

# Structural Transformation in Landlocked Developing Countries

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# Landlocked Developing Countries

## Landlocked Developing Countries (LLDCs) (32 countries)

Africa 16, Asia 12, Latin America 2, Central and Eastern Europe 2

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT



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

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# Structure of presentation

## Three points:

### 1. The Growth Story:

- Almaty PoA: a Decade of growth **without** transformation
- The next PoA: a Decade of growth **with** transformation

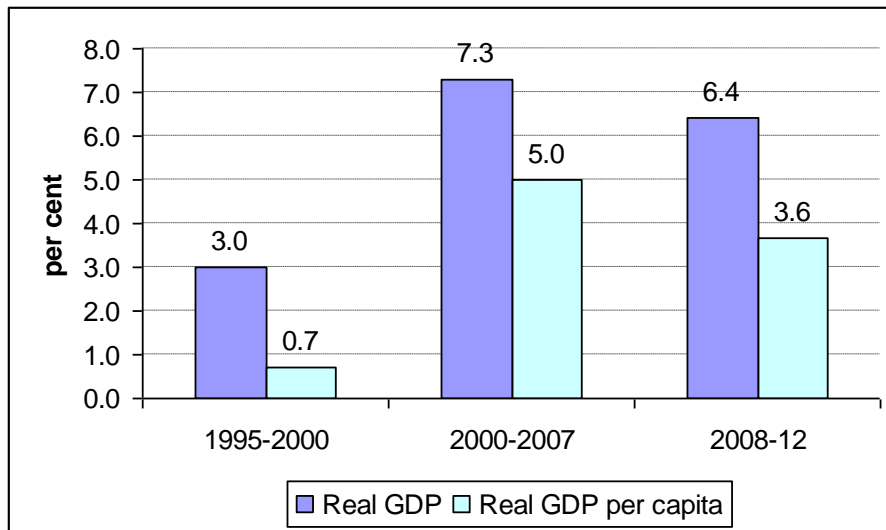
### 2. Key elements of structural transformation

### 3. Reflection on key drivers of structural transformation:

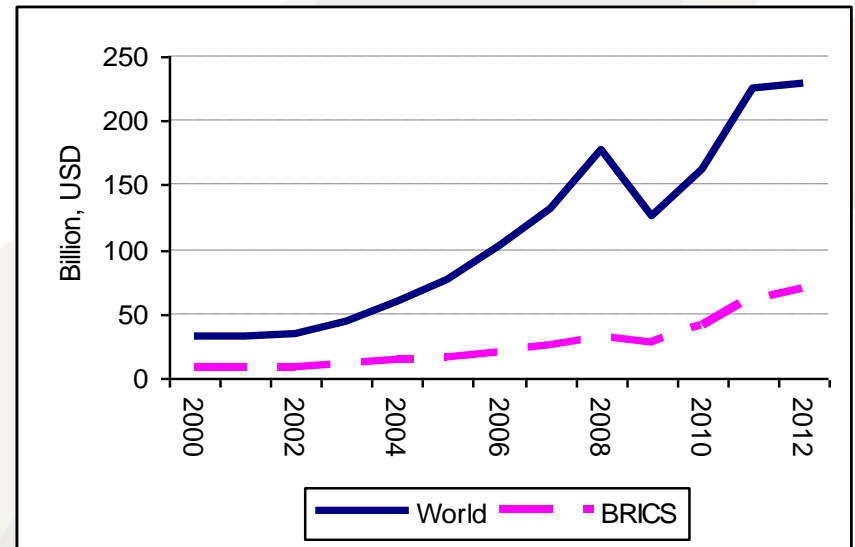
- Employment-rich growth
- Productive capacity-building
- Public investment

# 1. Almaty PoA: a Decade of growth without transformation

- Impressive performance:
- Real GDP growth



- External trade



# 1. Almaty PoA: a Decade of growth without transformation

- But growth has not generated the expected benefits:
  - Slow pace of poverty reduction
    - Extreme poverty remains worryingly high
  - Commodity exports-driven growth, which in turn led to:
    - Consumption-led growth
    - Intensification of dependency on commodities
    - High export concentration and increased volatility
    - Import dependent growth with negative implications for the balance of payment and future growth

# 1. Almaty PoA: a Decade of growth without transformation

- External Finance-driven growth
  - FDI growth: from 4\$ billion in 2000 to 35\$ billion in 2012
  - Remittances amounted to 23\$ billion in 2012
  - Net ODA and official aid amounted to 26\$ billion in 2012
- Job-less growth
  - 35 million young people expected to enter labour force by 2020 (~6 million per year)
- Low productivity-based structural change

# 1. Almaty PoA: a Decade of growth without transformation

	2000	2011
<b>GDP COMPONENTS</b>		
Total value added	100	100
Agriculture, hunting, forestry, fishing	25.6	16.3
Industry	28.1	36.9
<i>of which</i>		
<b><i>Mining</i></b>	<b>8.8</b>	<b>17.3</b>
<i>Manufacturing</i>	13.6	12.2
<i>Construction</i>	5.6	7.4
Services	46.3	46.8

