

UNCTAD'S LDCs REPORT 2013
*Growth with Employment
for Inclusive & Sustainable Development*

Media briefing on the Occasion of the Global
Launch

Dhaka: 20 November 2013



CENTRE FOR POLICY DIALOGUE (CPD)
B A N G L A D E S H
a civil society think tank



Outline

- q Information on LDCs
- q Recent Trends & Outlook for the LDCs
- q Comparative Analysis of Bangladesh's Performance with Respect to other LDCs
- q Exploring Demographic Dynamics in the LDCs
- q Employment Trends in LDCs
- q A Framework for Linking Employment Creation & Development of Productive Capacities in the LDCs
- q Policy Recommendations for Employment-Intensive Growth in the LDCs





Information on LDCs

- § The LDC category was established in 1971
- § Since 1971, only 3 countries have so far "graduated" from the category:
 - ü Botswana in 1994,
 - ü Cape Verde in 2007 &
 - ü Maldives in January 2011
- § **Samoa** is expected to graduate in December 2014
- § In **1971**, there were **25 LDCs**; in **2013**, there are **49 LDCs**.



Information on LDCs

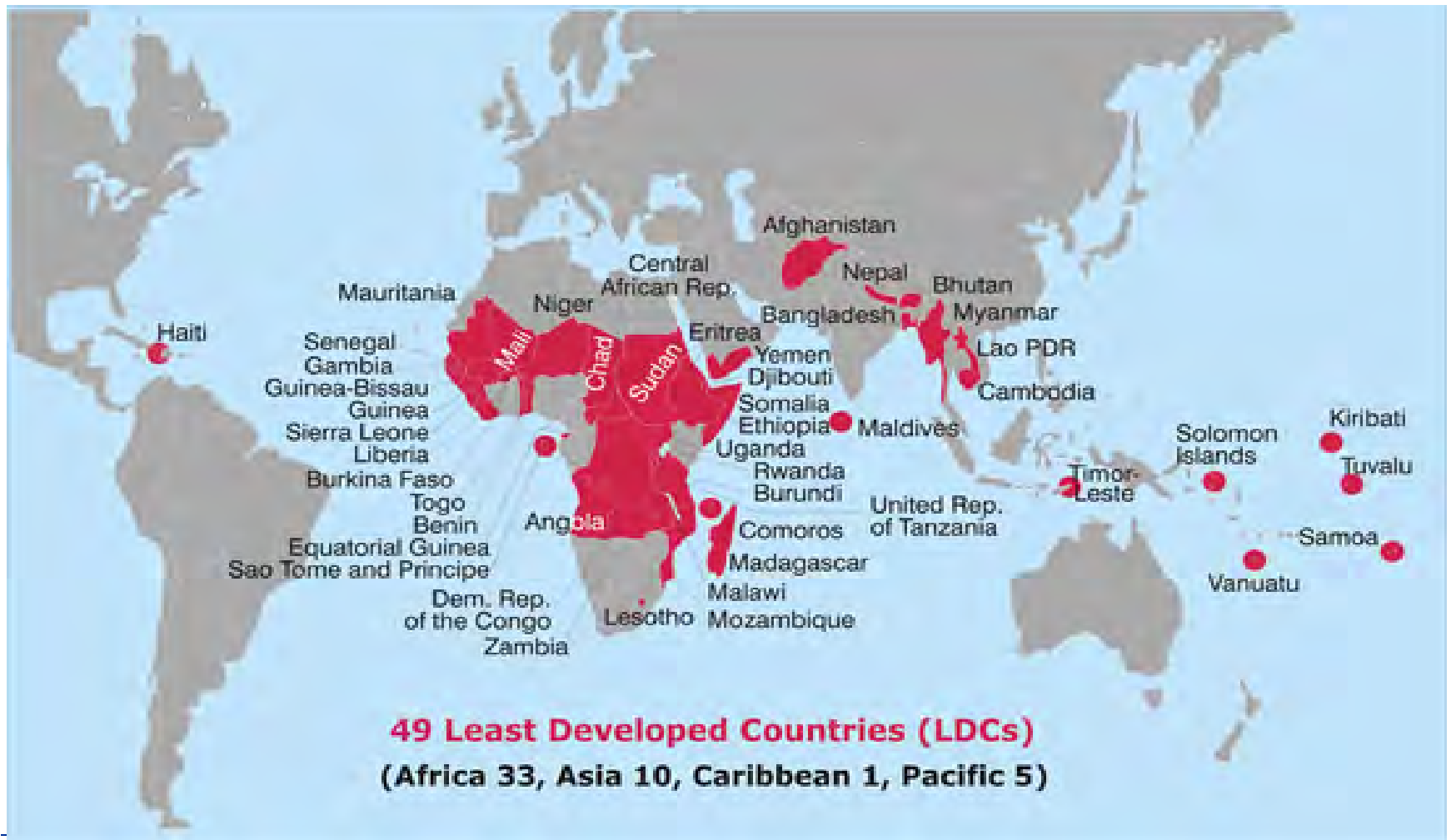
Establishing the LDC list

- The list of LDCs is reviewed every 3 years by the United Nations Economic & Social Council in the light of recommendations by the Committee for Development Policy (CDP). The following 3 criteria were used by CDP in the latest review of the list of LDCs, which took place in March 2012:
 - ü A “**per capita income**” criterion, based on the gross national income (GNI) per capita (a 3-year average), with a thresholds of US\$ 992
 - ü A “**human assets**” criterion based on a composite index (the Human Assets Index) which consists of indicators on nutrition, health, school enrolment & literacy
 - ü An “**economic vulnerability**” criterion based on a composite index (the Economic Vulnerability Index) which includes indicators on natural shocks, trade shocks; exposure to shocks, economic smallness, & economic remoteness



Information on LDCs

Figure: 49 Least Developed Countries (LDCs)





Recent Trends & Outlook for the LDCs





Recent Trends & Outlook for the LDCs

Recent Trends

- § Despite the slow global recovery, real **GDP growth in the LDCs** has picked up from **4.5 %** in 2011 to **5.3 %** in 2012
- § There were 15 LDCs with growth rates exceeding 6 %, but also 10 with growth rates below 3 %
- § 31 LDCs had an **investment rate** below the 25% benchmark
- § The gross domestic savings rate was lower than the gross capital formation rate in 40 of the 48 LDCs in 2011



