



## **Midterm review of the Vienna Programme of Action for Land Locked Developing Countries**

### **An assessment of structural economic transformation in LLDCs**

Tuesday, 12 February 2019  
CSN/MPFD/ESCAP

# Introduction to Structural Transformation

## The concept

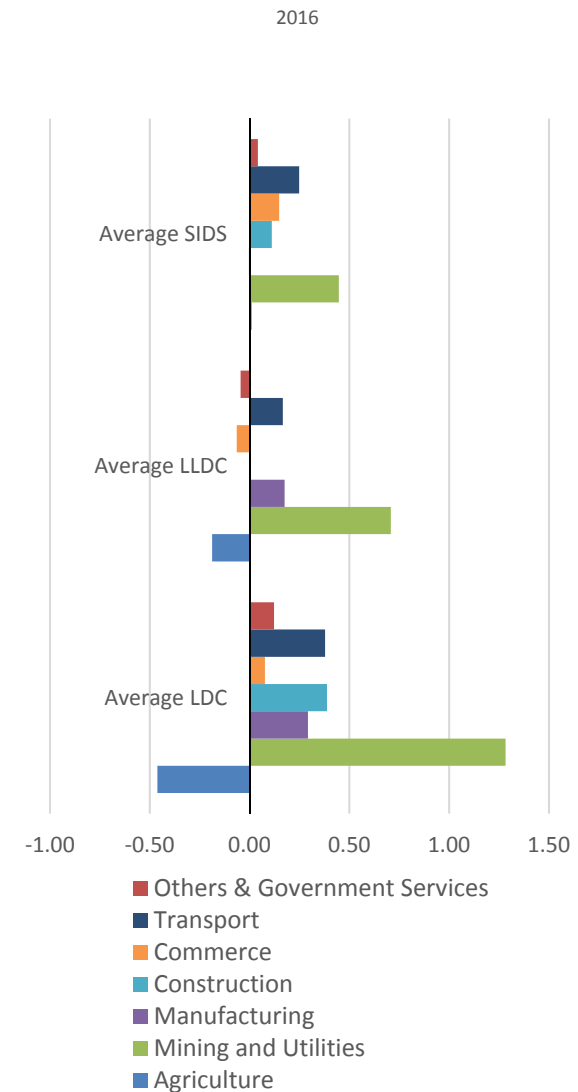
- Defined as the change in the long-term composition and distribution of economic activities
- Traditionally from agriculture to manufacturing and then to services
- Involves both within (Intra) and across-sector changes

