

*Media Briefing on the Occasion of the Global Launch*

## **UNCTAD's LDCs REPORT 2014**

***Growth with Structural Transformation:  
A Post-2015 Development Agenda***

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**Dhaka: 27 November 2014**

*Hosted by*



CENTRE FOR POLICY DIALOGUE (CPD)

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# Outline

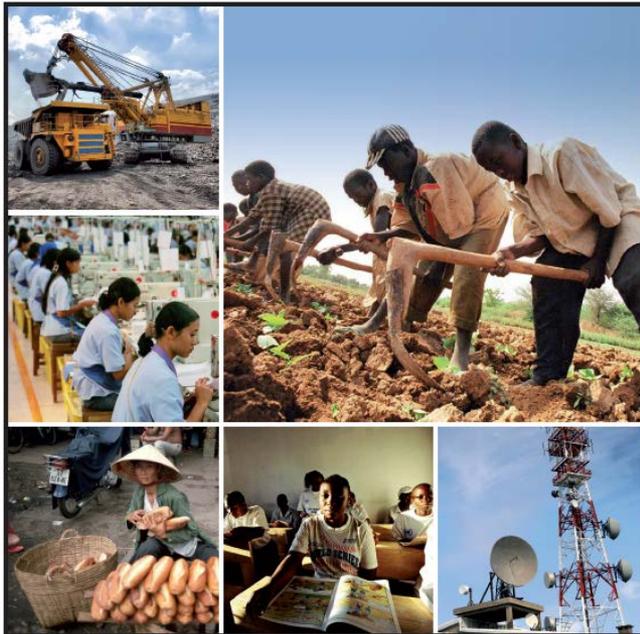
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## THE LEAST DEVELOPED COUNTRIES REPORT 2014

*Growth with structural transformation: A post-2015 development agenda*



UNITED NATIONS

- ❑ Information on LDCs
- ❑ Recent trends & outlook for the LDCs: comparative analysis of Bangladesh's performance
- ❑ LDCs' progress towards achieving the MDGs
- ❑ Reconnecting economic and human development
- ❑ Structural transformation and productivity in LDCs
- ❑ A post-2015 agenda for LDCs
- ❑ LDC Report 2014 - Key Messages



## Information on LDCs

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- The LDC category was established in 1971
- Since 1971, only 4 countries have so far "graduated":
  - ✓ Botswana in 1994
  - ✓ Cape Verde in 2007
  - ✓ Maldives in January 2011
  - ✓ Samoa in January 2014
- In 1971, there were 25 LDCs; in 2014, there are 48 LDCs.
- Equatorial Guinea and Vanuatu are scheduled to be taken out of the list of LDCs in June 2017 and December 2017, respectively
- Next official review will take place in 2015
- Potential candidates for graduation are Angola and Kiribati



# Information on LDCs

## LEAST DEVELOPED COUNTRIES (48)

Africa 34, Asia 9, Caribbean 1, Pacific 4



Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.



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

## Indicators on LDCs Development

Country	GNI per capita (USD) 2013	Economic Vulnerability Index (EVI) CDP 2012 review	Human Assets Index (HAI)	Income level	Human Development Index (HDI) 2013	
					Value	Rank
Angola	5,010	51.3	31.6	Upper middle income	0.53	149
<b>Bangladesh</b>	<b>900</b>	<b>32.4</b>	<b>54.7</b>	<b>Low income</b>	<b>0.56</b>	<b>142</b>
Cambodia	950	50.5	57.9	Low income	0.58	136
Equatorial Guinea	14,320	43.7	43.0	High income: non-OECD	0.56	144
Kiribati	2,620	82	86.9	Lower middle income	0.61	133
Nepal	730	27.8	59.8	Low income	0.54	145
Vanuatu	3,130	46.8	77.7	Lower middle income	0.62	131

- **Per capita income” criterion threshold: \$992 (will be \$1035 in 2015) for inclusion and \$1190 for graduation (\$1242 in 2015)**
- **EVI criterion threshold: 36 for inclusion and 32 for graduation**
- **HAI criterion threshold: 60 for inclusion and 66 for graduation**



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

- With slow and uneven recovery of the global economy, LDCs faced a challenging external environment in 2013
- LDCs attained an average real GDP growth rate of 5.6% in 2013 - higher than ODCs (4.6%), but below the upward revised rate of 2012 (7.5%) and the 7% annual growth target established by IPoA

### Real GDP Growth (%)

Region	2008	2009	2010	2011	2012	2013	2014(F)
<b>LDCs</b>	<b>6.8</b>	<b>4.5</b>	<b>5.7</b>	<b>4.2</b>	<b>7.5</b>	<b>5.6</b>	<b>6.0</b>
African LDCs	7.6	3.6	5.1	4.4	8.2	5.6	5.9
Asia LDCs	5.3	5.9	6.5	3.8	6.4	5.7	6.0
Island LDCs	10.4	7.4	7.1	9.2	7.1	6.5	7.2
<b>ODCs</b>	<b>5.1</b>	<b>2.7</b>	<b>7.8</b>	<b>5.7</b>	<b>4.8</b>	<b>4.5</b>	<b>4.7</b>
<b>Bangladesh</b>	<b>6.0</b>	<b>5.9</b>	<b>6.4</b>	<b>6.5</b>	<b>6.1</b>	<b>5.8</b>	<b>6.0</b>
Cambodia	6.7	0.1	6.1	7.1	7.3	7.0	7.2
Nepal	6.1	4.5	4.8	3.4	4.9	3.6	4.5
Rwanda	11.2	6.2	7.2	8.2	8	5	7.5



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

- Fast demographic expansion in LDCs offset comparatively faster GDP growth
- Real GDP per capita in LDCs as a group increased only by 2.8% in 2013 - per capita income growth was higher than their population growth by only a small margin in many LDCs
- Limited impact on living standards

### Per Capita GDP Growth (%)

Region	2008	2009	2010	2011	2012	2013	2014(F)
<b>LDCs</b>	<b>4.4</b>	<b>2.2</b>	<b>3.3</b>	<b>1.7</b>	<b>5.1</b>	<b>3.2</b>	<b>3.6</b>
African LDCs	4.8	0.9	2.4	1.4	5.3	2.7	3.1
Asia LDCs	3.7	4.3	4.9	2.2	4.7	4.0	4.3
Island LDCs	8.0	5.0	4.7	6.7	3.9	3.6	4.6
<b>ODCs</b>	<b>3.7</b>	<b>1.5</b>	<b>6.5</b>	<b>4.9</b>	<b>3.5</b>	<b>3.3</b>	<b>3.5</b>
<b>Bangladesh</b>	<b>4.9</b>	<b>4.8</b>	<b>5.3</b>	<b>5.3</b>	<b>4.9</b>	<b>4.7</b>	<b>4.9</b>
Cambodia	4.9	-1.6	5.0	6.0	6.2	6.0	6.2
Nepal	4.9	3.4	3.6	2.2	3.6	2.0	2.9
Rwanda	8.9	4.1	5.0	6.0	5.8	2.8	5.3



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

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- To sum up, in 2013 LDCs maintained strong economic growth, though they were beginning to show signs of economic slowdown.
- In 2013, 11 out of the 48 LDCs achieved growth rates at 7% or above, while six LDCs registered growth rates below 2%
- Slower growth in per capita GDP seriously affects many LDCs' ability to achieve poverty reduction and other MDGs



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

- ▶ **Economic growth** has generally not been accompanied by **structural transformation of LDCs'** economies and by employment creation