Recent Trends & Outlook for the LDCs

Recent Trends

- § The **share of agriculture in GDP** decreased in 33 LDCs & increased in 14 between 1999–2001 & 2009–2011
- § The **share of manufacturing** increased in only 19 LDCs, stayed the same in 3, & decreased in 25
- § The **share of services in GDP** increased in 28 LDCs, remained unchanged in 1, & declined in 18

For the LDCs as a group, the average share of agriculture declined from 31.4 % of GDP in 1999–2001 to 25.6 % in 2009–2011 while the share of manufacturing stayed the same, at around 10 % of GDP



Recent Trends & Outlook for the LDCs

Recent Trends

- § The **current account deficit** for the LDCs as a group widened substantially, from **\$10.5** billion in **2011** to **\$28.8** billion in **2012**
- § The **terms of trade** for the LDCs as a group continued to improve in the 3 years since their sharp deterioration of 2009
- § With respect to **exports**, the strong growth of about 25 % in both 2010 & 2011 stalled to a mere 0.6 % in 2012
- § The **composition of LDCs' merchandise exports** reflects the **dominant position of fuels**, which account for more than half of the total.



Recent Trends & Outlook for the LDCs

Recent Trends

§ The largest items in the **import** structure of the LDCs as a group are **food** (36.9 %) & agricultural raw materials (22 %)

High prices of food, especially of cereals, remain a major problem for poor people in the LDCs.

§ **FDI inflows** to LDCs hit a **record high** of almost \$26 billion in 2012, which is about 20 % more than in 2011

§ The flow of **workers' remittances** to the LDCs **continued to expand** in 2012, reaching a new record of \$30.5 billion



Recent Trends & Outlook for the LDCs

Outlook for the LDCs

§ For the LDCs as a group, IMF forecasts a **5.7%** growth rate for **2013**

Table 6. Real GDP growth rates for LDCs, developing and advanced economies, selected years and forecasts
(Annual weighted averages, percentages)

	2002-2008	2009-2012	2013	2014	2015	2016	2017	2018
Total LDCs	7.5	5.1	5.7	6.2	6.4	6.4	6.1	6.4
African LDCs and Haiti	7.5	4.6	5.6	6.1	6.3	6.0	5.6	6.0
Asian LDCs	7.5	5.7	5.7	6.2	6.6	6.7	6.8	6.8
Island LDCs	4.9	5.2	5.8	6.2	7.7	8.7	6.3	5.5
Memo Items:								
Advanced economies	2.5	0.6	1.2	2.2	2.6	2.6	2.6	2.5
Emerging and developing economies	7.6	5.4	5.3	5.7	6.0	6.1	6.1	6.2
World	4.7	2.9	3.3	4.0	4.4	4.5	4.5	4.5

Source: UNCTAD secretariat calculations based on IMF, *World Economic Outlook* database, April 2013.

