

Media Briefing on the Occasion of the Global Launch
UNCTAD's LDCs REPORT 2015
Transforming Rural Economies

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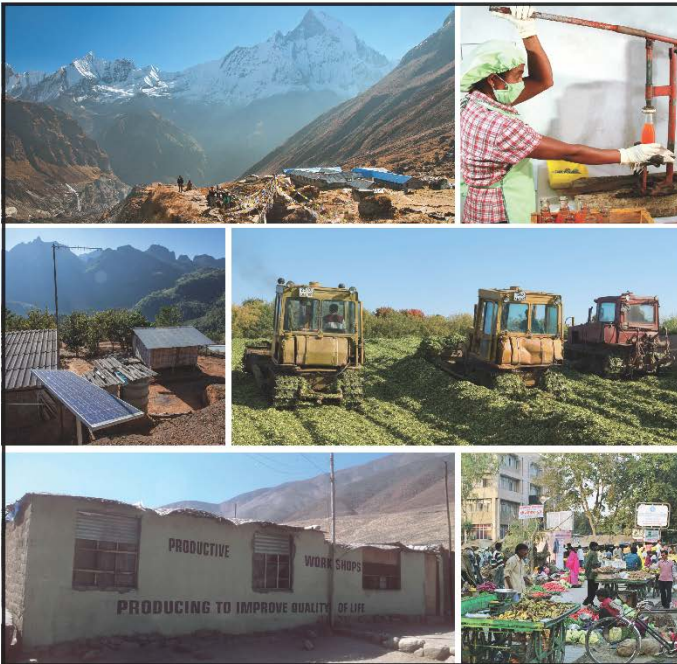


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

THE LEAST DEVELOPED COUNTRIES REPORT 2015

Transforming Rural Economies



UNITED NATIONS

- ❑ **Information on LDCs**
- ❑ **Recent trends in the LDCs:
Comparative Analysis of
Bangladesh's Performance**
- ❑ **Agricultural Productivity**
- ❑ **Rural Economic
Diversification**
- ❑ **Gender Constraints**
- ❑ **Policy Agenda to transform
rural economies**
- ❑ **LDC Report 2015 - Key
Messages**



PART A



Three Criteria for Identifying LDCs

1. Income

- i. GNI per capita (according to Atlas Method) – three years average (i.e. in 2015 review average figure of 2011-2013 was considered)

2. Human Assets Index (HAI)

- i. Percentage of population undernourished
- ii. Mortality rate for children aged five years or under
- iii. Gross secondary enrolment ratio
- iv. Adult literacy rate



3. Economic Vulnerability Index

- ✓ Exposure Index
 - i. Population (Size)
 - ii. Remoteness (Location)
 - iii. Merchandise Export Concentration (Economic Structure)
 - iv. Share of Agriculture, Forestry and Fishery (Economic Structure)
 - v. Share of Population in Low Elevated Costal Zone (Environment)
- ✓ Shock Index
 - i. Instability of Exports (Trade Shock)
 - ii. Victims of Natural Disasters (Natural Shock)
 - iii. Instability of Agricultural Production (Natural Shock)



Information on LDCs

- Committee for Development Policy (CDP) undertakes triennial review
- A country will normally qualify for graduation from LDC status if it has met graduation thresholds under at least two of the three criteria in at least two consecutive triennial reviews
- However, if the three-year average per capita GNI of an LDC has risen to a level at least double the graduation threshold and if this performance is considered sustainable, the country will be deemed eligible for graduation regardless of its score under the other two criteria
 - ✓ commonly known as the “income-only” graduation rule
- After a recommendation to graduate a country has been endorsed by the ECOSOC and the UN Assembly, the graduating country benefits from a grace period (normally three years) before graduation effectively takes place



Information on LDCs

- Only 4 countries have so far "graduated":
 - ✓ Botswana in 1994
 - ✓ Cape Verde in 2007
 - ✓ Maldives in January 2011
 - ✓ Samoa in January 2014
- Last review has been done in 2015
- Equatorial Guinea and Vanuatu are scheduled to be taken out of the list of LDCs in June 2017 and December 2017, respectively



Information on LDCs

- **Angola** was found eligible for graduation for the second consecutive time (the “income-only” graduation rule) and was recommended for graduation
- In 2012, CDP recommended **Tuvalu** (Income and HAI) for graduation but was not endorsed by the UN Economic and Social Council (ECOSOC)
- **Kiribati** (Income and HAI) was also found eligible for the second consecutive time, but was not recommended for graduation
- Five countries meet the eligibility criteria for graduation for the first time: **Bhutan, Sao Tome and Principe** and **Solomon Islands** meet both the GNI and the human assets index criteria; **Timor-Leste** meets the “income only” criterion and **Nepal** meets both the indices, while still being a low-income country
- Next official review will take place in 2018

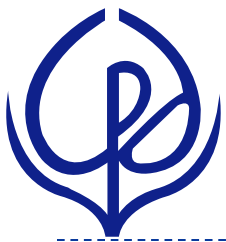


Recent trends & outlook for the LDCs: comparative analysis of Bangladesh's performance

Indicators on LDCs Development

LDC	Income	HAI	EVI
Angola	4,518	41.9	39.7
Bangladesh	926	63.8	25.1
Bhutan	2,277	67.9	40.2
Equatorial Guinea	16,089	54.8	39.3
Kiribati	2,489	86.3	71.5
Nepal	659	68.7	26.8
Sao Tome and Principe	1,431	77.4	39.2
Solomon Islands	1,402	71.7	50.8
Timor-Leste	3,767	57.4	55.0
Tuvalu	5,788	88.8	54.0
Vanuatu	2,997	81.3	47.7

- **Per capita income” criterion threshold: \$1242 in 2015; the “income only” graduation threshold is twice the graduation threshold, i.e. \$2,484**
- **EVI criterion threshold: 36 for inclusion and 32 for graduation**
- **HAI criterion threshold: 60 for inclusion and 66 for graduation**