### Sectoral Share (as % of GDP)

Country	Agriculture, hunting, forestry, fishing			Manufacturing Industry			Non manufacturing Industry			Services		
	1991	2000	2012	1991	2000	2012	1991	2000	2012	1991	2000	2012
<b>LDCs</b>	<b>32.1</b>	<b>30.1</b>	<b>24.3</b>	<b>9.2</b>	<b>9.6</b>	<b>10.6</b>	<b>13.2</b>	<b>17.8</b>	<b>20.6</b>	<b>44.8</b>	<b>43.2</b>	<b>44.0</b>
African LDCs	32.9	32.5	26.0	8.4	7.8	7.5	14.8	19.8	25.8	42.7	40.4	40.3
Asia LDCs	30.5	26.3	22.0	10.9	12.4	15.9	10.2	14.9	11.1	48.4	47.3	50.2
Island LDCs	30.7	30.9	14.0	5.4	5.5	2.0	5.7	8.0	54.6	58.5	55.7	29.6
<b>ODCs</b>	<b>11.4</b>	<b>9.7</b>	<b>7.5</b>	<b>14.6</b>	<b>14.4</b>	<b>23.1</b>	<b>22.3</b>	<b>24.1</b>	<b>16.2</b>	<b>51.6</b>	<b>51.8</b>	<b>53.2</b>
<b>Bangladesh</b>	<b>25.6</b>	<b>22.4</b>	<b>17.2</b>	<b>12.6</b>	<b>15.0</b>	<b>18.5</b>	<b>6.3</b>	<b>8.2</b>	<b>9.9</b>	<b>55.6</b>	<b>54.5</b>	<b>54.4</b>
Cambodia	50.6	39.5	28.7	7.6	15.3	21.6	3.3	6.1	7.2	40.5	39.8	42.0
Rwanda	39.8	44.5	32.2	8.8	6.9	6.1	6.1	7.6	10.5	45.5	40.6	52.0



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

- ▶ **Economic growth** has generally not been accompanied by **structural transformation of LDCs'** economies and by employment creation

### Employment by sector in LDCs (% of total employment)

Country	Agriculture			Industry			Service		
	1991	2000	2012	1991	2000	2012	1991	2000	2012
<b>LDCs</b>	<b>52.6</b>	<b>46.2</b>	<b>33.8</b>	<b>20.1</b>	<b>20.5</b>	<b>26.1</b>	<b>27.2</b>	<b>33.2</b>	<b>40.1</b>
African LDCs	73.9	71.1	64.4	8.1	7.6	9.7	18.0	21.3	26.0
Asia LDCs	76.2	75.4	69.7	5.7	5.2	6.8	18.1	19.4	23.5
Island LDCs	71.0	67.0	59.3	7.7	9.1	11.9	21.3	23.9	28.8
ODC	66.5	56.1	52.5	8.5	9.6	10.7	25.1	34.3	36.7
Angola	47.4	51.4	37.1	14.1	8.3	10.7	38.5	40.3	52.2
<b>Bangladesh</b>	<b>69.3</b>	<b>64.5</b>	<b>54.4</b>	<b>13.6</b>	<b>10.7</b>	<b>13.7</b>	<b>17.1</b>	<b>24.8</b>	<b>32.0</b>
Cambodia	79.1	73.7	51.0	5.7	8.4	18.6	15.2	17.9	30.4
Equatorial Guinea	44.9	43.0	32.3	16.8	16.4	22.7	38.3	40.6	45.0
Nepal	78.7	75.0	71.3	9.0	10.3	11.6	12.3	14.7	17.1



## Recent Trends & Outlook for the LDCs: Comparative Analysis of Bangladesh's Performance

- ▶ In 2012, LDCs as a group reached a gross fixed investment rate of 24.5% of GDP, close to that BPoA target of 25% (for 2010) - as a prerequisite for supporting GDP growth rates of 7%
- ▶ Asian LDCs achieved a fixed investment rate above this threshold
- ▶ Higher GFCF in Bangladesh did not translate into 7% GDP growth
- ▶ The gap between average of ODCs and Bangladesh is increasing

### Gross Fixed Capital Formation (as % of GDP)

Region	2000-2008	2009	2010	2011	2012
<b>LDCs</b>	<b>20.5</b>	<b>22.3</b>	<b>22.6</b>	<b>22.9</b>	<b>24.5</b>
African LDCs	19.3	21.6	21.8	21.6	23.0
Asia LDCs	22.6	23.6	24.0	25.2	27.2
Island LDCs	11.8	17.5	18.2	18.2	17.2
<b>ODCs</b>	<b>26.1</b>	<b>30.2</b>	<b>30.2</b>	<b>30.4</b>	<b>31.1</b>
<b>Bangladesh</b>	<b>26.2</b>	<b>26.7</b>	<b>26.7</b>	<b>27.9</b>	<b>28.7</b>
Cambodia	18.5	20.1	16.2	16.0	17.4
Nepal	20.4	21.4	22.2	21.3	20.0
Rwanda	16.9	21.6	21.0	21.4	22.8