## Drivers

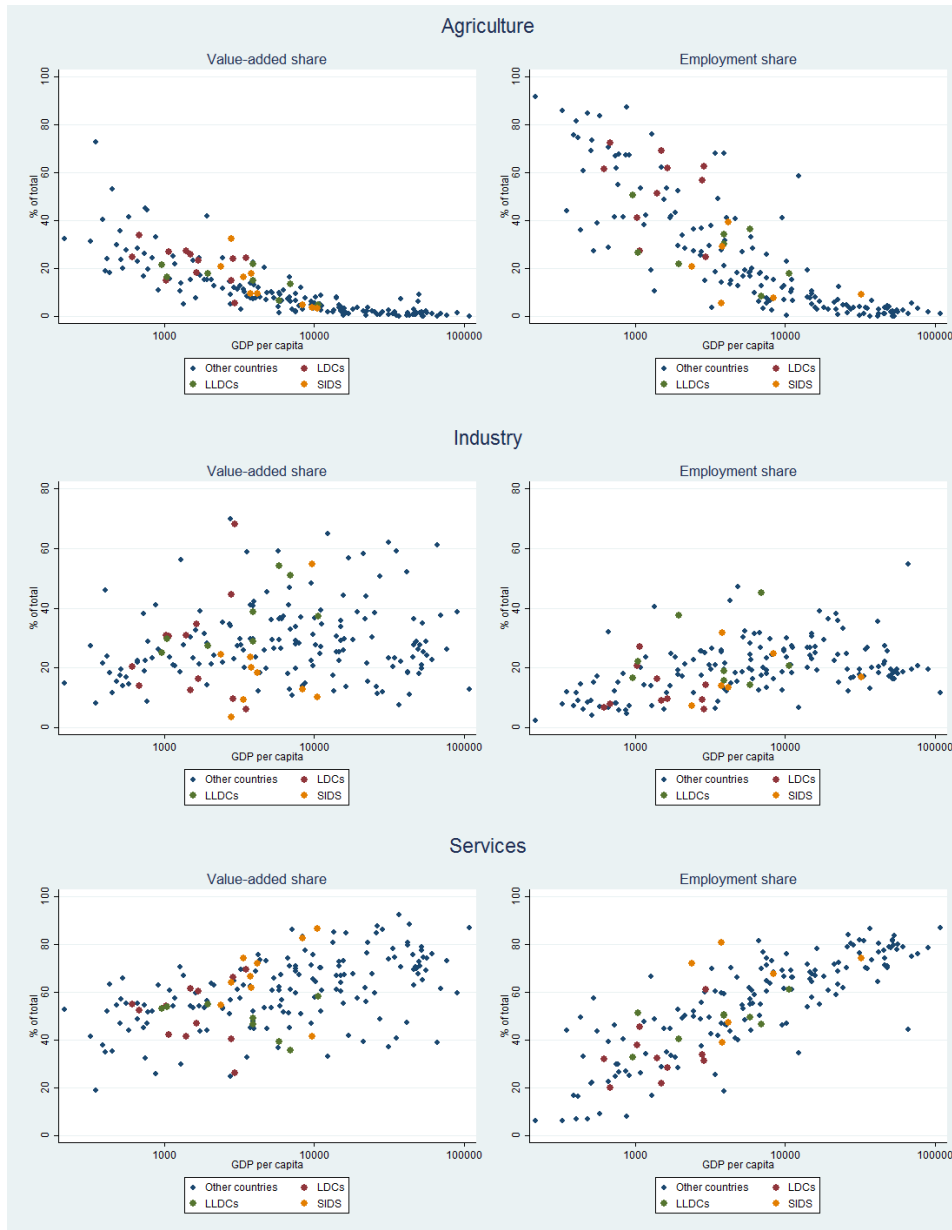
- Push/Supply Side: Capital stock, productivity, technology, enabling regulations
- Pull/Demand Side: Income growth and increasing demand for income-elastic goods, changes in resource availability, etc.

## Why is it important?

- ST results in higher productivity gains, higher wages and stable sources of incomes, thereby reducing poverty and closing productivity gaps across sectors