## 2. Key elements of structural transformation

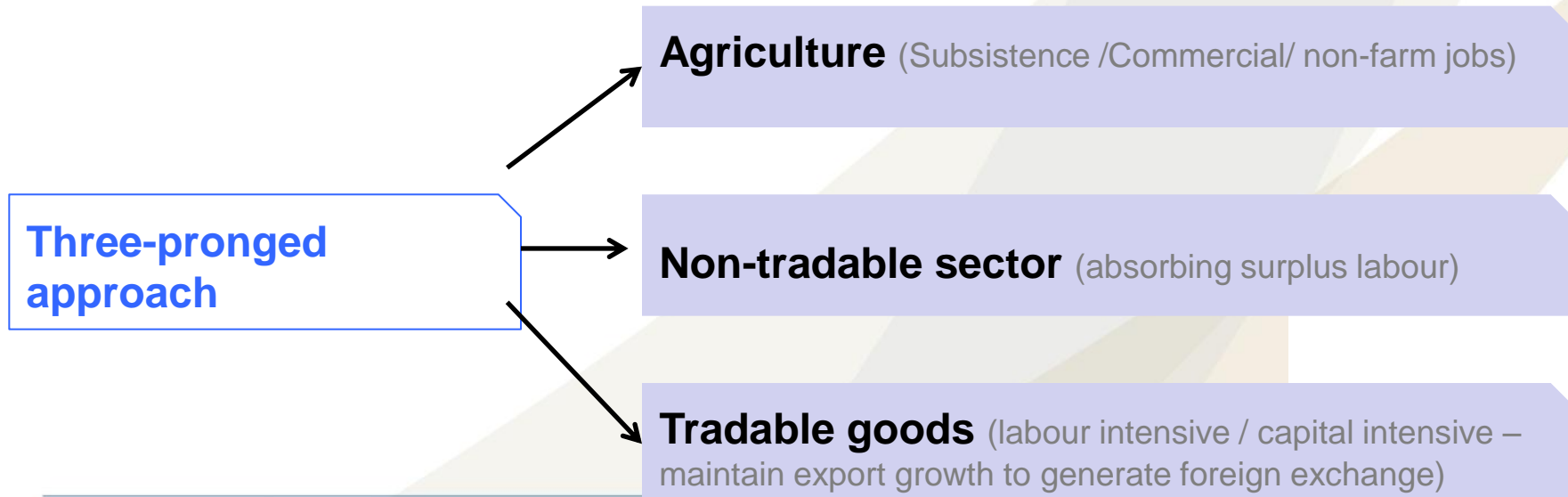
- No country has moved up the development ladder without structural transformation
- Structural transformation:
  - Movement of resources from:
    - Traditional to new sectors/activities
    - Low to high value added
    - Low to high productivity sectors
    - Into technology-intensive activities
- Structural transformation takes place **within** and **across** sectors
- Productivity improvement is key for structural transformation to take place



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## 3. Reflection on key drivers of structural transformation

Employment-rich growth: to achieve an inclusive and employment-intensive growth, UNCTAD proposes a **three-pronged approach**



# 3. Reflection on key drivers of structural transformation

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## PRODUCTIVE CAPACITY

(a country's ability to produce high value-added goods and services efficiently and competitively)



### PRODUCTIVE RESOURCES

- NATURAL RESOURCES
- HUMAN RESOURCES
- FINANCIAL CAPITAL
- PHYSICAL CAPITAL

### ENTREPRENEURIAL CAPABILITIES

- CORE COMPETENCIES
- TECHNOLOGICAL CAPABILITIES

### PRODUCTIVE LINKAGES

- BACKWARD AND FORWARD LINKAGES
- INFORMATION FLOW AND EXCHANGE OF EXPERIENCE
- RESOURCE FLOWS
- TERRITORIAL PRODUCTION CLUSTERS
- GLOBAL VALUE CHAINS
- LINKS BETWEEN FDI AND DOMESTIC ENTREPRENEURS
- LINKS BETWEEN LARGE FIRMS AND SMEs

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## 3. Reflection on key drivers of structural transformation

- Investment, in particular from the public sector
  - No country has achieved sustained and inclusive economic development without significant public investment at their initial stage of development
  - Public investment, not public ownership
  - At early stage of development, private sector has limited capacity to generate the level of investment needed to develop productive capacities and drive structural transformation

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## 3. Reflection on key drivers of structural transformation

- Investment...
  - External sources of finance – though critical – lack predictability and sustainability
  - Ultimately jobs are created and goods/services are produced by private sector, but public investment is needed to create an enabling environment (infrastructure, institutions ...)

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## UNCTAD RECOMMENDATIONS

- For LLDCs, transit, transport, trade facilitation should continue to receive priority attention.
- The next decade should focus on growth with structural transformation
- Economic growth which does not create jobs is unsustainable
- Job creation without the development of productive capacity and structural transformation is equally unsustainable.

**Thank you!**

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