

STRUCTURAL TRANSFORMATION AND ITS ROLE IN REDUCING POVERTY

*Findings and perspectives of the
Countries with Special Needs Development Report 2019*

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Table of contents

Structural transformation

- Definition
- Structural transformation in countries with special needs and changes in recent years
- Sectoral changes

Structural transformation and poverty reduction

- Poverty profiles of countries with special needs
- Structural transformation and poverty

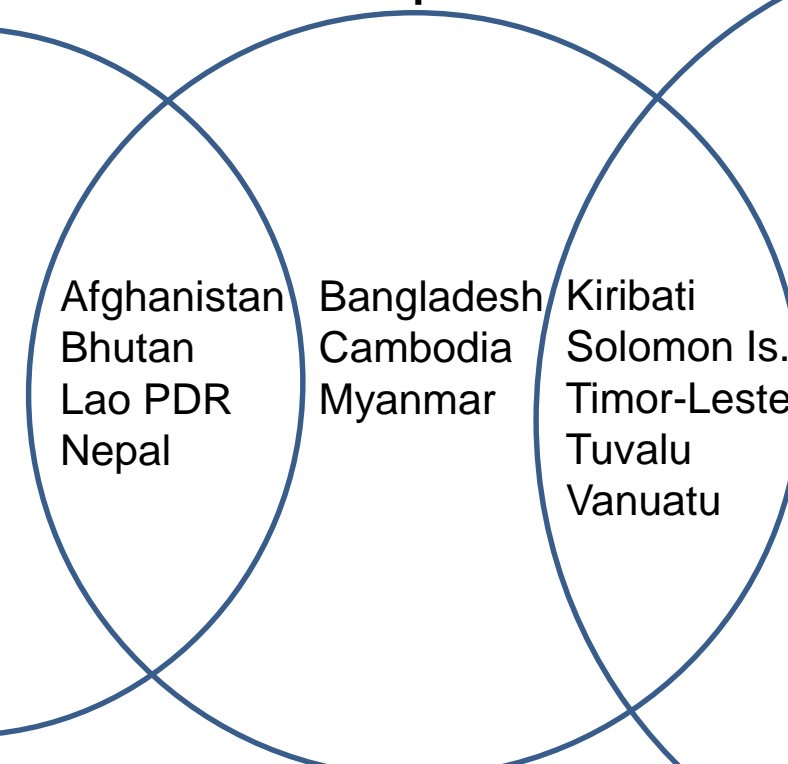
Policy considerations

What are 'Countries with special needs'?