Notes: The LDCs' growth is calculated as the weighted average of each country's real growth (base year 2000); data for 2012 are preliminary and are forecasted for 2013-2018.



Recent Trends & Outlook for the LDCs

Outlook for the LDCs

The outlook for the LDCs in the short to medium term is not very good

§ The recent **slowdown of world trade** likely to have further negative impacts on the prospects of the LDCs

§ The short-term **outlook for commodity prices is highly uncertain**, not only because of possible supply-side disruptions (energy, food), but also because of demand uncertainties

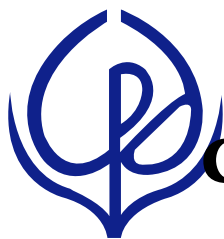
§ North America is forecast to become self-sufficient in energy production by the end of the decade...

à *will have a significant impact on the fuel-exporting LDCs, whose income from oil could be substantially reduced*



Comparative Analysis of Bangladesh's Performance with Respect to other LDCs





Comparative Analysis of Bangladesh's Performance

Table: Indicators on LDCs Development, 2012

Country	GNI per capita (current dollar)	Economic Vulnerability Index	Human Assets Index	Income Level	Human Development Index Rank	Multi-dimensional Poverty Index
	2012	CDP 2012 Review		2012	2012	2012
Bangladesh	840	32.4	54.7	Low income	146	0.292
Cambodia	880	50.5	57.9	Low income	138	0.212
Central African Republic	490	35.7	21.6	Low income	180	..
Ethiopia	410	33.5	28.2	Low income	173	0.564
Sudan	145	44.4	52.6	Lower middle income	171	..
Nepal	700	27.8	59.8	Low income	157	0.217
Lesotho	1380	45.9	62.1	Lower middle income	158	0.156



Comparative Analysis of Bangladesh's Performance

Table: Real GDP Growth Rates for Selected LDCs

Country	2002-2008	2009	2010	2011	2012	2013
Bangladesh	6.2	5.9	6.4	6.5	6.1	6
Cambodia	10.4	0.1	6.1	7.1	6.5	6.7
Central African Republic	2.3	1.7	3	3.3	4.1	4.3
Ethiopia	10.3	10	8	7.5	7	6.5
Sudan	5.9	5.2	2.5	-1.9	-4.4	1.2
Nepal	4	4.5	4.8	3.9	4.6	3
Lesotho	3.8	4.8	6.3	5.7	4	3.5

**** Bangladesh's performance is impressive**



Comparative Analysis of Bangladesh's Performance

**Table: Total Workers Remittances in Selected LDCs
(million USD)**

Country	2000-2008	2009	2010	2011
Bangladesh	4,328	10,521	10,850	11,989
Cambodia	209	338	321	407
Ethiopia	153	262	345	242
Sudan	1,339	2,135	1,420	2,055
Nepal	1,073	2,986	3,469	3,951
Lesotho	540	623	746	754

**** Bangladesh is the highest achiever among LDCs**



Exploring Demographic Dynamics in the LDCs





Exploring Demographic Dynamics in the LDCs

Rationale for Addressing Growth with Employment in LDCs

- § The LDCs have generally enjoyed more than 10 years of economic growth
 - à *Such growth has not generated enough “quality” jobs, especially for the young*
- § The LDCs’ employment growth lagged behind their rapid GDP expansion during the 2000s
- § Creating more jobs & better jobs is the only sustainable way to alleviate poverty



Exploring Demographic Dynamics in the LDCs

Rationale for Addressing Growth with Employment in LDCs

§ For most LDCs, their most valuable asset is their people, in particular the young

à engaging people in productive employment can ensure that growth is inclusive

§ The central premise of this Report is that employment creation on a large scale is intrinsically linked to the development of productive capacities

à This Report suggests a policy framework that links employment creation & the development of productive capacities in LDCs