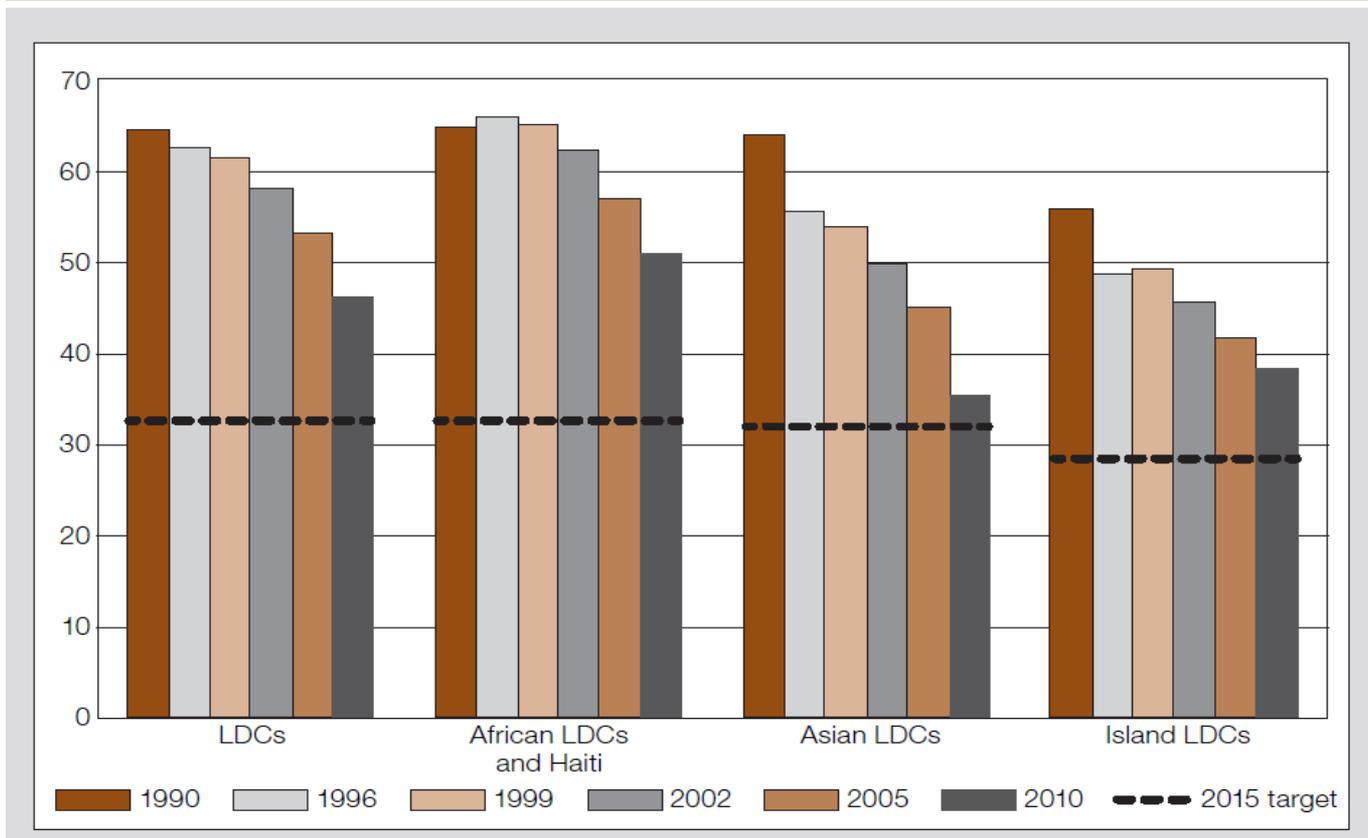


## LDCs' progress towards the MDGs

Asian LDCs are broadly on course to halve poverty by 2015

but **most African LDCs fall well short of the MDG poverty target**

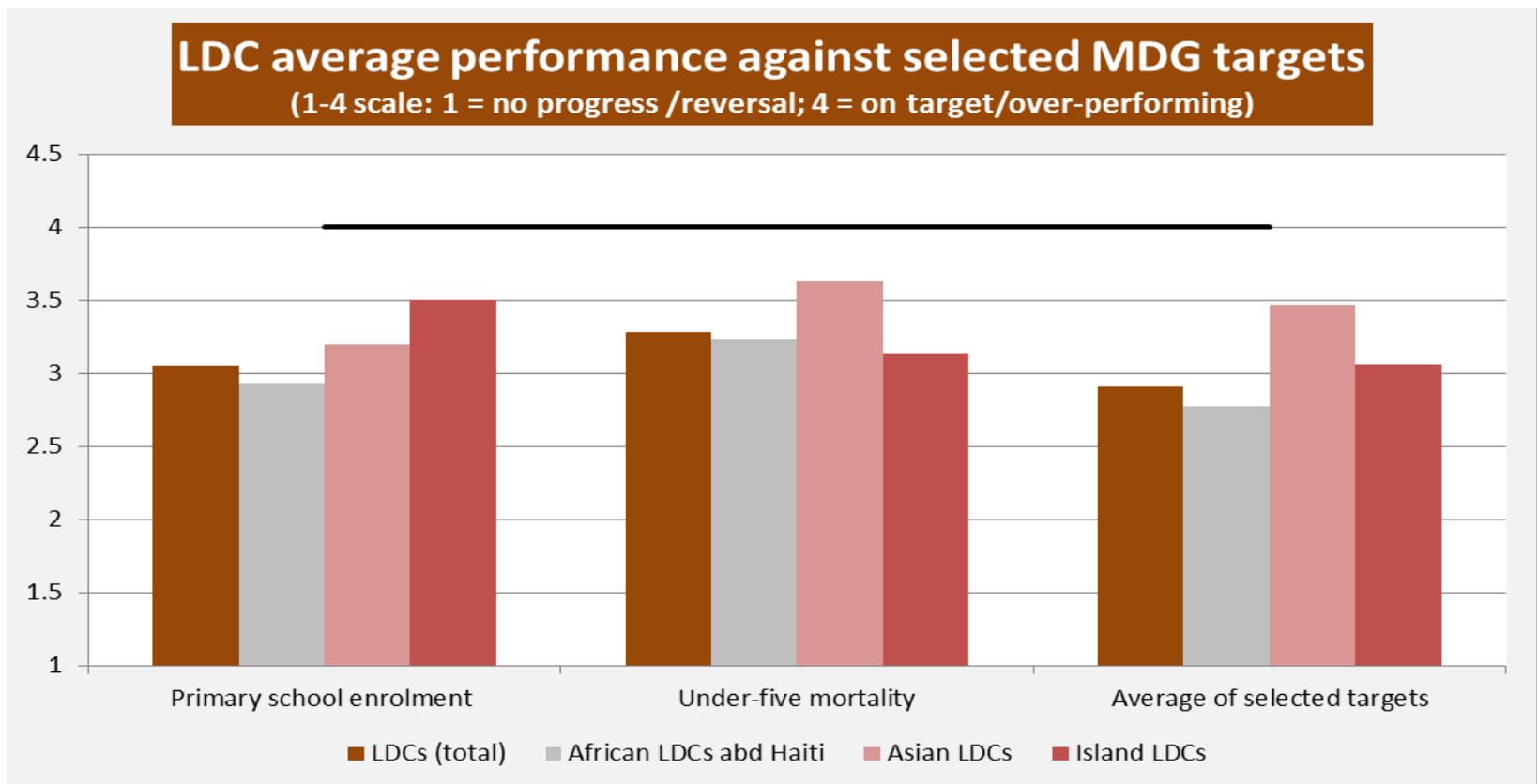
Chart 6. Per cent of population living below the poverty line of \$1.25 a day (PPP), 1990–2010





## LDCs' progress towards the MDGs

**Asian LDCs perform better than African LDCs across all MDG targets**, but only one country (Laos) is on track to meet all of the seven MDG targets assessed





## LDCs' progress towards the MDGs

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### Reasons for LDC paradox

These failures partly reflect an *external problem*, i.e. **limited progress on MDG 8** (“a global partnership for development”)

- Major donors have fallen far short of their commitments on **ODA**
- LDCs' **trade preferences** relative to other developing countries have been seriously eroded
- The **global financial architecture** did not prevent the triple crises

But they are mainly related to a *structural problem*, i.e. **LDCs' inability to translate economic growth into structural transformation and employment**



## LDCs' progress towards the MDGs

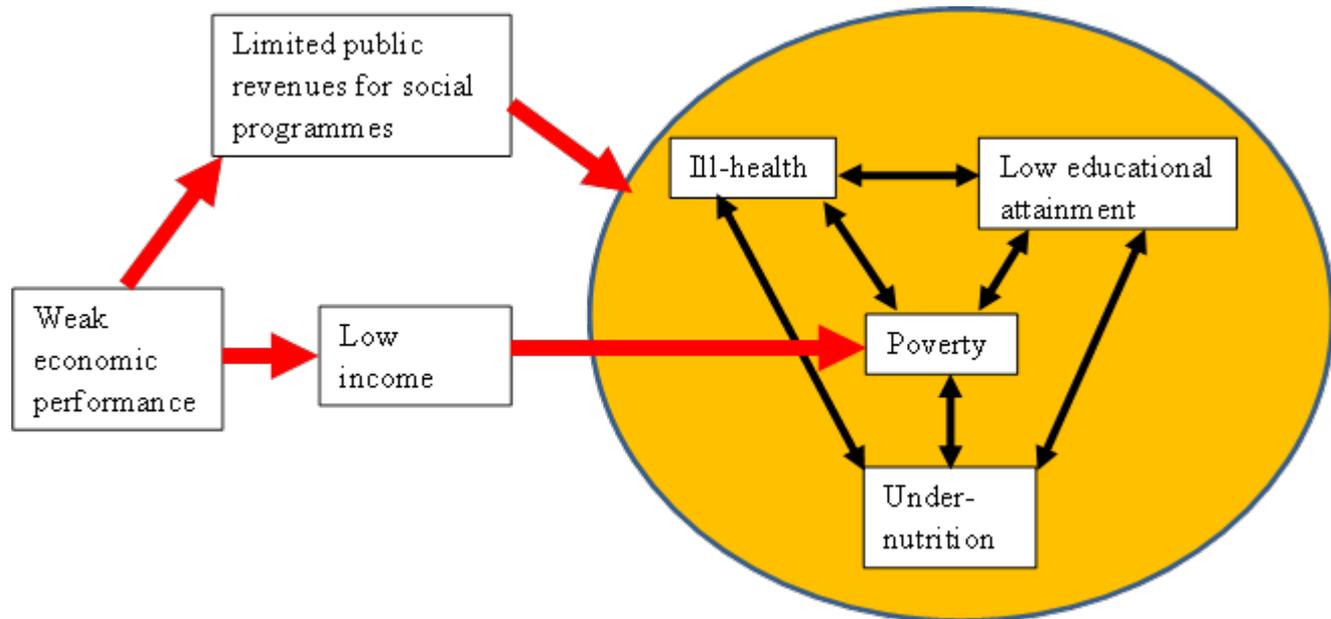
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- ▶ A previous CPD research (Bhattacharya et al. 2013) also showed that (assessing progress towards 11 MDG indicators) –
  - LDCs as a group are unlikely to meet any of the indicators
  - However progress with regard to some of the goals in different LDCs - for 11 out of 14 indicators LDCs as a group have made positive movement
  - Asian LDCs are likely to meet two indicators: poverty and under-five mortality rate
  - Island LDCs are likely to meet only two targets: drinking water and under-five mortality rate
  - African LDCs are likely to miss all the targets
  - Progress remains slow and uneven across the LDCs: Rwanda is in the top position, followed by Bangladesh and Cambodia
  - Four LDCs are unlikely to meet any of the targets: Mozambique, Sierra Leone, Somalia, and South Sudan