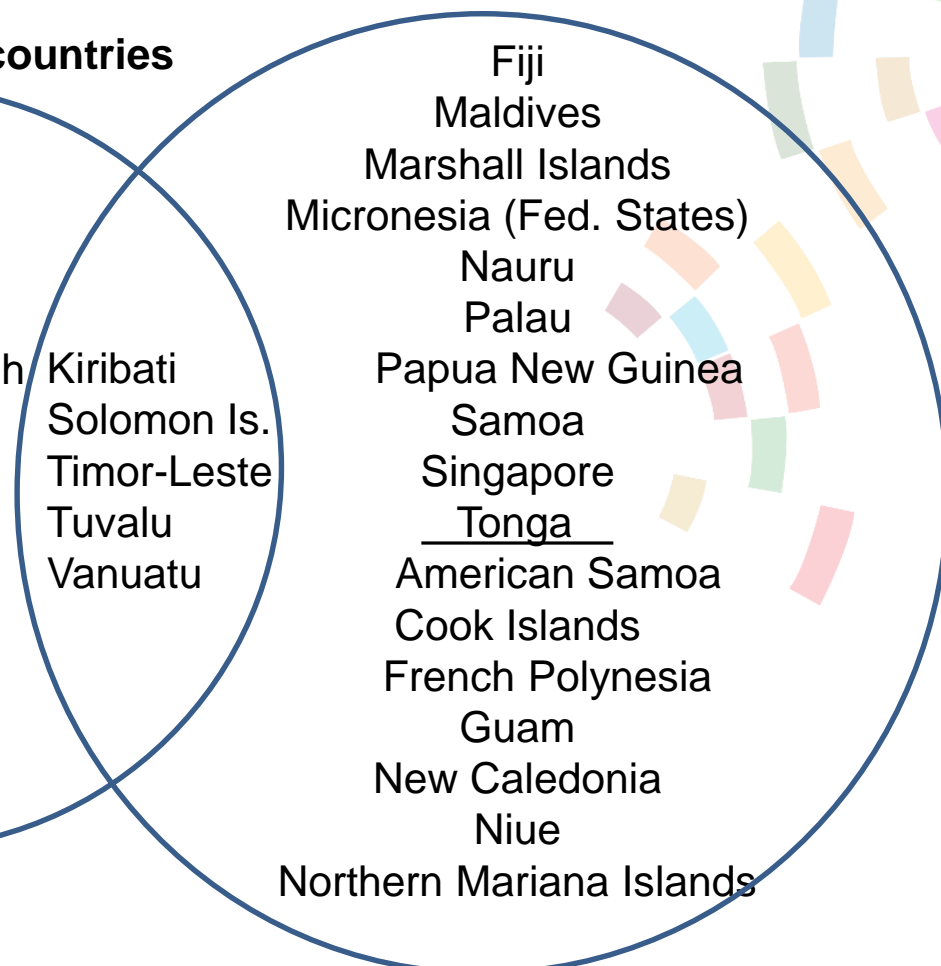
Landlocked developing countries



Least developed countries



Small island developing States



Why is structural transformation important?

Structural transformation (ST):

- Defined as the change in the long-term composition and distribution of economic activities

Why is it important?

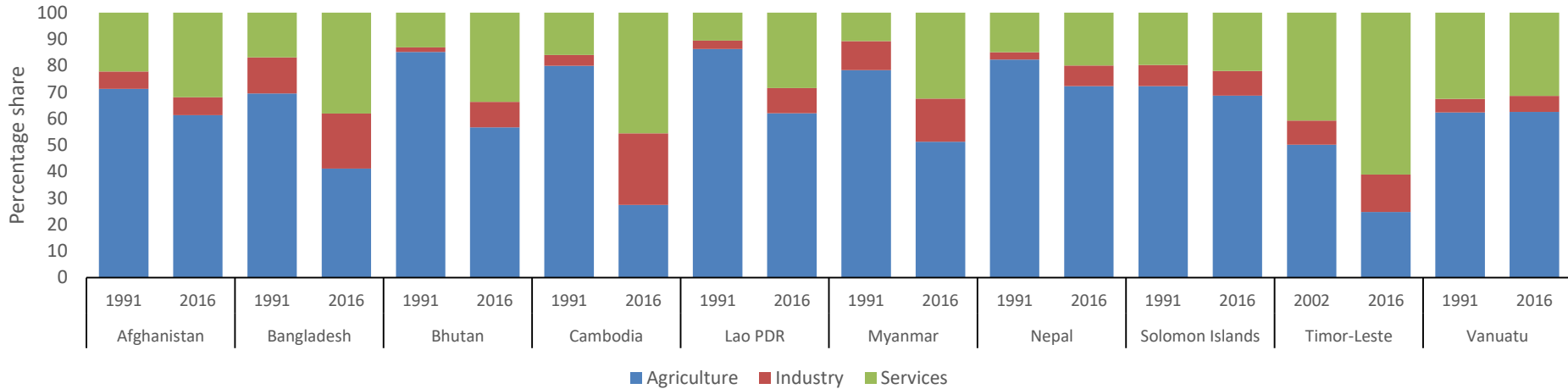
- ST results in higher productivity gains, higher wages and stable sources of incomes, thereby reducing poverty and closing productivity gaps across sectors
- It is a key feature of broad-based and inclusive economic growth

What causes ST?

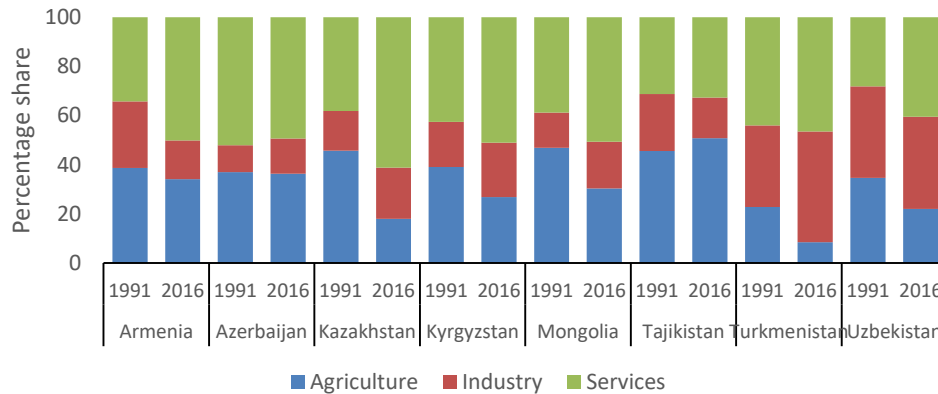
- Push/Supply Side
- Pull/Demand Side

Where do countries stand?