Information on LDCs

- By the time of 2018 review, Bangladesh has a fairly good possibility to meet both income (average of 2014-2016) and HAI criteria
- The next review will have one more indicator for HAI – maternal mortality ratio
- UNCTAD will prepare a vulnerability profile
- DESA will prepare an impact assessment
- To be recommended for graduating from the LDC list, Bangladesh will need to meet the criteria in 2021
- Bangladesh will need to prepare a graduation strategy and will be monitored by CDP
- With the endorsement from Council and being approved from General Assembly, Bangladesh may graduate from LDC status in 2024
- Bangladesh may enjoy LDC preferential treatment up to following 2027 (if it graduates in 2024) for smooth transition



Impact of LDC graduation

- ▶ Preferential market access
- ▶ Access to technical assistance for capacity building
- ▶ Flexibility in the implementation of different international agreements (e.g. TRIPS)
- ▶ Access to concessional foreign assistance (e.g. ODA windows for LDCs)
- ▶ Higher financial contribution to international agencies
- ▶ **Appropriate preparations needed!**



Recent trends in the LDCs: Comparative Analysis of Bangladesh's Performance

Real GDP Growth (%)

Region	2002-08	2010	2011	2012	2013	2014	2015(F)
LDCs	7.4	5.7	4.4	7.1	6.1	5.6	3.8
African LDCs	7.9	5.3	4.6	7.5	6.1	5.6	4.2
Asia LDCs	6.7	6.3	4.0	6.5	6.1	5.6	3.2
Island LDCs	3.9	6.9	7.9	5.2	2.8	3.7	3.2
ODCs	7.0	7.9	5.8	4.9	4.8	4.4	3.9
Bangladesh	6.3	6.0	6.5	6.3	6.0	6.3	6.5
Cambodia	10.4	6.0	7.1	7.3	7.4	7.0	7.0
Nepal	4.0	4.8	3.4	4.8	4.1	5.4	3.4
Rwanda	8.1	6.3	7.5	8.8	4.7	6.9	6.5



Recent trends in the LDCs: Comparative Analysis of Bangladesh's Performance

Per Capita GDP Growth (%)

Region	2002-08	2010	2011	2012	2013	2014	2015(F)
LDCs	5.0	3.4	2.0	4.6	3.8	3.3	1.6
African LDCs	4.9	2.6	1.7	4.4	3.4	2.9	1.5
Asia LDCs	5.1	4.9	2.5	4.9	4.6	4.2	1.8
Island LDCs	1.7	4.2	5.1	2.3	0.0	0.8	0.4
ODCs	5.5	6.6	4.9	3.4	3.5	3.2	2.7
Bangladesh	4.9	4.9	5.3	5.0	4.8	5.2	5.4
Cambodia	8.7	4.3	5.3	5.4	5.8	5.4	5.4
Nepal	2.5	3.6	2.2	3.6	2.9	4.2	2.2
Rwanda	6.0	3.1	5.4	5.7	1.8	4.1	3.6



Recent trends in the LDCs: Comparative Analysis of Bangladesh's Performance

Sectoral Share (as % of GDP)

Country	Agriculture, hunting, forestry, fishing			Manufacturing Industry			Non manufacturing Industry			Services		
	1991	2000	2013	1991	2000	2013	1991	2000	2013	1991	2000	2013
LDCs	34.9	30.2	24.0	9.2	14.1	23.0	10.4	10.1	10.6	45.5	45.6	42.4
African LDCs	34.8	31.2	25.1	10.5	16.1	28.9	10.0	8.3	7.8	44.7	44.3	38.2
Asia LDCs	34.9	29.0	22.3	6.8	11.7	12.7	11.4	12.2	15.4	46.8	47.1	49.6
Island LDCs	34.1	33.0	13.3	5.1	6.7	54.9	5.8	6.0	2.6	55.1	54.2	29.2
ODCs	12.9	9.5	8.8	17.9	21.1	17.7	18.6	15.5	20.7	50.7	53.9	52.8
Bangladesh	29.5	24.4	16.3	7.1	8.8	10.4	12.6	14.3	17.3	50.8	52.5	56.1
Cambodia	44.9	37.8	33.5	4.3	6.2	9.2	7.4	16.9	16.4	43.3	39.1	40.8
Rwanda	39.4	40.0	34.7	6.4	7.5	10.1	9.4	5.7	5.4	44.7	46.7	49.8



Recent trends in the LDCs: Comparative Analysis of Bangladesh's Performance

Employment by sector in LDCs (% of total employment)

Country	Agriculture			Industry			Service		
	1991	2000	2014	1991	2000	2014	1991	2000	2014
LDCs	70.6	68.8	58.9	8.1	8.3	11.7	21.2	22.9	29.4
African LDCs	74.4	73.7	67.6	6.3	6.4	7.8	19.3	19.8	24.6
Asia LDCs	65.7	62.3	46.9	10.5	10.8	17.1	23.8	26.9	36.0
Island LDCs	69.7	69.2	63.2	9.0	7.9	9.2	21.2	22.2	27.4
ODC	51.2	46.6	30.4	18.6	18.5	23.2	30.2	35.0	46.5
Angola	65.6	60.4	46.5	6.0	6.8	9.0	28.5	32.7	44.5
Bangladesh	61.1	59.5	43.2	12.4	9.9	18.2	26.5	30.7	38.6
Cambodia	77.7	73.5	50.1	6.1	8.5	16.8	16.2	18.0	33.1
Equatorial Guinea	77.0	41.7	24.9	7.3	16.5	17.1	15.7	41.3	57.5
Nepal	84.0	76.3	72.1	2.9	10.1	11.4	13.1	13.6	16.5



Recent trends in the LDCs: Comparative Analysis of Bangladesh's Performance

Gross Fixed Capital Formation (as % of GDP)

Region	2000-2008	2009	2010	2011	2013
LDCs	20.6	23.7	24.6	26.0	26.3
African LDCs	19.5	23.0	24.1	25.4	25.5
Asia LDCs	22.9	25.1	25.5	27.2	27.7
Island LDCs	12.2	18.8	20.7	20.1	20.3
ODCs	26.1	29.8	30.2	30.4	30.6
Bangladesh	25.8	26.7	27.4	28.6	28.6
Cambodia	19.4	19.1	19.8	21.6	21.5
Nepal	20.9	22.3	21.4	19.7	20.1
Rwanda	18.8	25.2	26.4	29.5	30.3