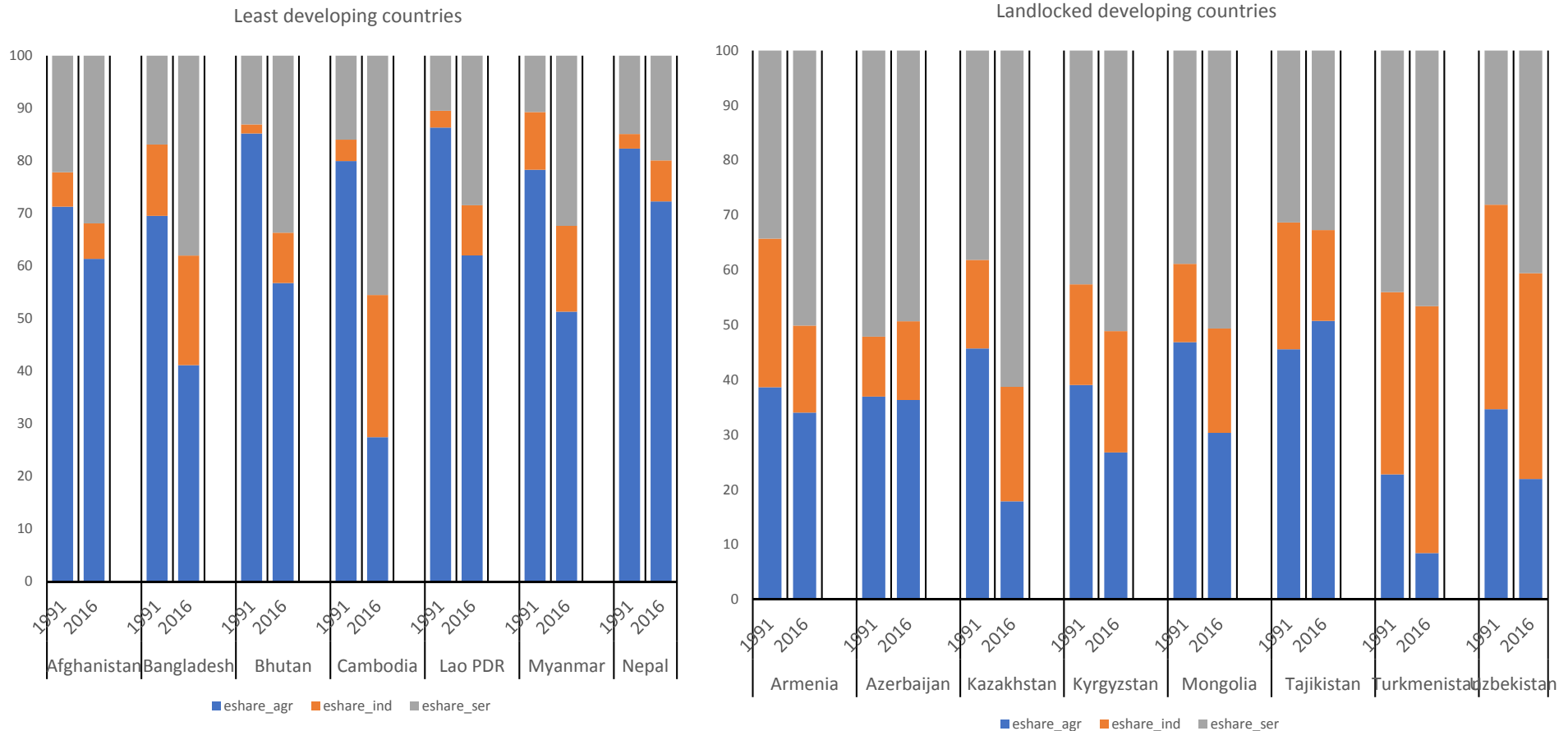


# Structural transformation in Asia and the Pacific



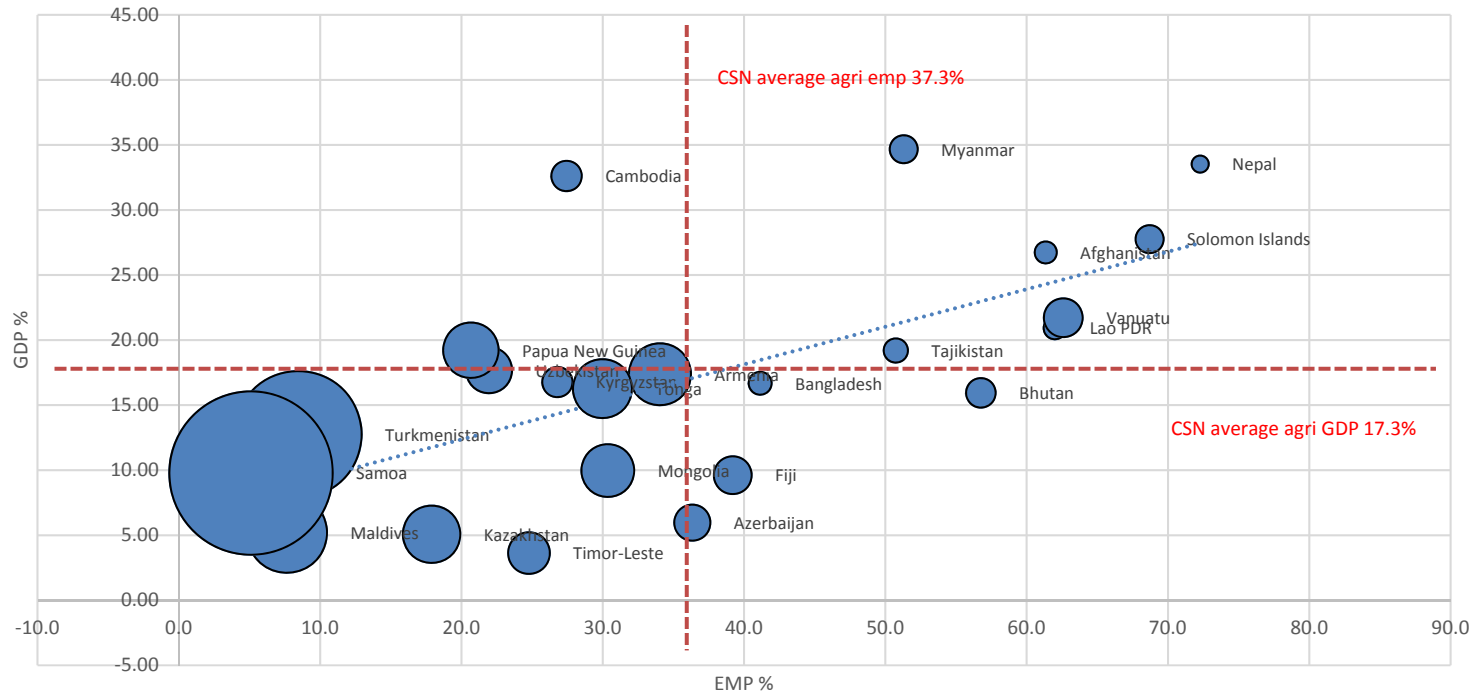
- **As per capita incomes rise, the decline in the employment and value-added share of agriculture and the increase in the share of services is a visible and consistently observed phenomenon.**
- Industry exhibits more of a reverse U shape
  - Premature deindustrialization
- Lower income countries suffer from an asymmetry between the low output share of value added and high share of employment in Agriculture