# Reconnecting human and economic development

- ▶ **Economic and human development are interdependent**
  - From ED to HD: weak economic performance limits the ability of a country to achieve poverty reduction







## Reconnecting human and economic development

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**Economic development** is not only a matter of economic growth, it also involves **structural transformation**:

- Increasing **productivity within sectors** through technological change and innovation; and
- Increasing **productivity between sectors**, i.e. a shift of resources from less to more productive sectors / activities

The inability of the majority of LDCs to meet most of the MDGs mostly reflects:

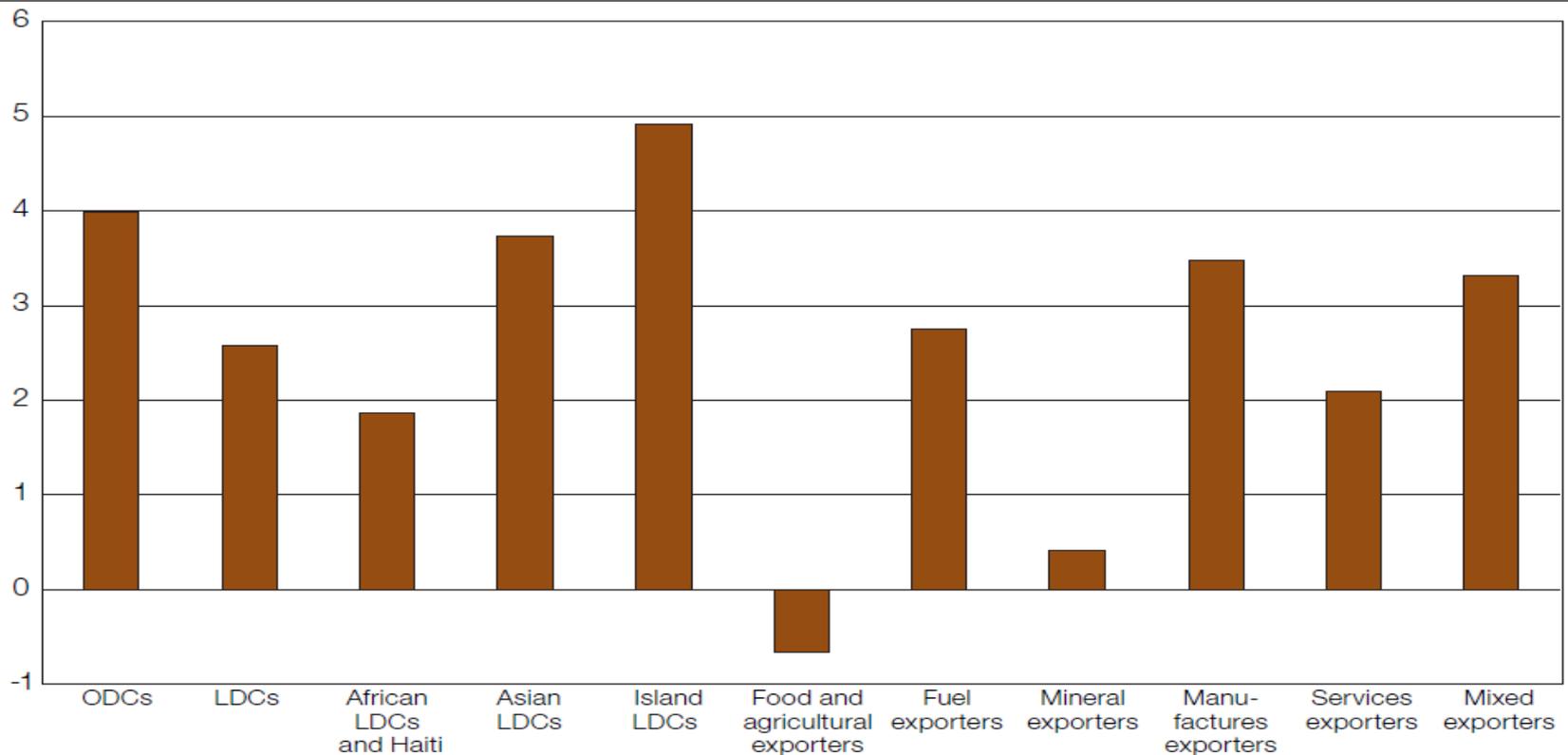
- LDCs' **failure to break out of this vicious circle**
- MDGs' strong focus on **human outcome indicators**, with little consideration of the **means of achieving** them (i.e. economic development)



## Structural transformation and productivity in LDCs

Since 1991 LDCs have trailed other developing countries, but with major differences between country groups