Recent trends in the LDCs: Comparative Analysis of Bangladesh's Performance

Indicators	Rank of Bangladesh
Agriculture land productivity (USD per hectare)	1
Employment in Industry (% of total employment)	4
Share of Agriculture in total employment (%)	5
Real GDP Per capita growth (%)	6
Total debt stock as % of GNI	6
Gross domestic Savings (% of GDP)	7
Foreign Direct Investment Inflows (Million USD)	7
Real GDP Growth (%)	15
Net Primary School Enrollment rate (% of primary school going population)	15

Note: Rank among LDCs, based on 2014 data or the latest available years



Recent trends in the LDCs: Comparative Analysis of Bangladesh's Performance

Indicators	Rank of Bangladesh
Youth Literacy Rate (%)	16
Primary Completion rate (%)	16
Gross fixed capital formation (% of GDP)	18
Agriculture labour productivity (value added in USD per worker)	20
Growth of Service Exports (%)	22
Share of value added in Manufacturing (% of GDP)	24
Growth of Merchandise exports (%)	24
Growth rate of Agricultural total factor productivity (%)	35
Land/Labour ratio (Hectares per worker)	48

Note: Rank among LDCs, based on 2014 data or the latest available years



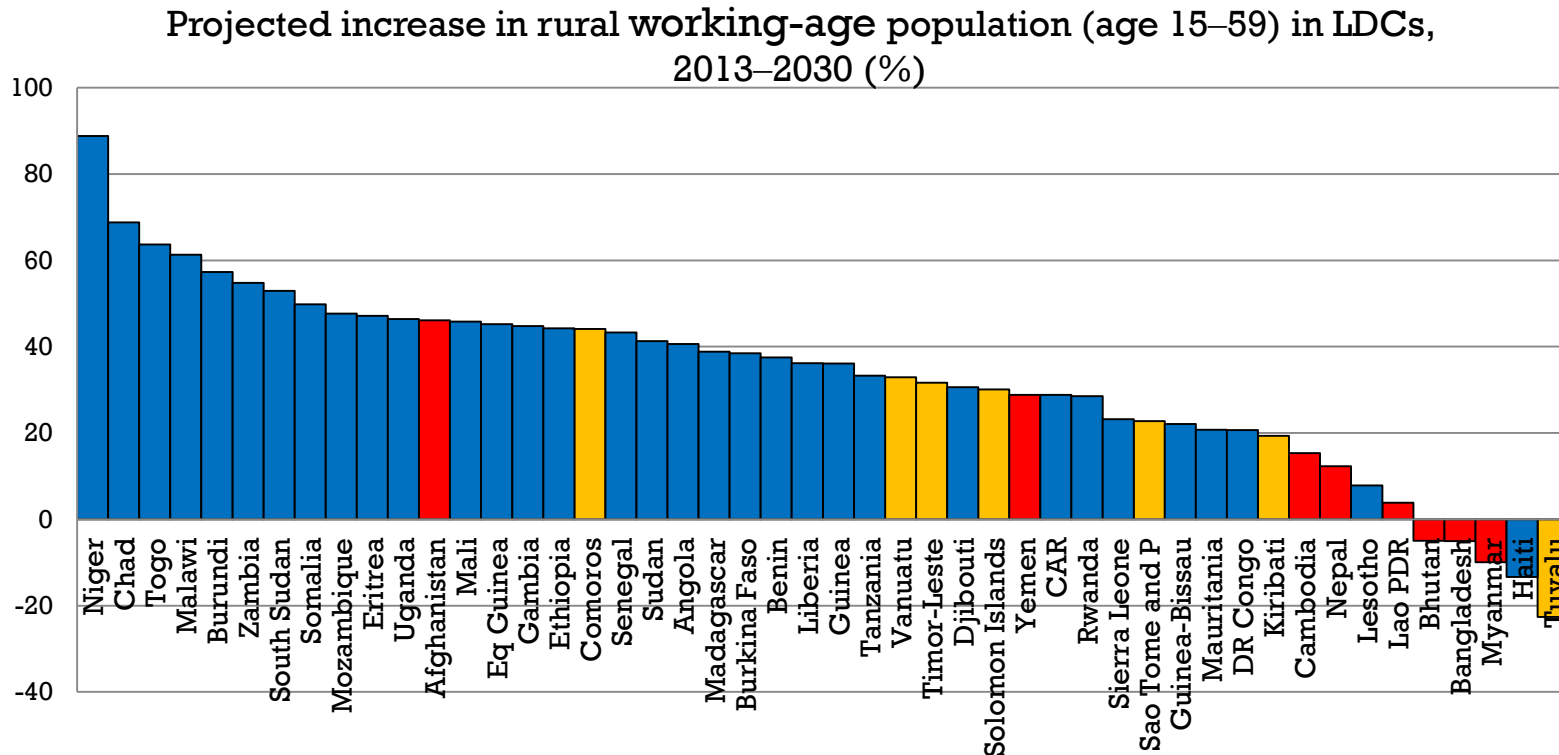
PART B



- ▶ The LDCs are the battleground on which the SDGs will be won or lost
- ▶ We can only *eradicate* poverty (SDG1) by eradicating it *everywhere* ⇒ Need to focus where it's most difficult: LDCs and their rural areas
- ▶ Rural population in LDCs are 69% of the total, will go on growing, and will remain predominant



