines oil wealth with instability and underdevelopment, will surely join its ranks.

The group matters for several reasons. Although its members may be semi-prosperous when measured by income per person, they contain a large and rising share of very poor people. Geoffrey Gertz and Laurence Chandy of the Brookings Institution, a Washington, DC, think-tank, calculate* that MIFF countries account for roughly 180m of the world's neediest people (those living on less than \$1 a day). That is 17% of the total number of the world's poorest—more than the 10% who live in poor but stable countries. Anybody concerned with alleviating world poverty must reckon with the MIFFs.

The category has also grown fast. Failed states were once poor almost by definition. The World Bank's fund for helping fragile states is called the Low-Income Country Under Stress fund; once countries stop being low-income, they no longer qualify as "under stress", even if they are. In 2005, MIFF countries contained fewer than 15m people living on less than \$1 a day, not even 1% of the world's poorest. Since then, the group has expanded mostly because once-poor states have grown richer, but no more functional. It is rarer to find a middle-income state in which law and order once existed but later failed.

And that points to one broad lesson from the emergence of this new group. Indigent places are often racked by chaos; but somewhat better-off ones are not necessarily more stable. This year's World Development Report (WDR)** showed that violence plays a greater role than once thought in keeping countries poor. Yet countries do escape poverty, and do not always grow more peaceable in the process.

As a background paper to the WDR shows, almost 70% of wars and conflicts took place in the poorest quarter of countries in the 1960s; little more than 10% then took place in the next quarter up, the lower-middle income countries. In the 2000s, however, that changed. The share of conflicts in the poorest group fell below 40%; the share in the lower-middle group rose to over 40%. Strife is getting more common in lower-middle income countries, and weak government is at least as big a predictor of violence as poverty itself.

The MIFFs are a headache for aid donors. Middle-income states in general need little financial support or technical advice. Yet the MIFFs contain many poor people whom the local government cannot or will not help. As Andy Sumner of the Institute of Development Studies at Sussex University has argued, the West's aid business has grown up in poor, stable places, such as Tanzania. The UN's millennium development goals, like most other aid declarations, reflect the old way of doing aid. Donors admit that what works in poor, stable countries probably won't in those which are not poor and not stable.

Poor little richer kids

Countries on OECD list of fragile states and categorised by World Bank as lower-middle income
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	Brookings list	Carleton University list	World Bank list
Angola	✓	✓	✓
Cameroon	✗	✗	✓
Congo-Brazzaville	✓	✗	✓
Côte d'Ivoire	✓	✓	✓
Djibouti	✗	✓	✓
Iraq	✓	✓	✗
Kiribati	✗	✗	✓
Nigeria	✓	✓	✗
Pakistan	✗	✓	✓
Papua New Guinea	✗	✗	✓
São Tomé and Príncipe	✗	✗	✓
Solomon Islands	✗	✗	✓
Sudan	✓	✓	✓
Timor-Leste	✗	✓	✓
Tonga	✗	✗	✓
West Bank and Gaza	✗	✓	✗
Yemen	✗	✓	✓

Sources: Brookings; Carleton CIFP;
OECD; World Bank; *The Economist*

MIFFs also pose a big problem for Western governments which want to influence them. Being no longer poor, their elites rarely see the need for aid, military or developmental. Being fragile, their governments often consist of complex, fractious coalitions that are hard to deal with. The combination is deadly. Look at Pakistan. In a warning to the country, America's Congress this month suspended \$800m worth of aid. That drew barely a flicker from the government of President Asif Ali Zardari. The aid is worth less than 1% of GDP. Internal political calculations matter more than external ones.

The MIFF phenomenon is not entirely new. Papua New Guinea and Equatorial Guinea—both undeveloped places with big extractive industries—are longstanding examples. But until recently, there were few of them and they mattered less. Now countries like Pakistan, Yemen and Nigeria may pose bigger problems to the West than traditional failed states, such as Congo, whose disasters are mostly visited on their unfortunate citizens.

*Two Trends in Global Poverty, by Geoffrey Gertz and Laurence Chandy. Brookings Institution, 2011
**Conflict, Security and Development, The World Bank.

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