**Chart 24. Annual growth rate of output per capita in LDCs and ODCs, 1991–2012**  
(Per cent)

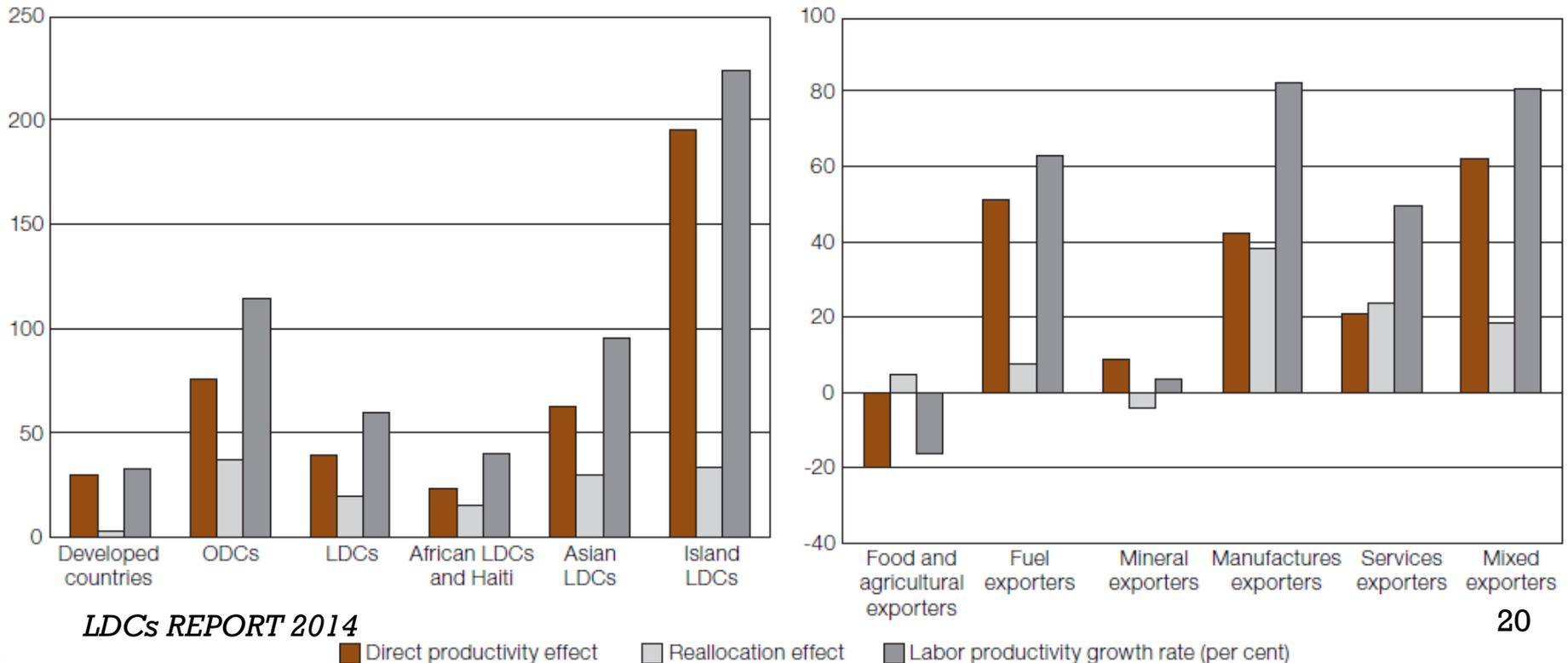




## Structural transformation and productivity in LDCs

In the last 20 years **growth in LDCs has been associated with structural change** (i.e. contributions to aggregate productivity both from changes **within** sectors and movement **between** sectors)

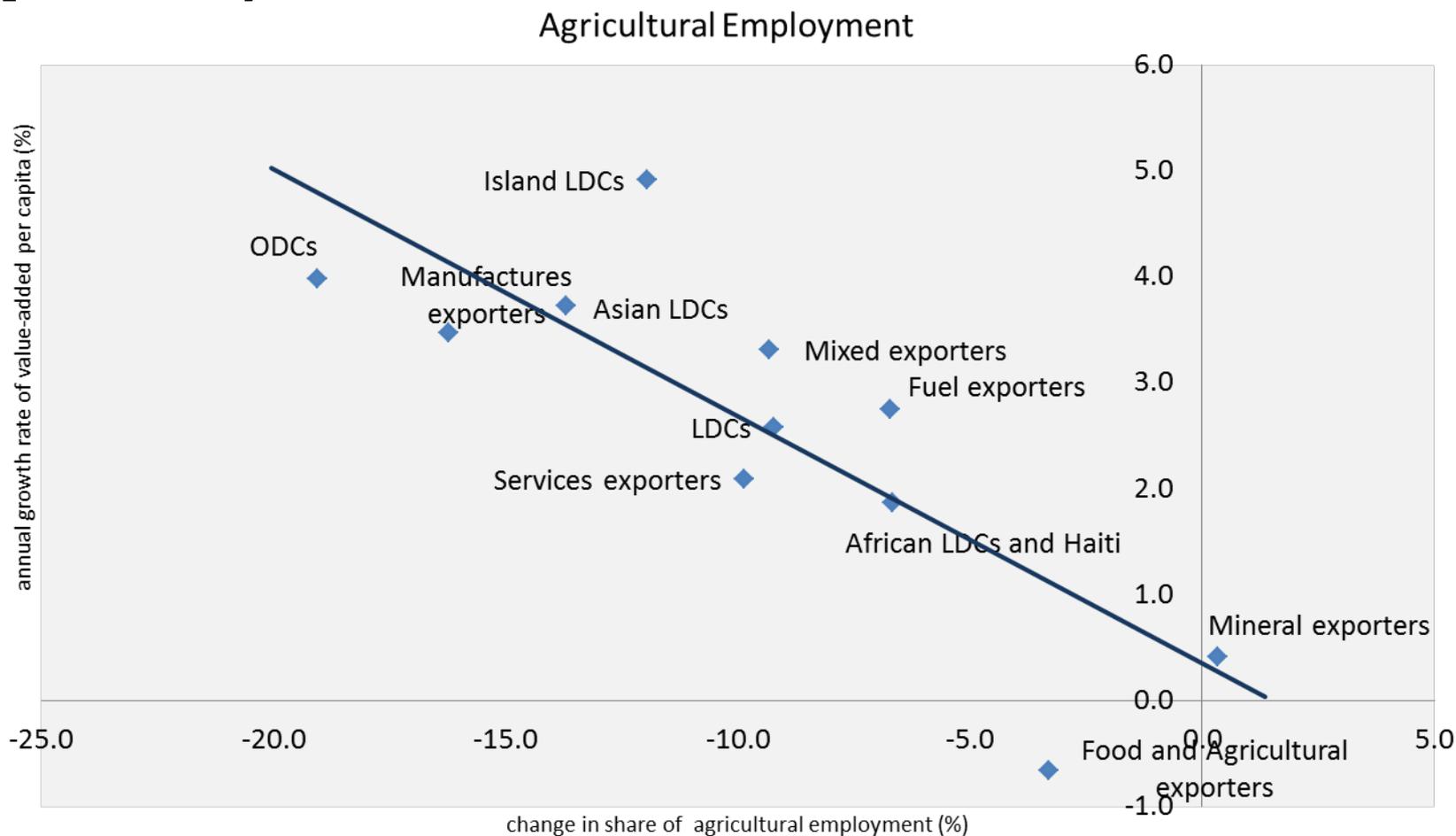
**Chart 27. Labour productivity growth by component effects, 1991–2012**  
(Per cent)