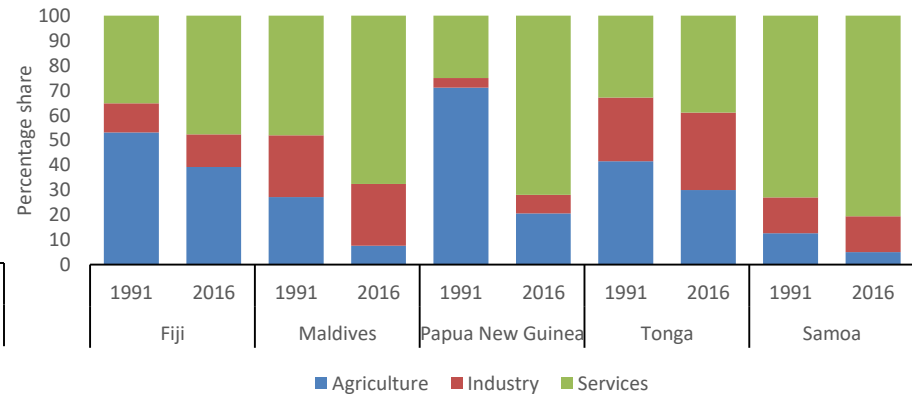
Least developed countries



Landlocked developing countries

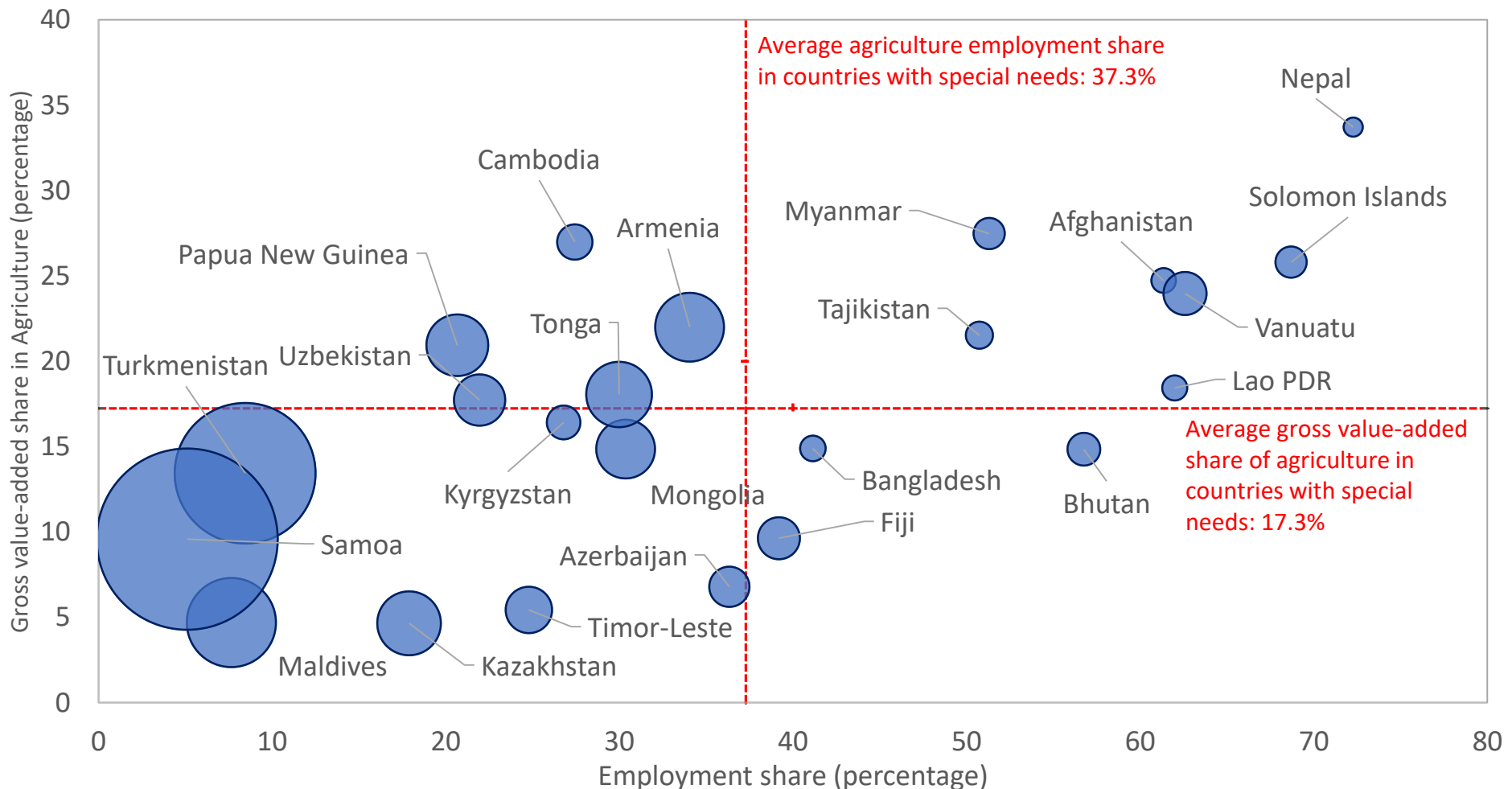


Small island developing States



- Structurally underdeveloped: Agriculture > Industry and services
- Structurally developing: Services > Agriculture > Industry
- Structurally developed: Services > Industry > Agriculture

