

Drawing the Line

A Comment on CDP's Classification of LDCs

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Precise definition of the set of "least developed countries" is necessary, because the countries thus classified receive access to concessions and resources that others do not. It is important to base such definitions on abstract and theoretical concepts, rather than letting the exigencies of the special case contaminate the discussion. For by agreeing on mutually acceptable criteria in advance, greater objectivity in determining membership of the eligible class is possible. The United Nations Committee for Development Planning (CDP) is to be commended for engaging in this difficult exercise.

We also have reason to be grateful to Udo E. Simonis, one of the Committee's members, for providing advance information on the results of CDP's deliberations to readers of *Internationales Asienforum*, although some may already have read it elsewhere.¹ The present commentator is additionally grateful for the opportunity to comment on one or two points of the methodology and/or Simonis' presentation of it, although he is not yet in possession of the full CDP report published by the United Nations.²

I Defining the characteristics of underdevelopment

There can be no disagreement on the need to make the indicators of underdevelopment robust, transparent and easily intelligible, and to apply them as objectively as possible, that is automatically. Where such automaticity appears too mechanical, such as in borderline cases, any

1 See *Intereconomics*, September/October 1991, 230-235.

2 No version of the report was as yet available in the New Delhi Office of the United Nations at the time of writing.

additional considerations must be clearly stated and would have to be applied retrospectively across the board.

In attempting to define the characteristics of underdevelopment in operational terms, the CDP has focussed on low levels of income, low levels of human resource development, and structural weaknesses. The latter comprise natural (i.e. demographic and geographical) handicaps and low levels of economic diversification.

It is accepted that climatic and other geographic factors can act as impediments to economic development. However, since they cannot be influenced by development policy, they should not serve as indicators of development. A case could indeed be made for including countries suffering from such constraints in the set of concessional aid recipients. But this should be spelled out separately from the definition of least developed country rather than being included in a definition of underdevelopment. To the extent, then, that the CDP has advocated the use of geographical handicaps as criteria for inclusion in and graduation from the set, what they are defining is a set of concessional aid recipients rather than a set of least developed economies.

Similar considerations apply to the issues of human rights and methods of governance. In this case the CDP rightly took the position that it would be inappropriate to base decisions regarding inclusion in the list of least developed countries on them. Although Simonis entertains no doubts regarding the "top priority" to be given in social science research to the definition of indicators of policy performance, this aspect, again, is more relevant for the appropriation of concessional aid than to the definition of development and underdevelopment.

II Defining the indicators

The CDP has determined specific levels of Gross Domestic Product (GDP), of the Augmented Physical Quality of Life Index (APQLI), and of the Economic Diversification Index (EDI) for determining the dividing line between least developed and not-least developed countries. With regard to GDP, using exchange rates as conversion factors leads to one of the most important distortions entailed in international comparisons. Using purchasing power parity figures, as currently being determined in Phase V of the United Nations International Comparison Programme, instead of exchange rates would eliminate this distortion.

Unfortunately, neither the APQLI nor the EDI are precisely defined in Simonis' paper. This is surprising, because it is the operationalization of development criteria such as these that is of greatest interest for an informed academic discussion. With regard to the former, a composite index of life expectancy at birth, per capita calorie supplies, combined primary and secondary school enrollment ratio, and the adult literacy rate is considered to be an appropriate measure. There is no discussion of the weights to be attached to individual components of the APQLI, and one assumes that in fact a simple average of indices based on relative attainment levels is used. This is also the approach taken by the United Nations Development Programme (UNDP) in the construction of a Human Development Index (HDI). The latter comprises life expectancy at birth, educational attainment (based on adult literacy and mean years of schooling), and an adjusted real GDP per capita based on purchasing power parities.³ It would seem to make sense to standardize procedures within the United Nations family, rather than duplicating efforts in the construction of indices for essentially similar purposes. A cursory comparison shows that, apart from some of the small island states included in the CDP list, there is very close overlap with the list of "Low Human Development" countries in the *Human Development Report (1991)*.

The EDI comprises the share of manufacturing in GDP, the share of employment in industry, per capita electricity consumption and the export concentration ratio. All these items would be measured in different units, and it would be extremely interesting to know more about the way in which they are combined into a composite index. It is intriguing that Simonis remains speculative with regard to this measure, saying that it "might be measured by a composite index", although in subsequent sections of his paper the index has apparently been applied. In any case, in the absence of information on the construction of these indices, the cut-off levels set for deciding on the classification of countries as least developed, i.e. at 22 for the EDI and 47 for the APQLI, remain meaningless.