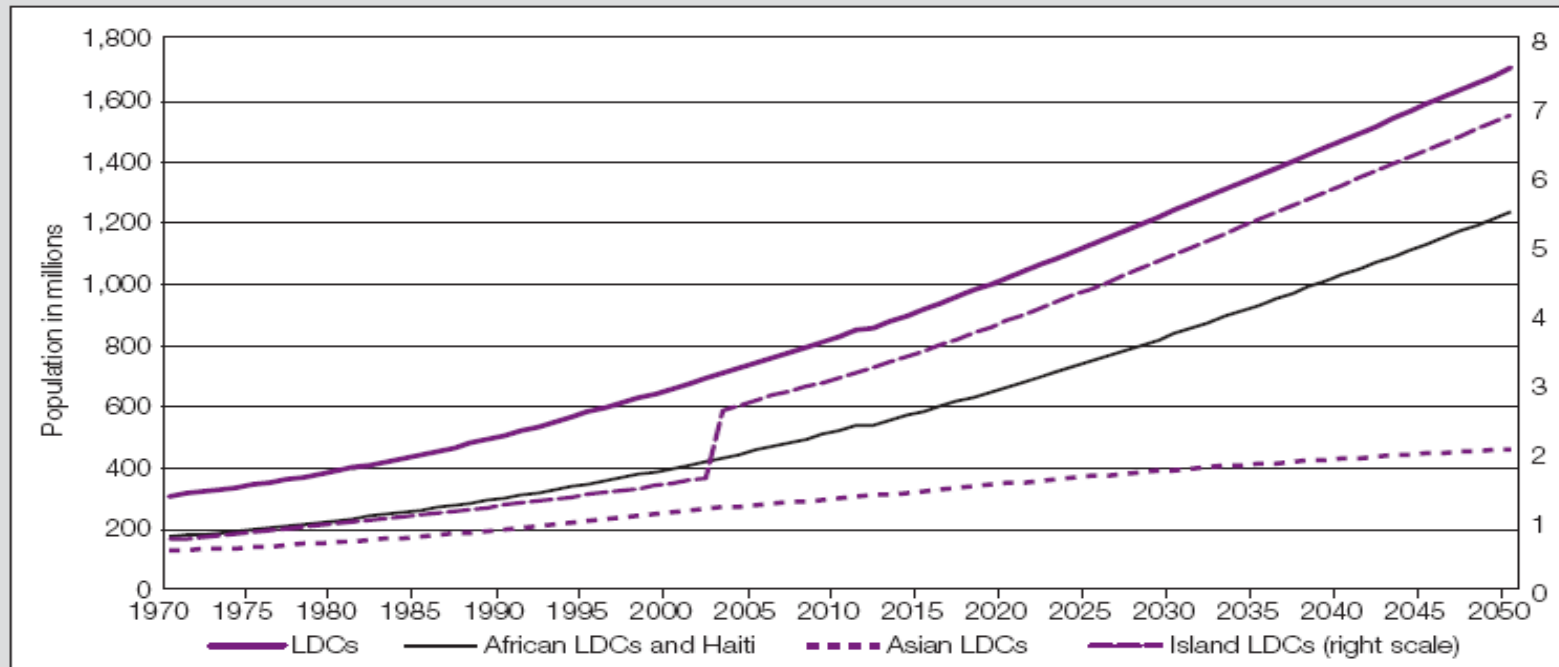


Exploring Demographic Dynamics in the LDCs

Key Demographic Trends in the LDCs

Figure : LDC Population, 1970-2050

Chart 6. LDC population, 1970–2050
(Absolute value, millions)



Source: UNCTAD secretariat calculations, based on UNCTADstat database.



Exploring Demographic Dynamics in the LDCs

Key Demographic Trends in the LDCs

Table 7. Broad demographic trends in the LDCs, 1980–2011

	1980	1990	2000	2011
Population, (millions)	389.9	510.1	658.4	843.7
Population growth (annual percentage)	2.7	2.7	2.4	2.2
Life expectancy at birth, total (years)	48.5	51.1	53.2	58.4
Fertility rate, total (births per woman)	6.5	6.0	5.3	4.5
Age dependency ratio (percentage of working-age population)	92.0	91.4	86.7	78.1
Labour force participation rate, total (percentage of total population ages 15+)		74.2	73.2	73.9
Adjusted net enrolment rate, primary (percentage of primary school age children)	52.9	52.7	59.1	79.8
Primary completion rate, total (percentage of relevant age group)	36.1	40.8	45.8	63.7
School enrolment, secondary (percentage net)	12.8	14.7	23.0	32.3
Literacy rate, youth total (percentage of people ages 15-24)		56.7	65.2	72.4

Source: UNCTAD secretariat calculations, based on UNTADstat and *World Development Indicators* online databases.