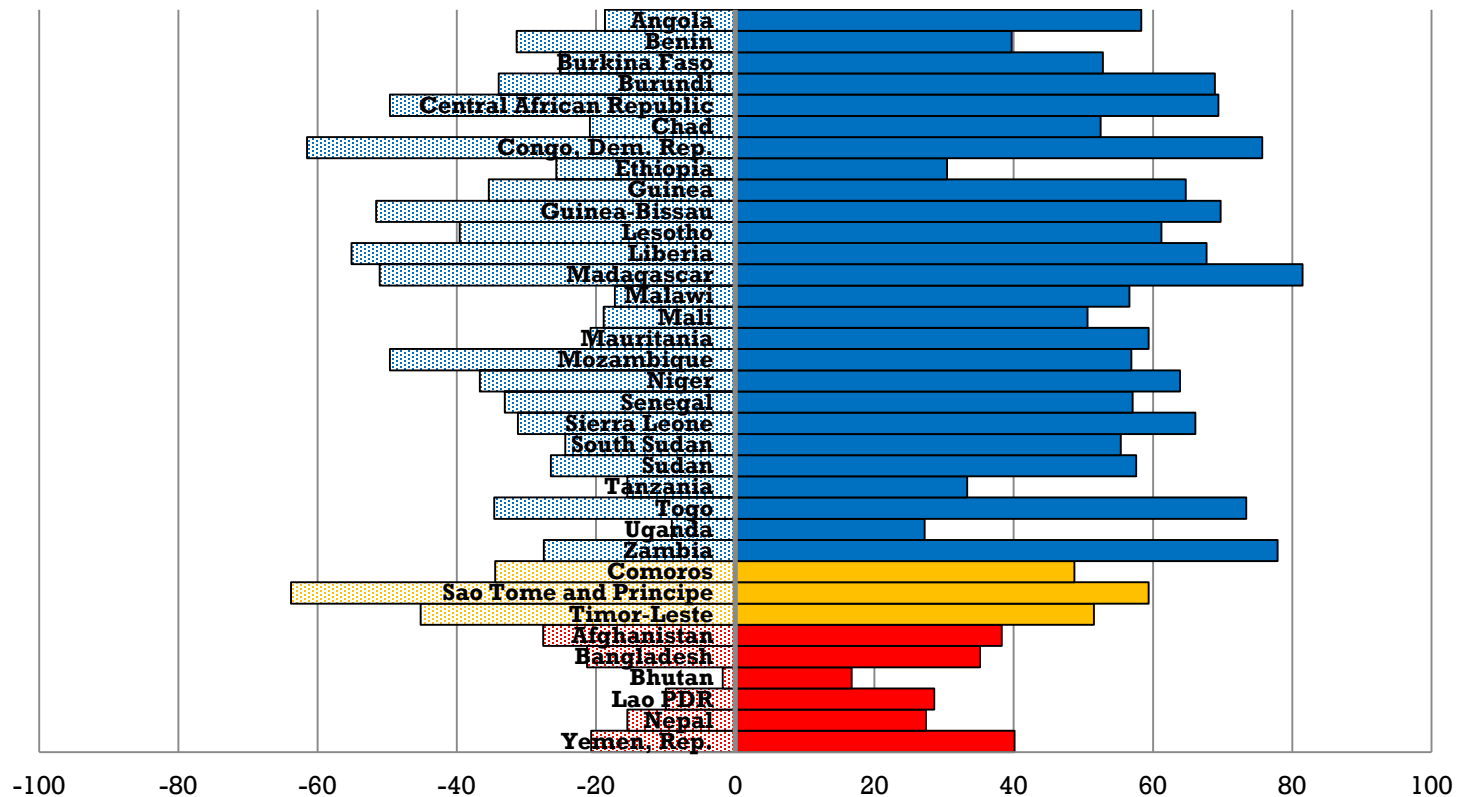
- ▶ Even with continued urbanisation, the rural workforce will increase considerably in most LDCs, requiring accelerated job creation





