



Classification of Developing Countries

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Definition and classification of developing countries

- There is no clear definition of developing countries
- Low level of development: economically, socially, politically
- Variety of synonyms for the term developing country:
- e.g. Third World, Less Developed Countries or even Fourth World = least developed countries
- Although controversial, there are attempts to identify common characteristics between the different developing countries.
- There are also some similarities between developing countries and developed countries

Economic Characteristics

- Low income per capita
- Low savings and investment
- Extremely unequal distribution of income
- Importance of the primary sector and informal sector
- Poor trading conditions (Terms of Trade)
- Adverse trade balance and unilateral range of export goods
- Capital flight and high foreign indebtedness
- High unemployment
- Inadequate infrastructure
- High regional disparities between urban centers and periphery

Good Governance and corruption

Good Governance

- Lack of Good Governance and legal certainty
- Authoritarian state and violation of human rights
- Clientelism
- Low taxation of top incomes and upper class

Corruption

- Use of government revenue for the enrichment of the upper class

Demographic and Ecological Characteristics

Demographic characteristics

- High birth rates; high but declining mortality rate
- High population growth and low life expectancy
- High regional disparities between urban centers and periphery

Ecological characteristics

- Environmental degradation due to uncontrolled urbanization
- Deforestation of tropical forests
- Groundwater pollution and contamination due to inadequate environmental standards

Newly Industrialized Countries

- Newly Industrialized Countries: still part of developing countries, but no longer have the typical characteristics of developing countries.

Examples: Taiwan, Singapore, Hong Kong, South Korea

- These countries generally have the following characteristics:
 - Above-average growth rate, which in part exceed OECD countries' growth rate of the
 - Similar labor productivity as the OECD countries, but low wages
 - Processing industry, production of capital goods and investments in tangible and social infrastructure as well as human capital
 - High Income Countries (About \$ 12'475)

Classification based on average per capita income (World Bank,2011):

- Low Income Countries: Up to \$ 1,025
- Middle Income Countries:
 - Lower Category: \$ 1025 to \$ 4035
 - Medium Category: \$ 4,036 to \$ 12'475
- High Income Countries: higher than \$ 12'475

Least Developed Countries

- A socio-economic status defined by the United Nations:
48 particularly poor countries everywhere in the world
- The least-developed countries are often called "Fourth World".
- Until 1990, decisive criteria for classification as LDC:
 - Income Per Capita,
 - Share of industry in (GDP)
 - Literacy rate
- 1991 four new comprehensive criteria to take into account also long-term development obstacles: e.g. structural weaknesses and low level of development of human resources

Least Developed Countries

- The Committee for Development Policy used for the entry in the last Review (2009) the following three criteria:
 1. Gross national income per head in the three-year average
 - Admission criteria: less than 992 US \$
 - Rise criterion: over 1,190 US \$
 2. Human Assets Index(HAI): Review of social features such as health and education. Replaces former Augmented Physical Quality of Life Index (APQLI)
 3. Economic Vulnerability Index (EVI): Measure of the vulnerability of societies and replaces the Economic Diversification Index (EDI)
- To be included in the list, all three criteria must be met.
- A country may be removed from the list, if it exceeds the (upper) limit values of at least two of the three Criteria in at least two consecutive checks

World map of LDC 2012



Social indicators, depending on the GDP (2011), worldbank , *2009 **2008

	Low income < \$ 1,025	The median income: lower category \$ 1.026- \$ 4,035	The median income: middle class \$ 4.036- \$ 12,475	high income > \$ 12,476
example country	Burkina Faso (\$570)	Sri Lanka (\$2.580)	Malaysia (\$8.420)	Deutschland (\$43.980)
Death rate of newborn (per 1,000 births)	82	11	6	3
Life expectancy at birth (years)	55	75	74	80
Physicians (per 1,000 inhabitants)	0,1	0,5	0,9	3,6
Access to safe water (% Of total population)	79	91	100	100
Energy consumption per inhabitant (in kg OEE)	without notice	80	492	612
Malnutrition among children under 5 years (in%)	26*	21,6*	without notice	without notice
Literacy rate (in% of of the population over 15 years)	29	91**	92*	without notice
Telephone lines (per 100 Inhabitants)	1	17	15	63

Indices of development

- Indices or indicators are generally used to compare countries.
- Distinction between individual indicators and overall indicators
- Single indicators formed by individual size, easy to determine (for example, PKE)
- Overall indicators are formed from many individual Indicators.
- Although they describe the situation better, they are more difficult to grasp (for example PQLI or HDI)

Indices of Development

- Physical Quality of Life Index (PQLI): Measurement of quality of life and well-being in a country. Average of three indicators:
 1. Life expectancy at an age of 1 year
 2. child mortality
 3. illiteracy rate
- Ranking of countries for each indicator: PQLI is average of the three ranks
- Supplementing the PQLI two metrics: calories supply per capita, enrollment rate (Augmented Physical Quality of Life Index, APQI)