# Most LLDCs are structurally developing



- (Kunal Sen, 2017):
  - Structurally underdeveloped: Agriculture > Industry and services
  - Structurally developing: Services > Agriculture > Industry
  - Structurally developed: Services > Industry > Agriculture

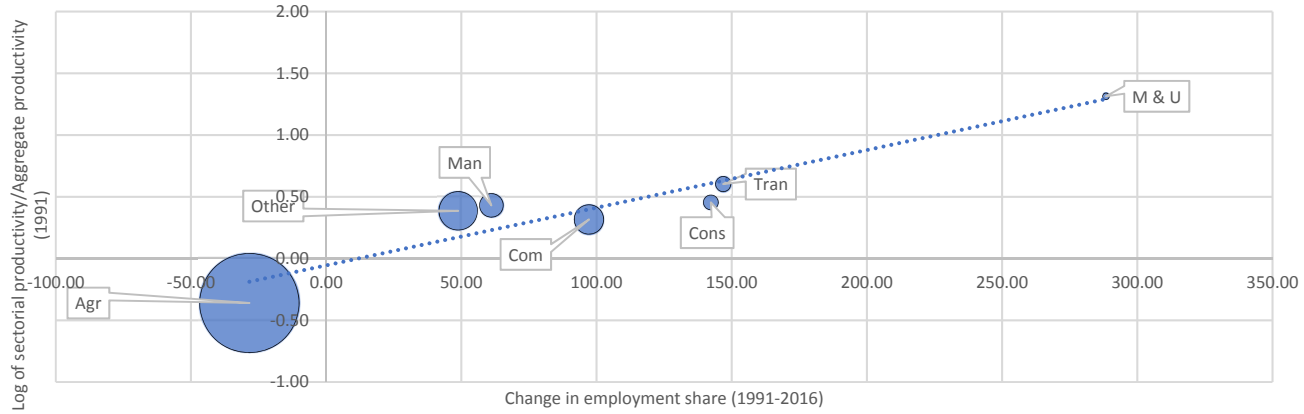
# Potential for gains from structural transformation