Note: 2011 is the most recent year for available data.



Exploring Demographic Dynamics in the LDCs

Key Demographic Trends in the LDCs

- § The LDC population is forecast to grow from **858 million** in 2011 to **1 billion** by 2020 & **1.7 billion** by 2050
- § The LDCs have the world's highest **population growth rate**, at **2.2%** per annum — almost twice the 1.2 % of other developing countries
- § Between 2010 & 2050, the LDC **working-age population** is expected to **increase** by an average **15.7 million people per year**
- § By 2050, one in four 15–24-year olds worldwide will live in an LDC



Exploring Demographic Dynamics in the LDCs

Key Demographic Trends in the LDCs

Table: New Entrants (15-25 years) to the Labor Market in LDCs (in thousand)

Country	2000	2005	2010	2020	2030	2050
Bangladesh	2765	2982	3070	3163	2943	2532
Cambodia	242	323	301	269	318	299
Central African Republic	73	82	90	107	122	149
Ethiopia	1277	1490	1757	2434	2738	3205
Sudan	558	620	699	899	1073	1389
Nepal	142	466	525	633	554	488
Lesotho	40	44	47	48	49	49



Exploring Demographic Dynamics in the LDCs

Key Demographic Trends in the LDCs

Table: Population Indicators for Selected LDCs, 2012

Country	Total Population ('000)	Population Growth (annual %)	Population Age 0-14 (% of Total)	Rural Population (% of Total)	Urban Population Growth Rate (%)
Bangladesh	154695	1.2	30.6	71.6	3.6
Cambodia	14865	1.8	31.2	80.4	2.1
Central African Republic	4525	2	40.1	60.3	2.6
Ethiopia	91729	2.6	43.3	83.7	3.6
Sudan	37195		41.4	68.6	
Nepal	27474	1.2	35.6	80.5	3.7
Lesotho	2052	1.1	36.8	69.4	3.7



Exploring Demographic Dynamics in the LDCs

Urbanization & Rural–Urban Labour Migration

- § Around two thirds of the LDCs' population live in rural areas
- § The urban population growth rate has been nearly three times higher than that of the rural population since 1980
- § Most LDCs have not been able to generate sufficient productive off-farm jobs to absorb the growing labour force seeking work outside agriculture
- § LDCs are confronted with an imperative need both to increase agricultural productivity & to foster the creation of greater income opportunities in high value added rural activities