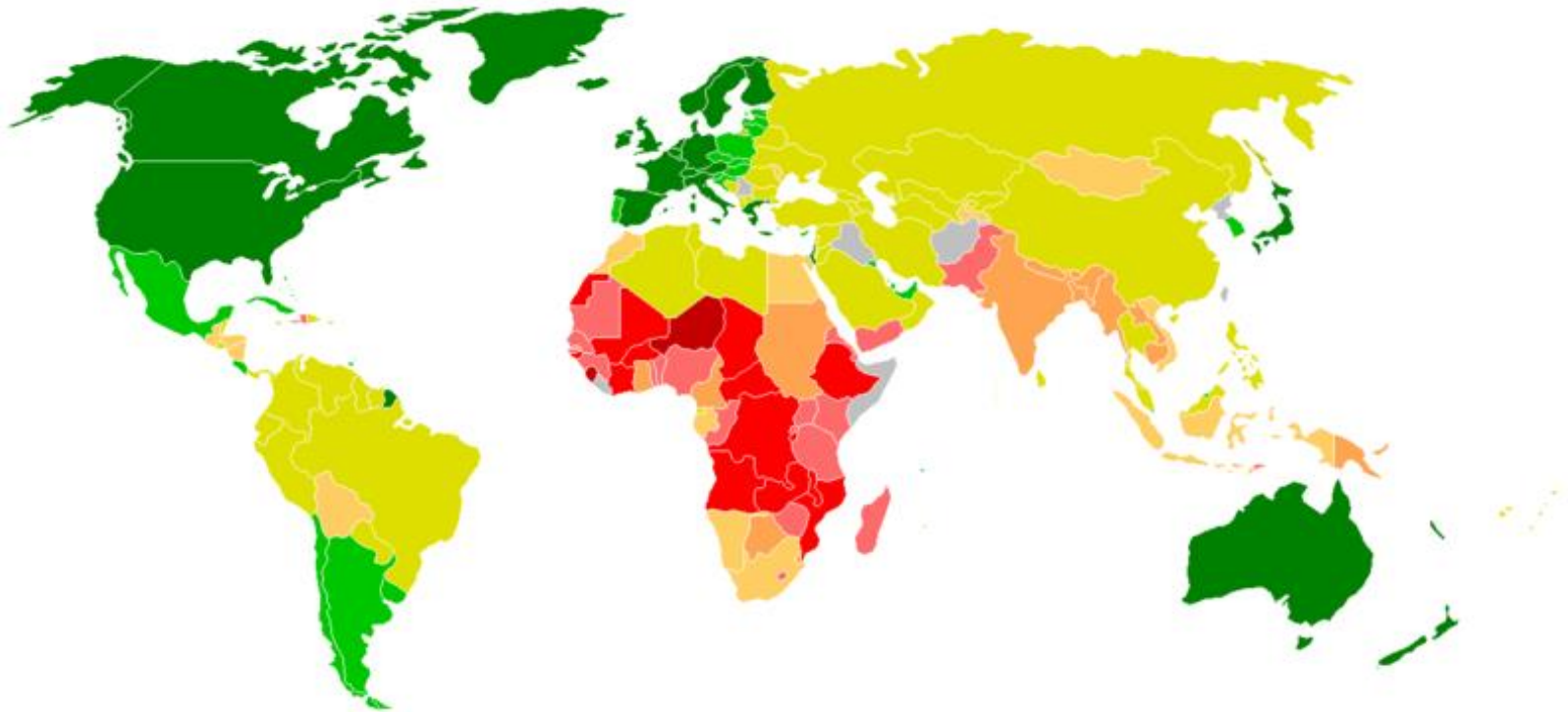
Indices of development

- Human Assets Index (HAI): Human Assets Index(HAI): Review of social features such as health and education.
- Replaces former Augmented Physical Quality of Life Index (APQLI):
 - Calorie intake per capita as% of Minimum requirements
 - child mortality
 - Literacy rate among adults
 - Enrollment rate in secondary schools
- Economic Vulnerability Index (EVI): Measure of the vulnerability of societies and replaces the Economic Diversification Index (EDI):
 - Exports
 - Instability of export earnings,
 - Agricultural production
 - Share of processed industry and services in GDP

Indices of Development

- Human Development Index (HDI) (UN Development Program): Determining the state of human development in the country, based on one measure
- Mahbub ul Huq (1990): "To shift the focus of development economics from national income accounting to people centered "
 - Life expectancy at birth (indicator health care, nutrition and hygiene)
 - Education (acquired knowledge)
 - Standard of living (real GDP per capita, PPP)
- Normalization between 0 and 1:
0 to 0.5 = low; 0.5 to 0.79 = medium; 0.79 < = high

Human Development Index



HDI (2011): Norway (0,943), Australia (0,929), Netherlands (0,91), USA (0,91), New Zealand (0,908),..., Germany (0,905), Sweden (0,904), Switzerland (0,903),..., France (0,884),..., UK (0,863)

Indices of Development

- Human Development Index (HDI) and Physical Quality of Life Index (PQLI) specify only relative positions!
- HDI and PQLI give only averages of the countries!
- > No indication of differences within a country
- Countries with very high, high, medium, low human development

HDI and per capita income rankings

- The ranking of countries according to their HDI value correlate quite well with their per capita GDP or GNP rankings
- The largest deviations occur in oil-exporting countries which have a high per capita income, but attain lower values in social indices.
- Despite improvements in the measurement and the comparison of welfare in different countries, it is still difficult to find generally acceptable measurement indicators.

Comparison of GDP and HDI 2011

	GDP (purchasing power parity)	Human Development Index (HDI)
Low-income countries		
Bangladesch	1.788	0,500
Kenia	1.718	0,509
Ghana	1.884	0,541
Indien	3.652	0,547
Middle-income countries: lower category		
China	8.466	0,687
Bulgarien	14.603	0,771
Peru	10.318	0,725
Brasilien	11.719	0,718

Source: Human Development Report 2011; Database of the World Bank

Comparison of GDP and HDI 2011

	GDP (purchasing power parity)	Human Development Index (HDI)
Middle-income countries: middle class		
Polen	21.310	0,813
Malaysia	15.589	0,761
Ungarn	21.610	0,816
Mexiko	15.270	0,770
High-income countries		
Schweden	41.300	0,904
Deutschland	39.211	0,905
Japan	34.294	0,901
USA	48.442	0,910

Source: Human Development Report 2011; Database of the World Bank