3 UNDP, *Human Development Report 1991*, Oxford University Press, New York, Oxford 1991.

III The population criterion

Another criterion receives insufficient discussion in the paper. This is that of population size. The decision rule clearly speaks of population size as one of four formal criteria, the others being per capita income, the APQLI, and the EDI.

The rule initially applies to countries with populations of up to 75 million. One wonders what is so sacrosanct about this figure, why the population size of countries should be considered as an indicator of development or underdevelopment at all, and, if so, in what direction the indicator points. The discussion of Group V countries does not help much. From the new list of least developed countries in Asia we can draw the conclusion that size in fact does matter, since the four Asian countries not yet members of the select group (China, India, Indonesia, and Pakistan) are included, and this would apply a *fortiori* to Nigeria, which would qualify on the basis of the inclusion rule. If this is so, the recommendation, with one stroke of the pen, would reclassify as least developed five countries with a combined population of some 2.35 billion persons, that is 45 percent of the world's population.

However, leaving the list of Asian countries on the new list of Least Developed Countries (Table 7) aside, a perusal of Simonis' conclusions indicates that the five Group V countries not on the current list of least developed countries have in fact *not* been added: the total number is 47, all countries except Botswana from the previous list are retained, and only six countries, namely Ghana, Kampuchea, Madagascar, Solomon Islands, Zaire and Zambia are added. Further clarification is desperately needed.

IV The application of the decision rules

While Simonis seems to agree in principle that the indicators selected should permit a great measure of automaticity in application, in fact he states subsequently that "inclusion in the list on the basis of the GDP, APQLI and EDI criteria should not be automatic but subject to a review of a number of other indicators representing structural characteristics affecting the state and prospects of development". Reference is made to a wide variety of factors such as per capita land availability, proportion of minerals in exports, rainfall, specific climatic risks, per capita exports in relation to country size, official development assistance as percentage of

GNP, and exports of petroleum as percentage of total exports. Some of these factors are grouped in the construction of specific indices, - namely a Natural Endowment Index (NDI) and an Instability of Agricultural Production Index (IAPI).

Unfortunately, we are not told how these various factors would be weighted and combined in an unambiguous decision rule. In fact, Simonis points out in a footnote that these specific indicators were not included in the official CDP report. It is unclear in what way these structural aspects would be taken into consideration in general, except to assist in the decision of specific borderline cases.

It makes sense to preclude unnecessary oscillations between inclusion and exclusion by formulating a separate graduation rule in addition to inclusion criteria. This can be done in two ways, either by specifying a minimum period during which individual benchmark values of the inclusion criteria have to be exceeded, or by laying down less stringent benchmark values for graduation than for inclusion. In fact, the CDP has combined both methods by specifying margins by which individual indices have to be exceeded for at least three years. But if the period of exceeding cut-off points is long enough, there is no need to allow a margin. In fact, providing such a margin discriminates against countries that were excluded on the basis of the previous and now outdated definition of least developed countries and which are above the inclusion point but below the graduation point. They will remain excluded. On the other hand, countries with identical characteristics which *were* included on the basis of previous definitions will retain their privileged status until the higher benchmarks have been crossed for three years or more.

V The definition of underdevelopment

Finally, one must take issue with Simonis' statement in his introduction that "underdevelopment is being newly defined". A definition is a decision rule to determine whether any object within the universe of discourse belongs to the defined class or not. In this narrow sense the classification of all countries of the United Nations as "least developed" or "not least developed" for the purpose of receiving access to resources and concessional assistance is being attempted. This is quite different from an exercise in explication, in which the phenomenon of underdevelopment is analyzed and described with the intention of stipulating its conceptual content. While the new classification of least developed countries

can be expected to have important implications for development strategies in the 1990s, the claim to have moved to a new definition of development and underdevelopment appears exaggerated. After all, why should the object of development be countries, rather than economies, regions or sub-regions, peoples, social or other classes, households, or even individuals? In many of the countries now classified as least developed, particularly in Asia, dualism is pronounced and the existence of immense riches accumulated by a small fraction of the population begs the question whether countries are really the right kind of objects for defining underdevelopment.