Employment Trends in LDCs



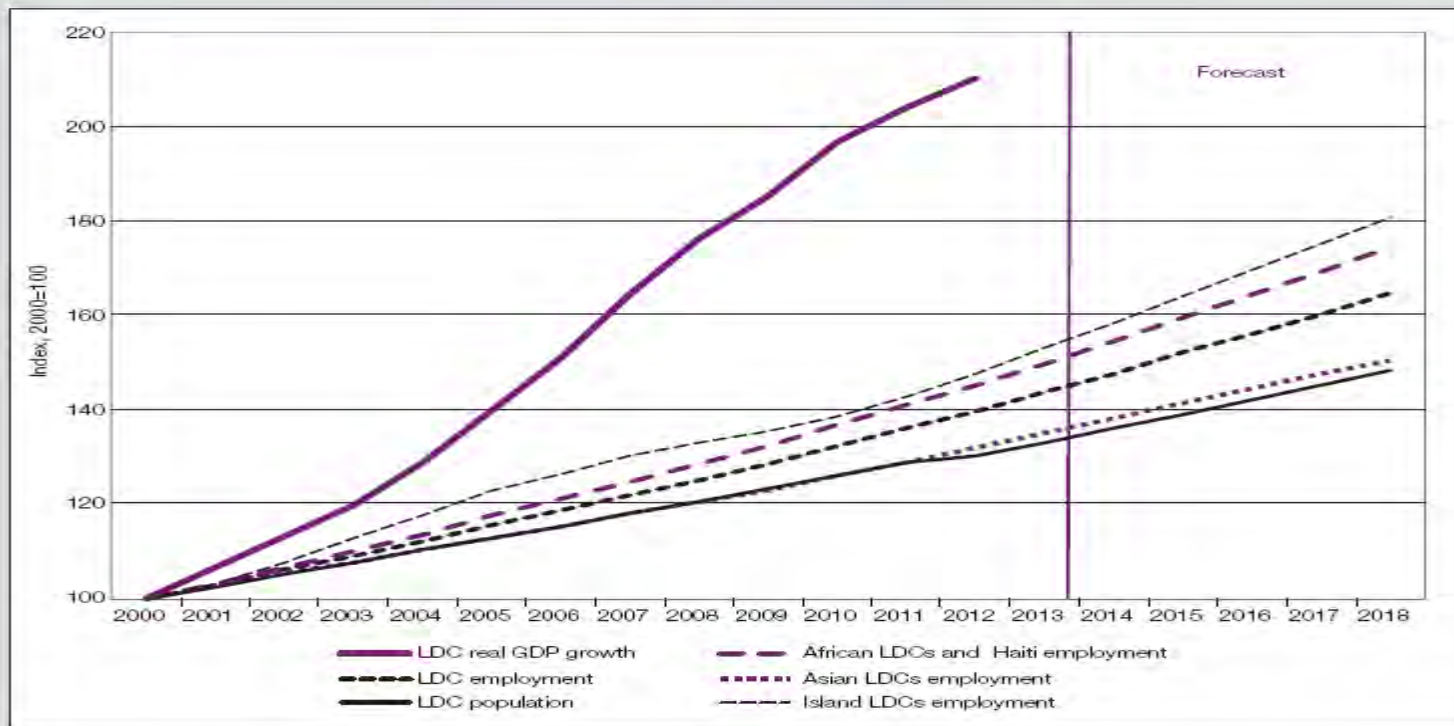


Employment Trends in LDCs

The Quantity of Employment in the LDCs

Figure: LDCs GDP, Employment & Population Growth Trend

Chart 14. LDC GDP, employment and population growth trends, 2000–2018
(Index, 2000=100)



Source: UNCTAD secretariat calculations, based on data from ILO, Employment Trends (EMP/TRENDS) econometric model, April 2013).
Note: Data series 2013 to 2018 are preliminary projections. Real GDP data series covers the period 2000 to 2012 (\$ at constant prices, 2005 and constant exchange rates, 2005).



Employment Trends in LDCs

The Quantity of Employment in the LDCs

Table: Sectoral Share of Total Employment for Selected LDCs

Country	Agriculture				Industry				Service			
	2000	2003	2008	% change 2000-2018	2000	2003	2008	% change 2000-2018	2000	2003	2008	% change 2000-2018
Bangladesh	65	56	53	-12	11	13	15	4	25	31	33	8
Cambodia	74	72	68	-5	8	8	11	2	18	20	21	3
Central African Republic	74	74	72	-2	4	4	4	0	22	22	23	1
Ethiopia	86	78	76	-10	4	9	10	6	10	13	14	4
Sudan	41	38	36	-5	9	9	10	1	50	53	54	4
Nepal	75	71	69	-6	10	12	13	2	15	17	19	4
Lesotho	72	66	63	-9	9	10	11	2	18	25	26	8



Employment Trends in LDCs

The Quantity of Employment in the LDCs

§ The **total LDC labour force** comprised **364 million** people in 2010

à Between 2000 & 2010, it increased by 86.9 million, & between 2010 & 2020 it is expected to grow by a further 109 million

à In 2010, 65 % was engaged in agriculture & 71 % lived in rural areas

Relatively high GDP growth rates in the LDCs have not translated into concomitant levels of employment growth in industry; only in the services sector has employment growth risen substantially



Employment Trends in LDCs

The Quantity of Employment in the LDCs

§ Women in LDCs have a high propensity to work in the labour market, especially in the informal sector

ü *Between 1990 & 2012, around 290 million women entered the LDC labor force*

ü *In some African LDCs — namely, Burundi, Malawi, Mozambique & Rwanda — the female ratio is higher than the male ratio*

§ For the LDCs as a group, the average employment-to-population ratio is 65 %



Employment Trends in LDCs

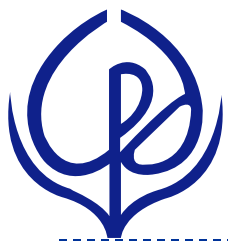
Employment Growth & Estimated Net Job Creation