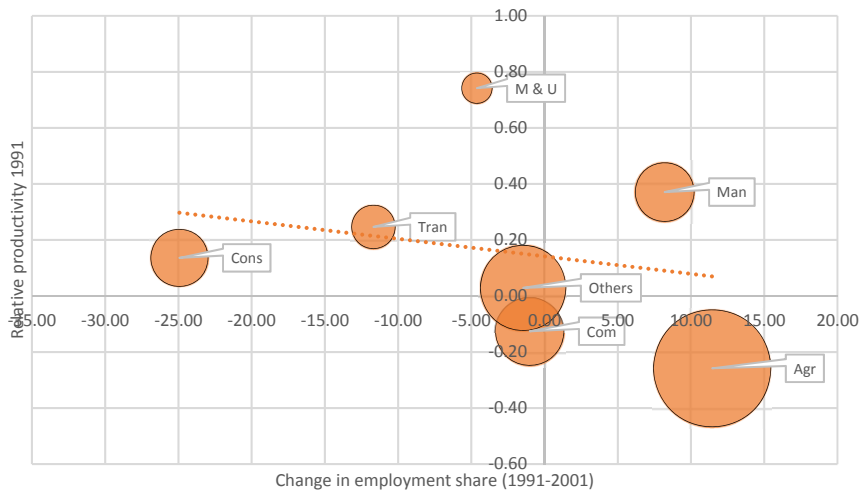
- Countries in the upper right quadrant stand to gain the most from reallocation
  - Employment and GDP shares are higher than average.
  - Labour productivity in the sector is also low.

# Movement of workers

Average LDC



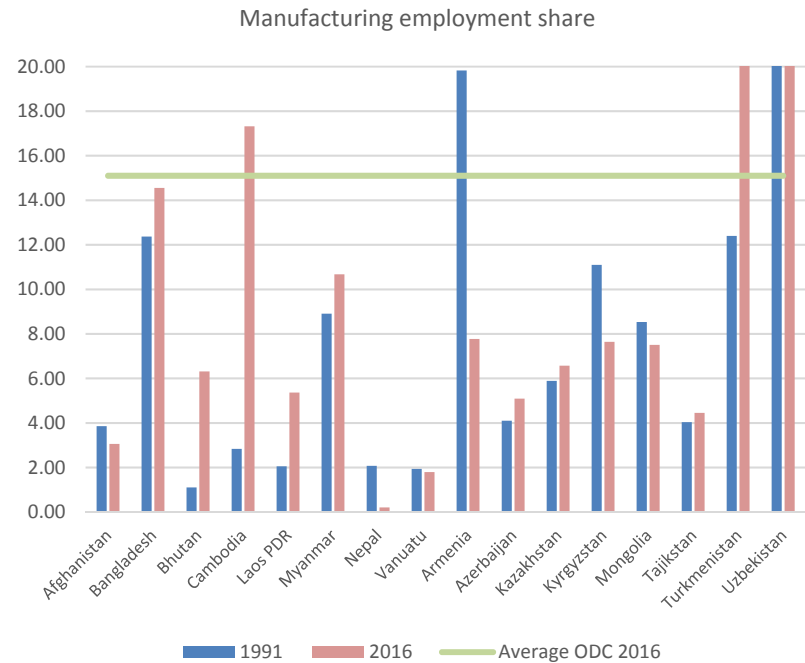
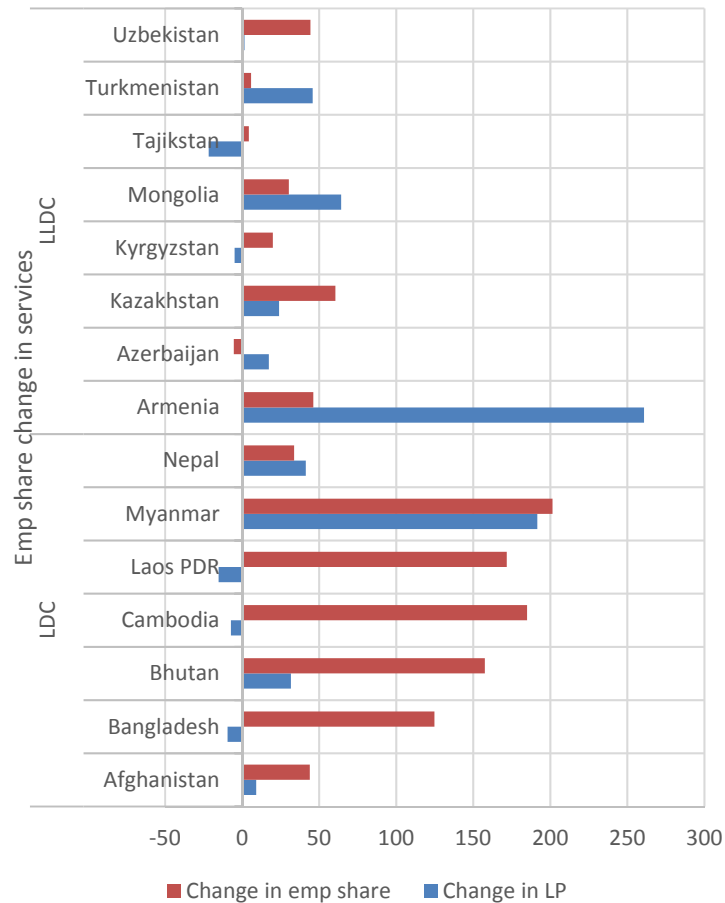
Average LLDC