- ▶ In rural areas, poverty is typically twice as high as in urban areas

Poverty Rate

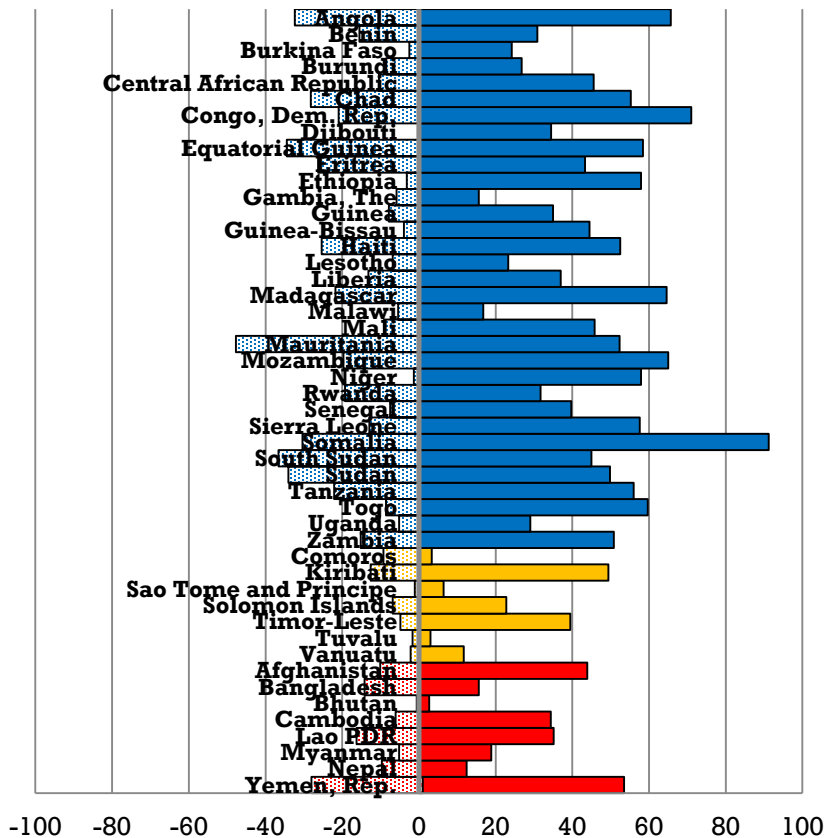




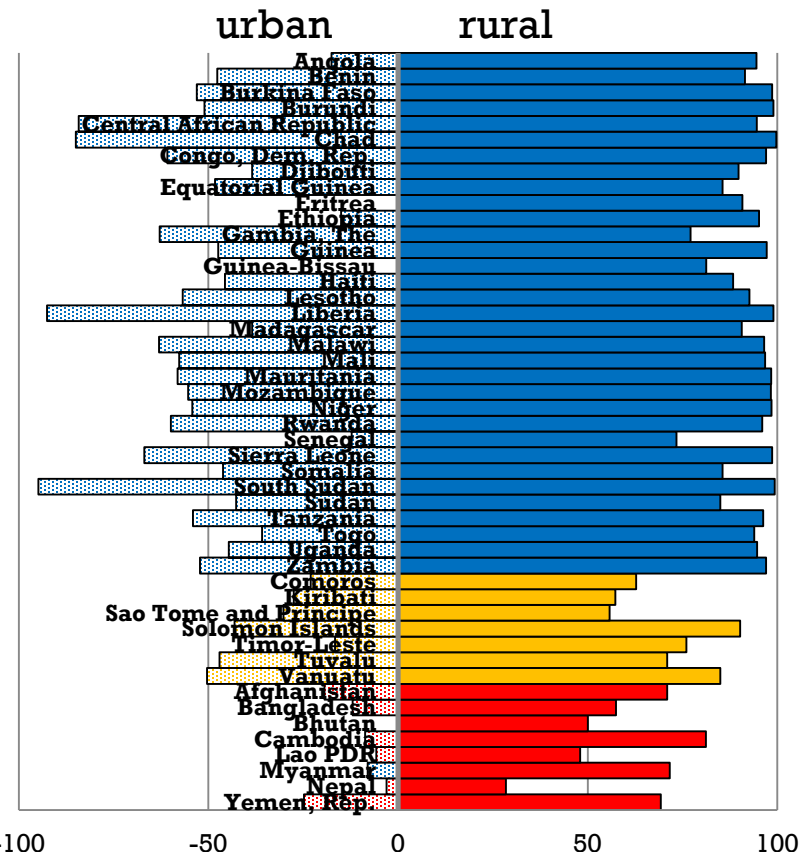
Rationale

- ▶ Other SDG shortfalls are also much greater in rural areas than in urban areas

Population without access to water



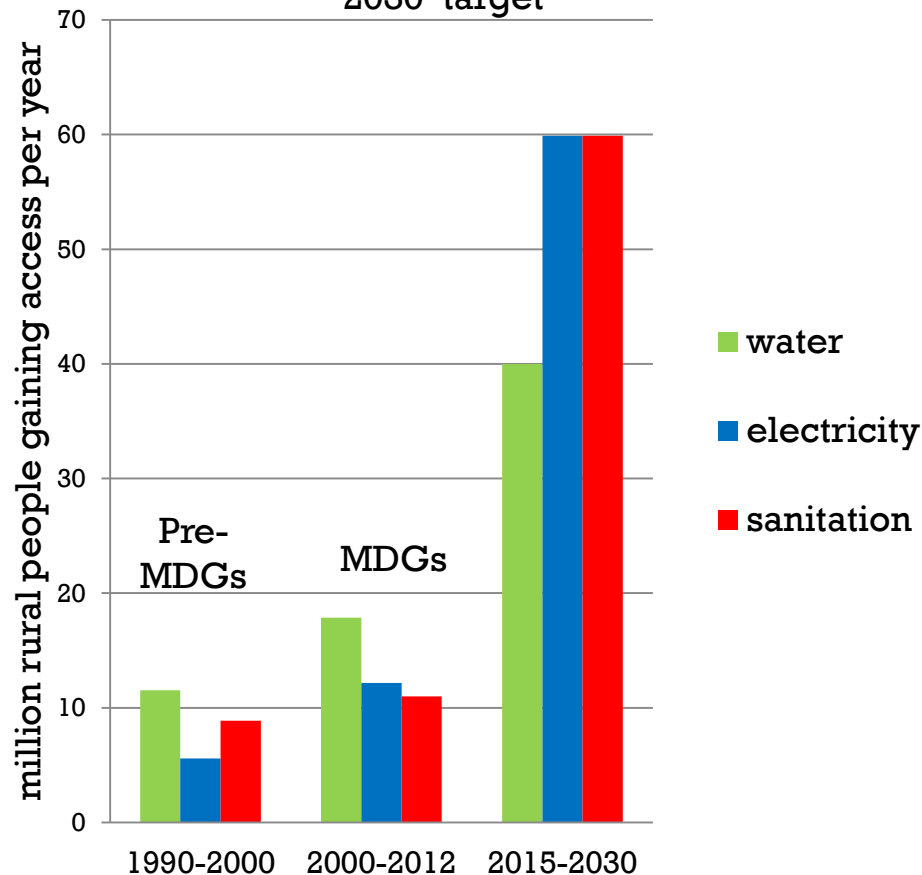
Population without access to electricity





Rationale

Annual net increase in access to electricity, water and sanitation, LDCs, 1990–2012 and 2030 target



- ▶ Filling SDG gaps will require a seismic shift in the rate of progress on rural infrastructure provision



Implications of the SDGs

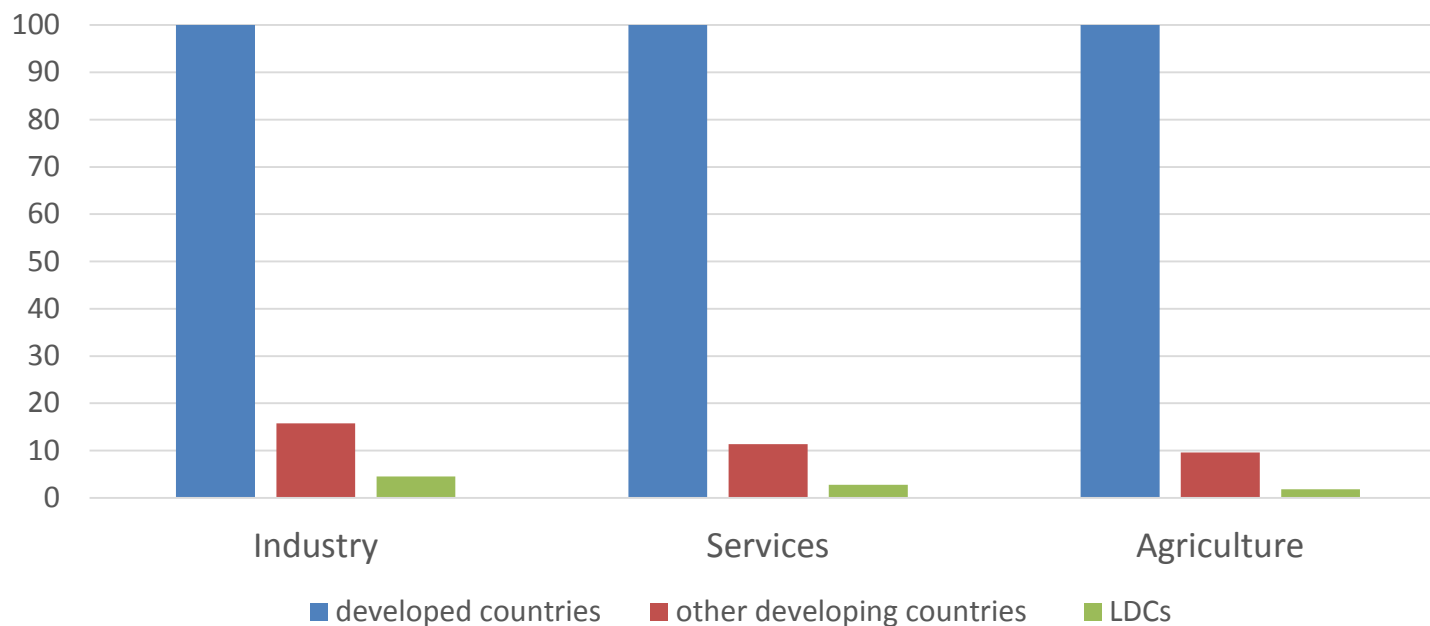
- ▶ The necessary acceleration in progress requires a new approach to development
- ▶ But efforts to fill the gaps will also change the economic environment for development...
- ▶ ...which provides the **opportunity** for a new approach: poverty-oriented structural transformation (POST)