## Structural transformation and productivity in LDCs

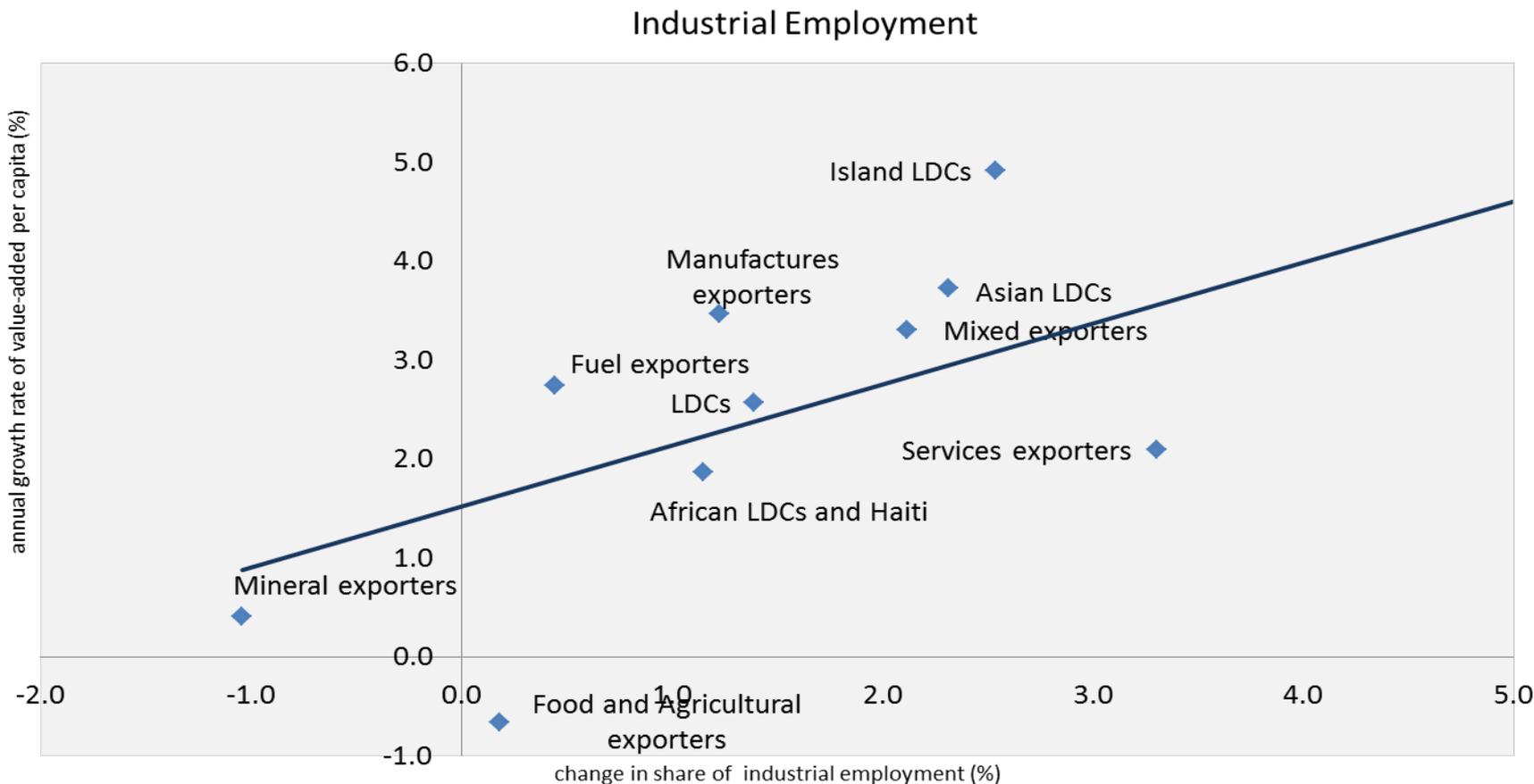
The less labour moves out of agriculture, the more slowly overall productivity increases





# Structural transformation and productivity in LDCs

The more labour moves into industry, the faster overall productivity increases





## Structural transformation and productivity in LDCs

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In **all** LDCs, employment in services rose but labour productivity in services remained stagnant

- Agriculture has shed labour, but **urban industry has not been able to absorb the resulting rural-urban migration**
- A large part of the urban workforce has been pushed into low-productivity informal service activities

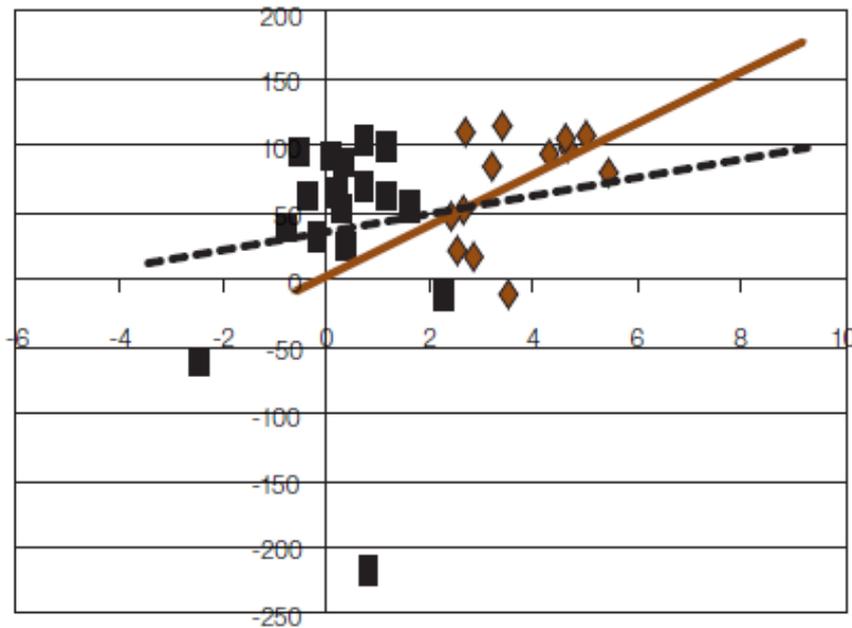


# Structural transformation and productivity in LDCs

Structural transformation improves the **translation of growth benefits into human development**, through higher wages and job creation.

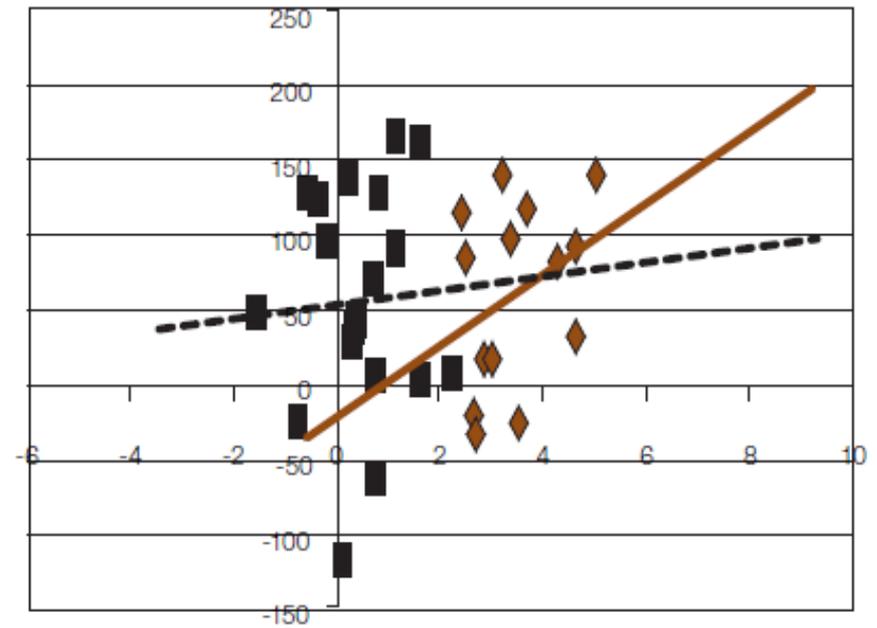
**Chart 33. Impact of structural transformation on the nexus between growth and selected MDGs in LDCs (Per cent)**

*A. Education and growth nexus*



Annual GDP per capita growth, 1991-2012

*B. Undernourishment and growth nexus*



Annual GDP per capita growth, 1991-2012

◆ Dynamic ■ Lagging — Linear (dynamic) - - - Linear (lagging)