Average LLDC

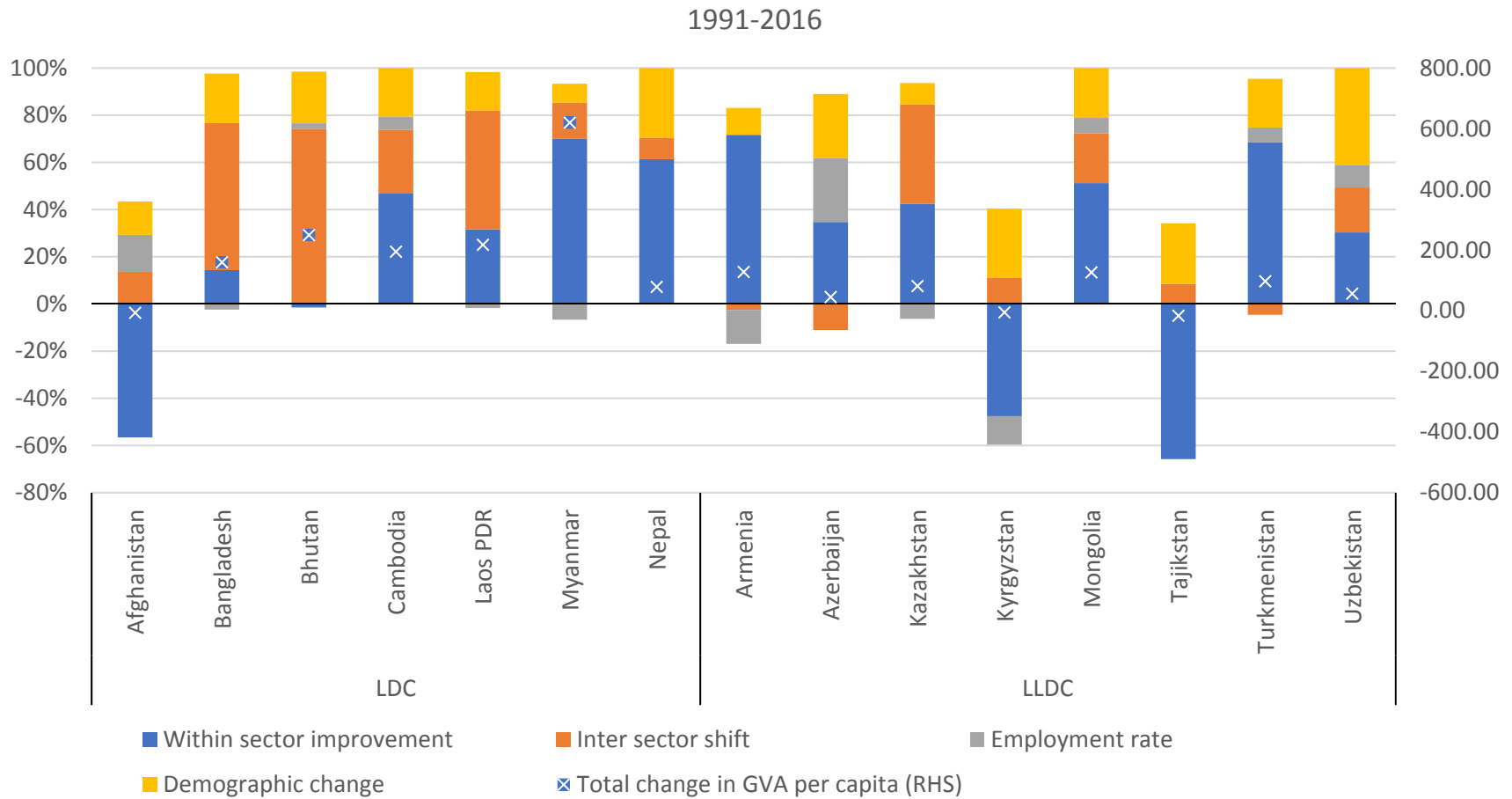


## Move to services not manufacturing



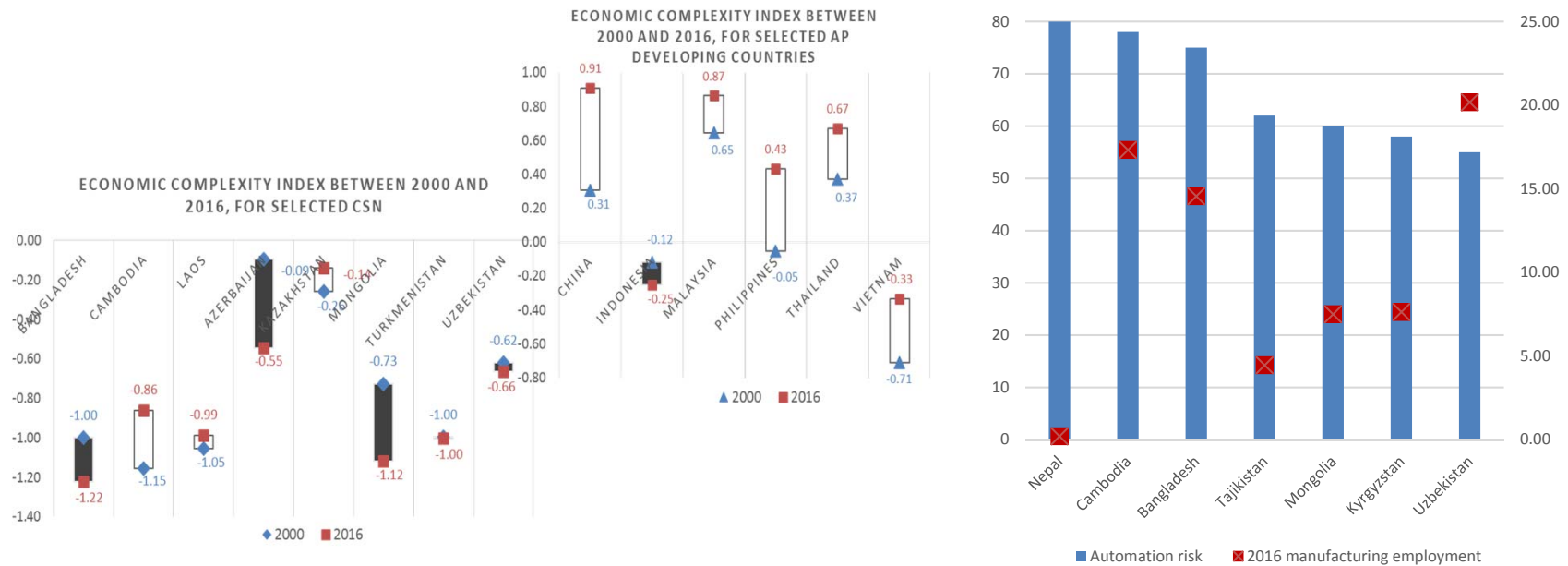
The fact that no country, except resource rich, has been able to reach high income status without the manufacturing sector accounting for at least 18% of employment highlights some of the concerns related to limited industrialization (ADB, 2013).

# Sources of growth in income per capita





## Has Structural Transformation translated into an improvement in productive capacities? What are the risks of automation?



*While there is evidence of structural transformation unfolding in general with productivity increases taking place, this has not resulted in an expansion of the productive capacities of their economies, but by expanding the production of the current set of products.*