Agricultural Productivity

Productivity in LDC agriculture is just 1.8% of that in developed countries, a much larger gap than in either services or industry

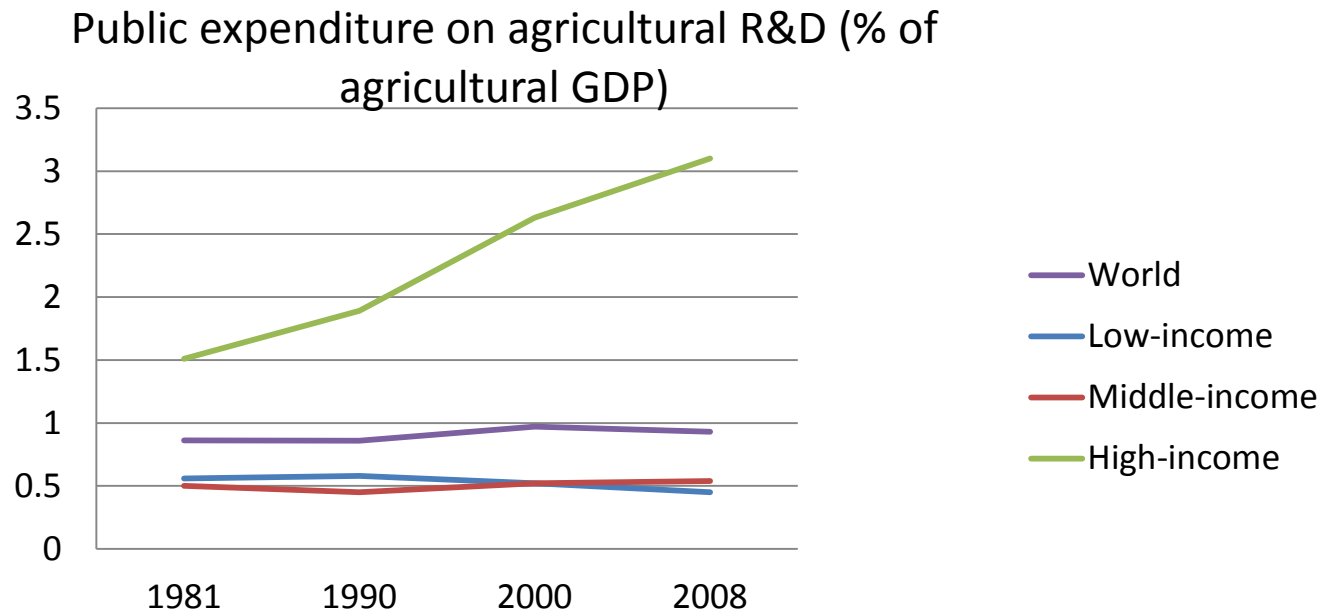
Sectoral labour productivity
(Value added per worker), 2011-13
(Developed countries = 100)





Agricultural Productivity

- Very low investment in agricultural R&D and technology; insufficient agricultural extension services
 - ⇒ Greater agroecological diversity makes this more problematic in Africa than in Asia
- Limited public investment in infrastructure



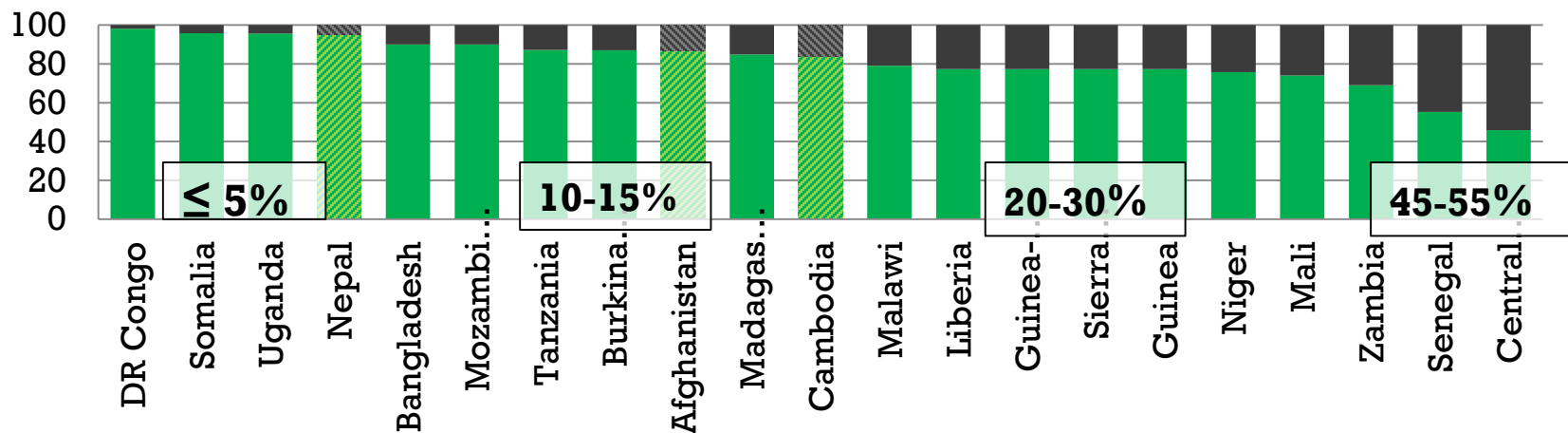


Agricultural Productivity

Causes of low agricultural productivity in LDCs

- Low quantity of conventional inputs: fertilizers, mechanization, irrigation
- Climate change