## A post-2015 development agenda for LDCs

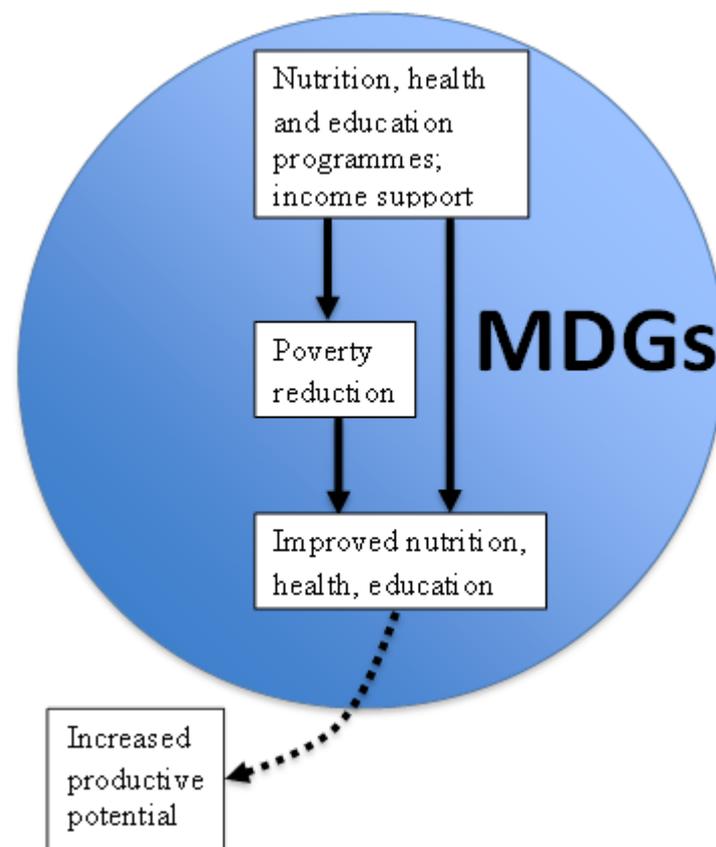
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- ▶ The SDGs will be much more ambitious than MDGs
- ▶ The LDCs are the **battleground** where SDGs will be won or lost!
  - **World poverty can only be *eradicated* if it is eradicated *everywhere***; and this will be most challenging in the LDCs
- ▶ The post-2015 development agenda and the SDGs need
  - to encompass **structural transformation** and
  - to be much stronger on **global action**



## A post-2015 development agenda for LDCs

The Post-2015 agenda needs to pursue **economic development with structural transformation and human development together**

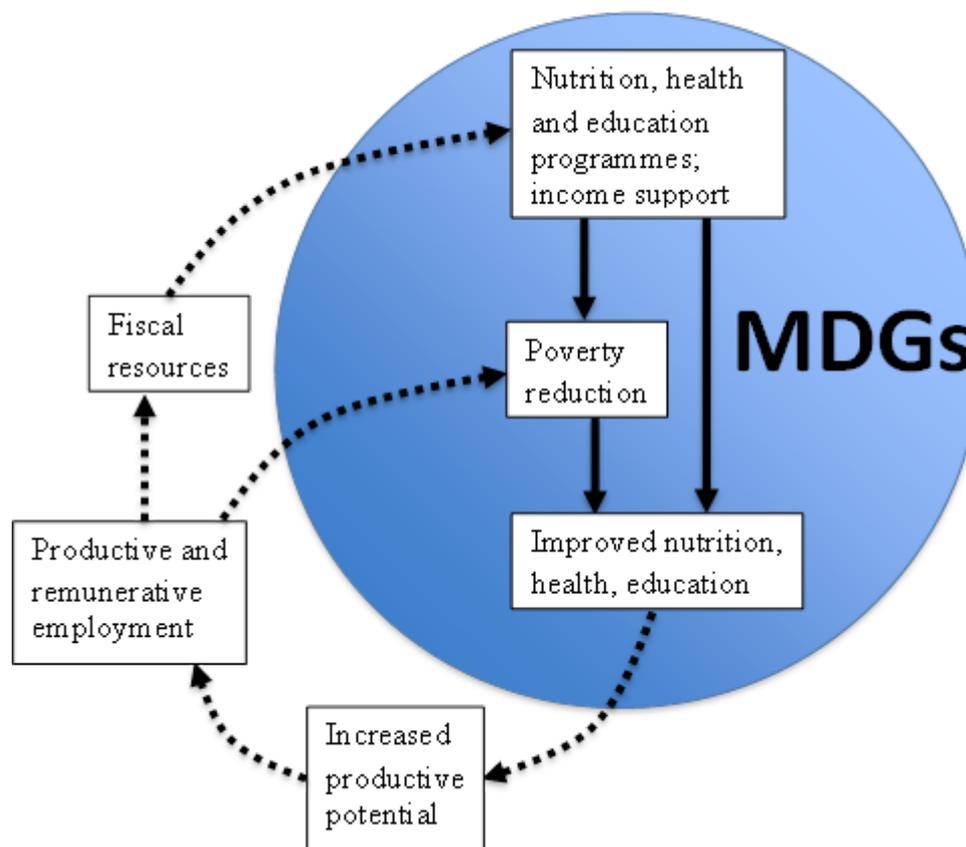




## A post-2015 development agenda for LDCs

The Post-2015 agenda needs to pursue **economic development with structural transformation and human development together...**

...to translate increased potential into increased incomes and revenues...



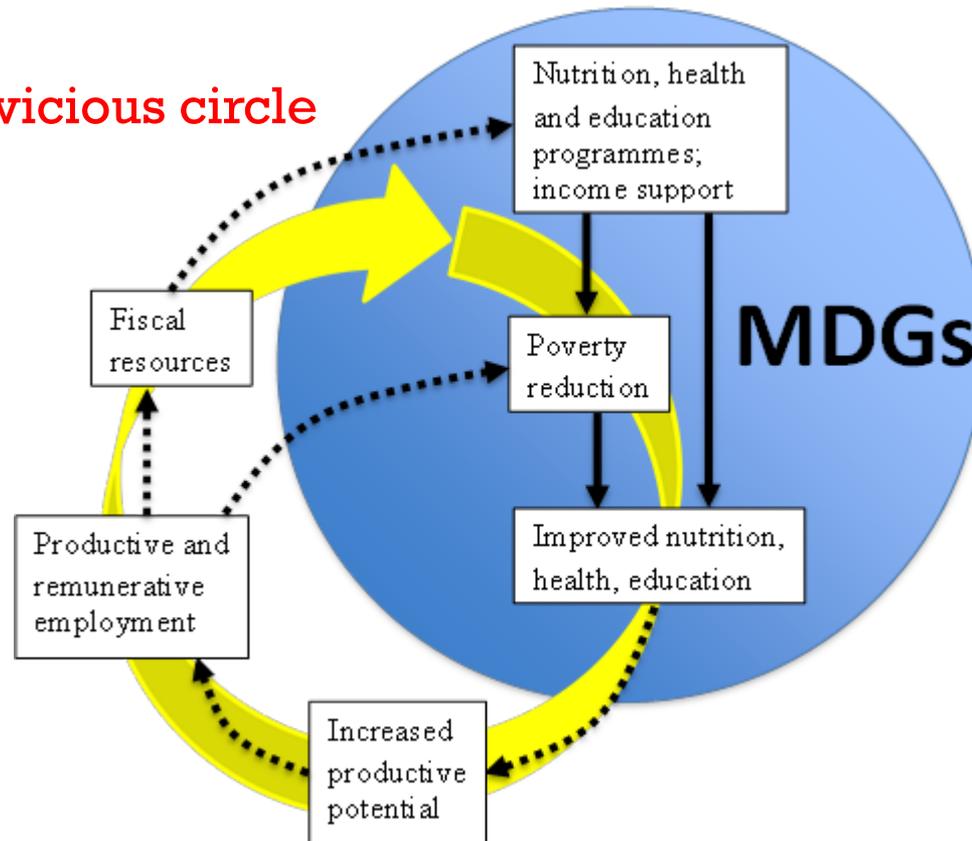


## A post-2015 development agenda for LDCs

The Post-2015 agenda needs to pursue **economic development with structural transformation and human development together...**