- § Informal sector tends to absorb much of the labor force in most of the LDCs
- § The data suggest that demographic change made a relatively small contribution to per capita GDP growth in most of the selected LDCs
- § Relatively high rates of GDP growth in the LDCs have not translated into concomitant levels of employment growth in industry
- § More women than ever before are part of the LDC labor force, but this has not translated into better jobs or less gender discrimination



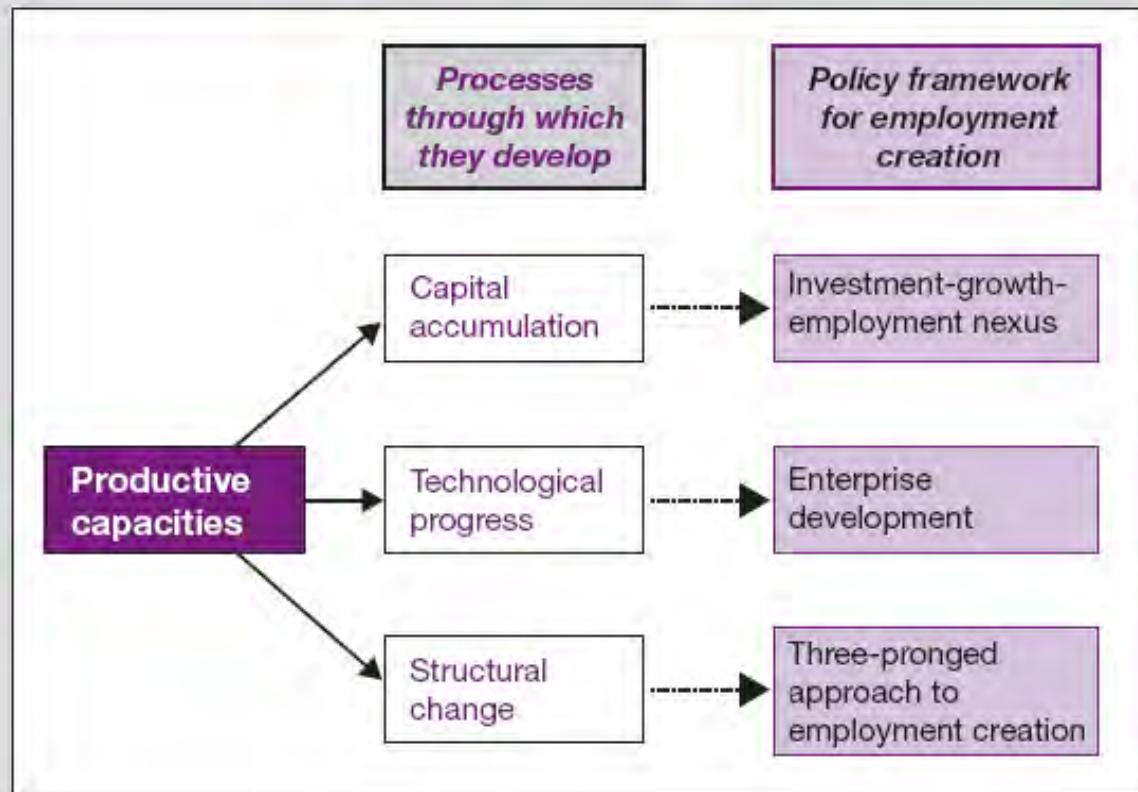
A Framework for Linking Employment Creation & Development of Productive Capacities in the LDCs





Linking Employment Creation & Development of Productive Capacities in LDCs

Chart 35. Policy framework for linking development of productive capacities with employment creation in LDCs



Source: UNCTAD secretariat, adapted from UNCTAD (2006), chart 8 (p.63).



Linking Employment Creation & Development of Productive Capacities in LDCs

Investing to Develop Productive Capacities: Capital Accumulation

- § The successful cases of long-term economic growth have invariably been associated with investment rates of 25 % or more
- § Given the relatively weak development of the private sector in many LDCs, the primary investment push should come from the public sector
- § Public gross fixed capital formation (public investment) for the group of **38 LDCs** on average stood at **7.2 %** of GDP over the period 1999–2001. Ten years later (2009– 2011), it reached on average **8.8 %** of GDP



Linking Employment Creation & Development of Productive Capacities in LDCs

Enterprise Development & Technological Change

- § Successful enterprise development will enable the LDCs to improve both the quantity & quality of employment creation
- § A substantial number of *LDCs farms can learn & acquire technologies from other developing countries*, rather than from advanced economies, or can develop & use home-grown technologies