Estimated climate-related agricultural losses by 2080s
(% of 2003 output)

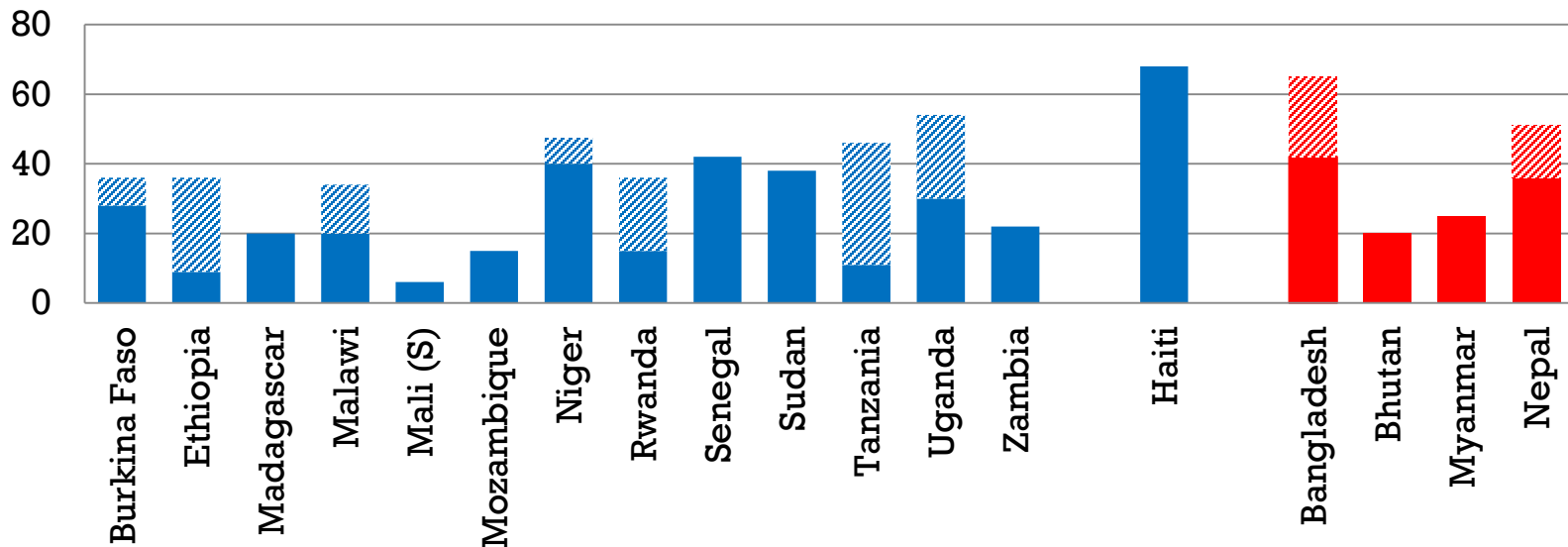




Rural Economic Diversification

- The scale of the non-farm rural economy (RNFE) varies widely among LDCs
- But a larger % of non-farm activity does not necessarily mean more transformation, as it reflects both
 1. Dynamic "entrepreneurship by choice"
 2. Survivalist "entrepreneurship by necessity"

Non-farm % of rural income, 1983 onwards





Urban Proximity

- ▶ An important determinant of diversification and agricultural upgrading
- ▶ RNFE development is more difficult further from towns
- ▶ But increasing rural-urban access is two-edged
 - Wider markets and increased access to inputs; but
 - Loss of natural protection
 - Disadvantages vs. established urban suppliers and imports
- ▶ Identifying the right policies is critical
- ▶ So is recognising the very different opportunities and priorities in peri-urban, intermediate, remote and isolated rural areas