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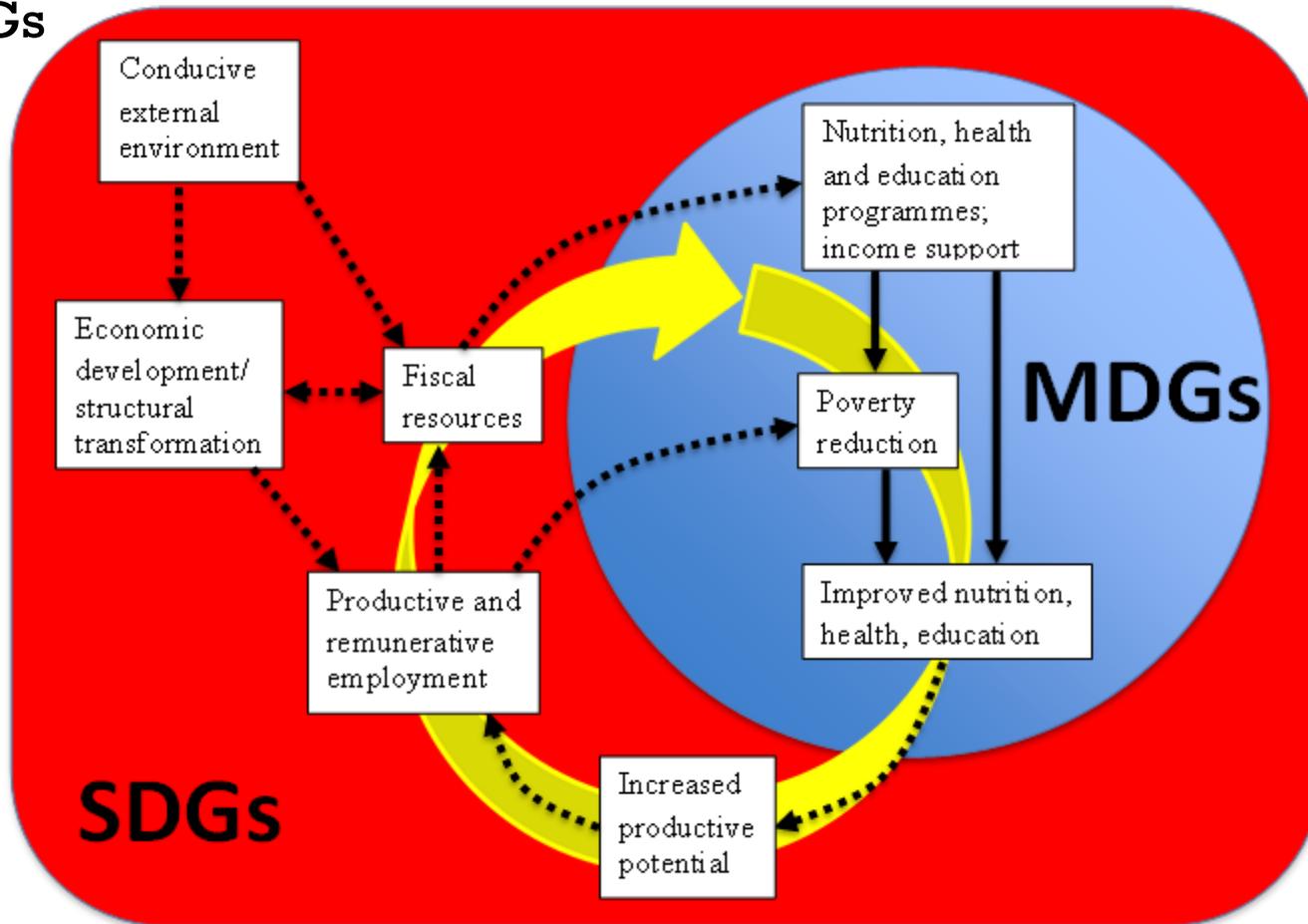
...and **reverse the vicious circle**





## A post-2015 development agenda for LDCs

This means including economic development with structural transformation and the required changes at the global level within the SDGs





## A post-2015 development agenda for LDCs

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Three interrelated areas of **domestic policy** are particularly important for sustaining economic transformation:

1. **Resource mobilization** for public and private investment
2. **Industrial and sectoral policies** to channel resources into most productive sectors and activities
3. **Macroeconomic policies** which foster economic

Achieving the SDGs will also require **efforts by the international community as ambitious as the goals themselves**



## A post-2015 development agenda for LDCs

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### **Resource mobilization**

- ▶ Balance domestic investment and FDI according to their different advantages in different contexts
  - **FDI** where it offers access to markets and technology
  - But **local investment** is likely to offer stronger forward/backward linkages, more jobs per \$, more reinvestment of profits
  - **Diaspora investment** may combine the best of both
- ▶ Local investment requires **credit and profitable opportunities** - industrial and macroeconomic policies are critical
- ▶ Maximize the impact of ODA through **labour-intensive methods in infrastructure investment**, and local procurement



## A post-2015 development agenda for LDCs

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### **Industrial policy**

- ▶ **Active industrial policy is essential**
  - horizontal (economy-wide) policies and
  - vertical (specific activities) policies
- ▶ **Focus on job creation**
- ▶ Innovation requires experimentation:
  - **not "picking winners" but "picking possibles"**
  - even "failures" provide valuable information about what does not work



# A post-2015 development agenda for LDCs

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## Industrial policy

- ▶ Dual strategy:
  - Develop sectors in line with **current comparative advantage**, but also
  - **Promote and anticipate *changes in comparative advantage***
- ▶ Opportunities
  - **Forward/backward linkages**, e.g. natural resource-based clusters
- ▶ Instruments: development banks, fiscal incentives, trade policies, export promotion, formalisation, ICT....



## A post-2015 development agenda for LDCs

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### **Macroeconomic policies**

- ▶ **Emphasize credit** for local investment and demand growth
- ▶ Keep demand growth steady through **countercyclical policies** (including commodity stabilization funds)
- ▶ But keep the *long-term* fiscal deficit within the limits of **financial sustainability**
- ▶ **Increase and diversify public revenue sources** and strengthen tax collection capacity to increase fiscal space



# A post-2015 development agenda for LDCs

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## **International measures**

- ▶ **ODA** - donors should fulfil long-standing commitments on
  - quantity (commitment to 0.15-0.2% of GNI for LDCs)
  - quality (especially basing ODA on recipients' priorities/strategies)
  
- ▶ **International finance reform**
  - Effective and development-friendly crisis prevention and response
  - Improved global tax governance
  
- ▶ Trade - a more **development-oriented trading system**, including
  - Special and Differential Treatment; easier accession; technology transfer under TRIPs; review of bilateral agreements' compatibility with SDGs, and changes where required
  
- ▶ Prompt, effective and equitable **action on climate change**



## LDC Report 2014 - Key Messages

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- ▶ The LDCs are the **battleground** on which the Post-2015 Development Agenda and the SDGs will be won or lost
- ▶ The international community must **learn from the LDC paradox** - LDCs' failure to achieve most MDGs despite strong growth
- ▶ Meeting the much more ambitious SDGs requires completing a **virtuous circle of economic and human development**
- ▶ This requires **economic transformation in LDCs**, and **changes in the global economic system**
- ▶ This implies
  - a major shift in LDCs' own policies
  - action by the international community as ambitious as the proposed goals
  - including economic transformation and global economic change in the SDGs



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# Thank You!

**LDCs Report 2014 can be downloaded from here:**

***[http://unctad.org/en/pages/aldc/Least%20Developed%20Countries/The  
-Least-Developed-Countries-Report.aspx](http://unctad.org/en/pages/aldc/Least%20Developed%20Countries/The-Least-Developed-Countries-Report.aspx)***