Linking Employment Creation & Development of Productive Capacities in LDCs

Structural Change

- § Transfer of labour from low productivity agriculture to low productivity service activities in urban areas à *cannot provide the surplus population released from agriculture with productive employment*

- § The process of structural change should ideally be led by
 - ü consolidation & expansion of the modernizing core of the economy
 - ü composed of high value added
 - ü knowledge-intensive & competitive activities in manufacturing & mining
 - ü mechanized agriculture &
 - ü modern services



Linking Employment Creation & Development of Productive Capacities in LDCs

Structural Change

- § This Report has proposed a *3 approaches* to employment creation which addresses *subsistence activities, tradables, & non-tradables*

- § The logic behind the 3 pronged approach to employment creation is that an increase in agricultural productivity releases labour that has to be absorbed by the rest of the economy — i.e., by tradable & non-tradable activities

- § Given that the tradables sectors are less likely to provide an abundance of employment opportunities, employment creation in nontradable activities becomes critical



Linking Employment Creation & Development of Productive Capacities in LDCs

How to Adjust the Framework to Conditions in different LDCs

Fuel & mineral producers & exporters

- § The policy challenge is to ensure that higher prices of commodities &/or productivity growth in the extractive sector translate into greater domestic demand & more investment.
- § The priorities for these countries should be private sector development organized around the extractive sectors with backward & forward linkages, & the investment-growth-employment nexus in non-tradables sector



Linking Employment Creation & Development of Productive Capacities in LDCs

How to adjust the Framework to Conditions in different LDCs

Producers & exporters of agricultural products

- § Public investment should provide solid infrastructure to connect the producers with major centers of consumption
- § For larger countries the development of agriculture can be coupled with the development of domestic industry, enabling them to benefit from the complementarities & synergies between the two
- § For smaller countries, exporting agricultural surpluses & developing production for international niche markets are viable options



Linking Employment Creation & Development of Productive Capacities in LDCs

How to adjust the Framework to Conditions in different LDCs

Producers & exporters of manufactured goods

- § The first priority is to upgrade to more value added activities in areas where some industrial capabilities already exist
- § The second priority for these countries is to cheapen wage goods, especially food





Policy Recommendations for Employment Intensive Growth in the LDCs





Policy Recommendations

Macroeconomic Strategies

- § Macroeconomic policies need to be reoriented away from a single-minded focus on price stability & budget balance towards a strategy that is more focused on growth with sustainable employment creation
- § LDC Governments can strive to strengthen the mobilization of external resources from both traditional & non-traditional sources
- § Regional funding of infrastructure can boost labour-intensive public works projects, e.g. in the context of regional integration schemes or of internationally funded border crossing infrastructure projects
- § Monetary policy should aim at expanding credit for investments & generating more productive employment.



Policy Recommendations

Managing the External Sector

- § LDC Governments should consider trade policy more creatively, & look to regional arrangements as a way to stimulate the development of synergies across productive sectors.

- § Capital account regulations can be a useful component of maximizing the benefits while minimizing the costs of free capital flows

- § In some LDCs, stabilization funds may be a particularly effective instrument for managing volatility, caused by strong fluctuation in international prices of commodities



Policy Recommendations

State-led Employment Creation

- § Construction is a particularly fruitful area for encouraging more labour intensive activities.
- § Building activities that use local materials, local technologies & local small-scale enterprises have much greater potential to generate employment.
- § Labour-intensive techniques led to two to five times more employment creation than alternative techniques.
- § Private activities account for the bulk of employment in LDCs today, & will clearly continue to do so in future.



Policy Recommendations

Policies to Foster Entrepreneurship

- § Financial policy should be designed so that financial services reach MSMEs & excluded groups

- § State development banks can provide long-term financing to domestic companies on more favorable terms than market institutions

- § Microfinance per se is not an appropriate financing model for enterprise development



Policy Recommendations

Policies to Foster Entrepreneurship

- § LDC policymaker need to pay more attention to ensuring that clusters & EPZs are embedded in the national economy through linkages, labour movement & spillovers
- § Rural development is one of the main pillars of policies to create more & better jobs in LDCs
- § Public investment must provide the lead in the development of rural transport, irrigation, warehousing, energy, marketing & communications
- § Policies are needed to make institutional credit available to all farmers, including tenants, women farmers & those without clear l& titles



Thank You!