Gender Constraints

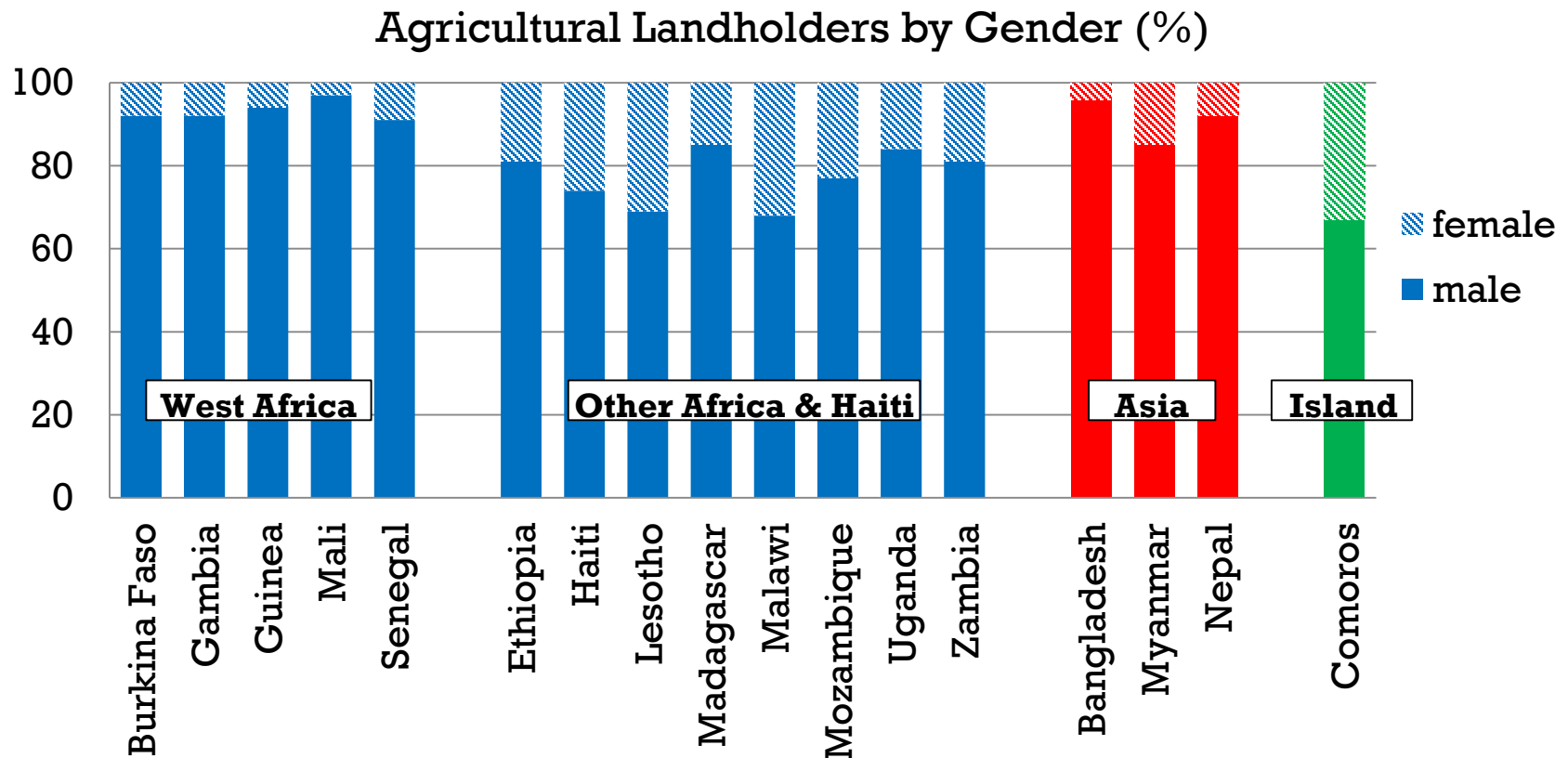
- ▶ Women are around half the rural and agricultural workforce

- ▶ But they face major additional constraints
 - Double burden of care and productive work
 - More likely to be in vulnerable employment
 - Disproportionate share of (unpaid) family labour
 - But limited control over commercial proceeds
 - Limited access to finance, markets
 - Access to land (including inheritance) limited by customary law and practice



Gender Constraints

- ▶ Landholding is male dominated, especially in Asian and West African LDCs

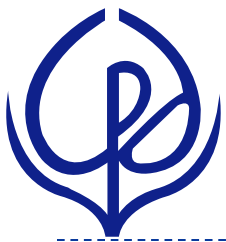




Policy Agenda to Transform Rural Economies

Linking demand and supply

- ▶ Foster demand linkages and supply response
- ▶ Demand-side kick start:
 - Large-scale infrastructure investment, using labour-based construction methods and local procurement
 - Local food stocks in remote/isolated areas
- ▶ Supply-side kick start:
 - Rural electrification
 - Access to technology/inputs, affordable finance, training, enterprise support, etc.
 - Support cooperatives, producers' associations, women's networks, etc.



Policy Agenda to Transform Rural Economies

- ▶ Sequencing of investments / interventions

- ▶ Phase 1: Focus on increasing productivity and preparing supply response
 - Infrastructure investment esp. electrification
 - Strengthen demand impact of Phase 2 investments – e.g. training in construction skills
 - Access to inputs/technologies, affordable finance, training, etc, targeted to priority activities

- ▶ Phase 2: Focus on demand and productivity
 - Infrastructure investment with strong demand effects
 - Support to supply response, enterprise strengthening

- ▶ Phase 3: Focus on opening
 - Strengthen rural urban transport links



Policy Agenda to Transform Rural Economies

Financing productive investment

- Focus on dynamic microenterprises and SMEs, not "entrepreneurs by necessity"
- Interest subsidies, subject to interest rate ceiling
- In-kind microgrants of productive inputs in remote and isolated areas
- Maximize synergies between agriculture and RNFE
- Increase staple production/local food stocks; agro-processing; low-season employment



Policy Agenda to Transform Rural Economies

Agricultural upgrading

- Stronger and more stable support to R&D and agricultural extension services \Rightarrow \uparrow yields / productivity
- Focus extension on needs of disadvantaged farmers
- Subsidies for locally appropriate packages of inputs and complementary services
- Diversify towards higher-value crops
- Extend cultivated area where possible/sustainable



Policy Agenda to Transform Rural Economies

Development cooperation/ODA

- ▶ The considerable investment needs to meet the SDGs in LDCs will need to come mainly from ODA
- ▶ SDG17 on ODA:
 - Mentions explicitly the 0.7% and 0.15-0.2% of donor GNI commitments
 - Implicitly includes aid effectiveness commitments, e.g. country ownership, untying
- ▶ Since LDCs' share of SDG shortfalls is 40-50%, a 0.35% target would be more consistent with the 0.7% overall target
- ▶ Supporting productive sectors is as important as social sectors, to make gains economically sustainable



Policy Agenda to Transform Rural Economies

Trade

- ▶ Prolong existing preferential arrangements and improve rules of origin
- ▶ Develop / promote a global "SD brand", building on existing fair trade/sustainability labeling
 - Could link with proactively ethical financing
- ▶ Developmental regionalism could also support rural development, esp. in African LDCs



Key messages

1. Rural development is key to meeting the SDGs in LDCs
2. Poverty-oriented structural transformation (POST) of rural economies requires agricultural upgrading, diversification into productive non-farm activities, and fully exploiting the synergies between the two
3. Sequencing infrastructure investment and interventions is critical
4. Agricultural productivity can be raised by improving input use and quality, strengthening agricultural research and development (R&D) and extension services, investing in infrastructure, etc.
5. Financing for productive investment needs to be *affordable* as well as *available*
6. Fulfilment by donors of their commitments on ODA quantity and quality is essential to meeting the SDGs: there is a strong case for increasing the target for ODA to LDCs to 0.35 per cent of donor GNI



Thank You!

LDCs Report 2015 can be downloaded from here:

<http://unctad.org/en/pages/aldc/Least%20Developed%20Countries/The-Least-Developed-Countries-Report.aspx>