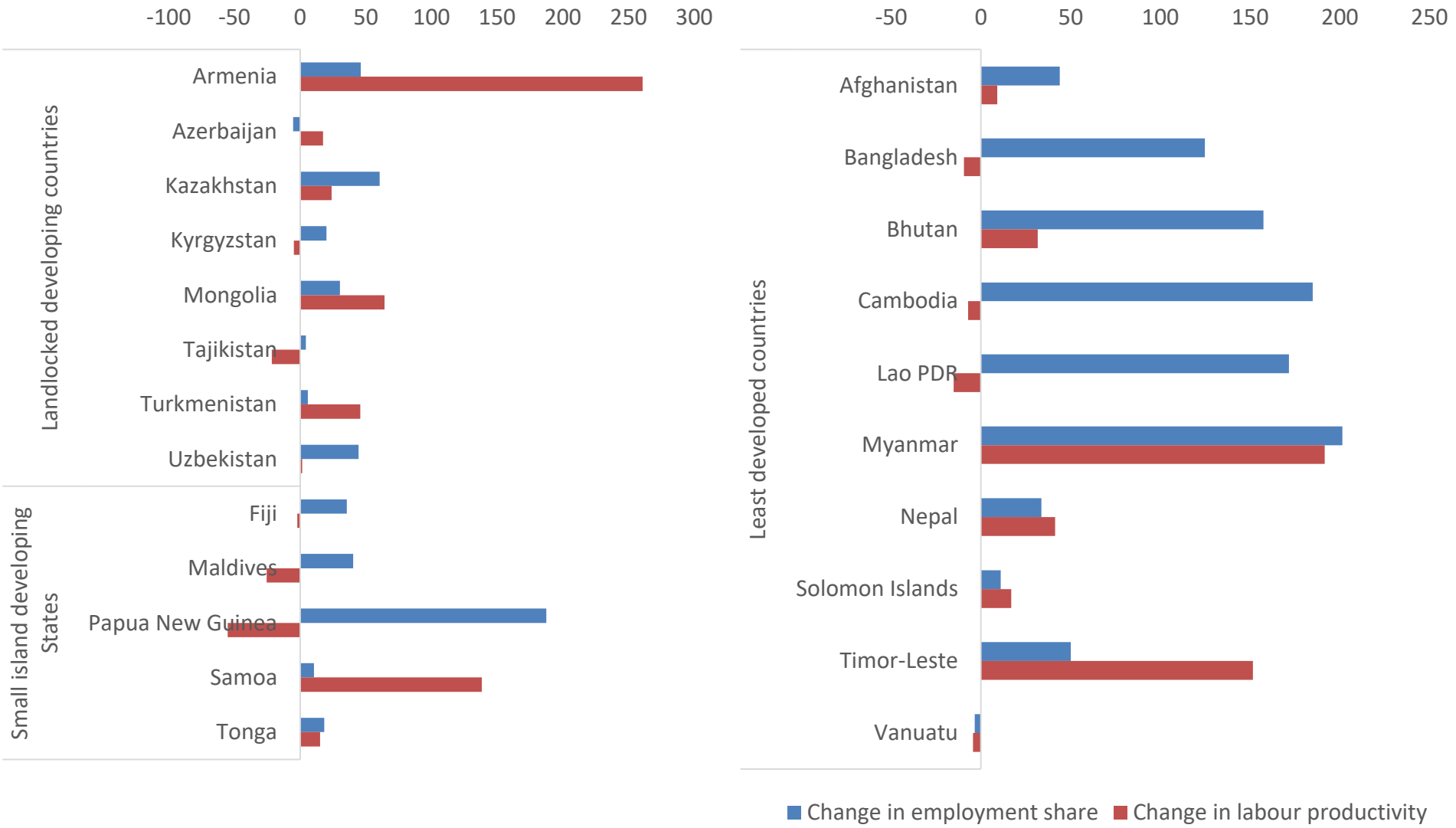
Structural transformation: relocating from agriculture



Countries in the upper right quadrant stand to gain the most from reallocation

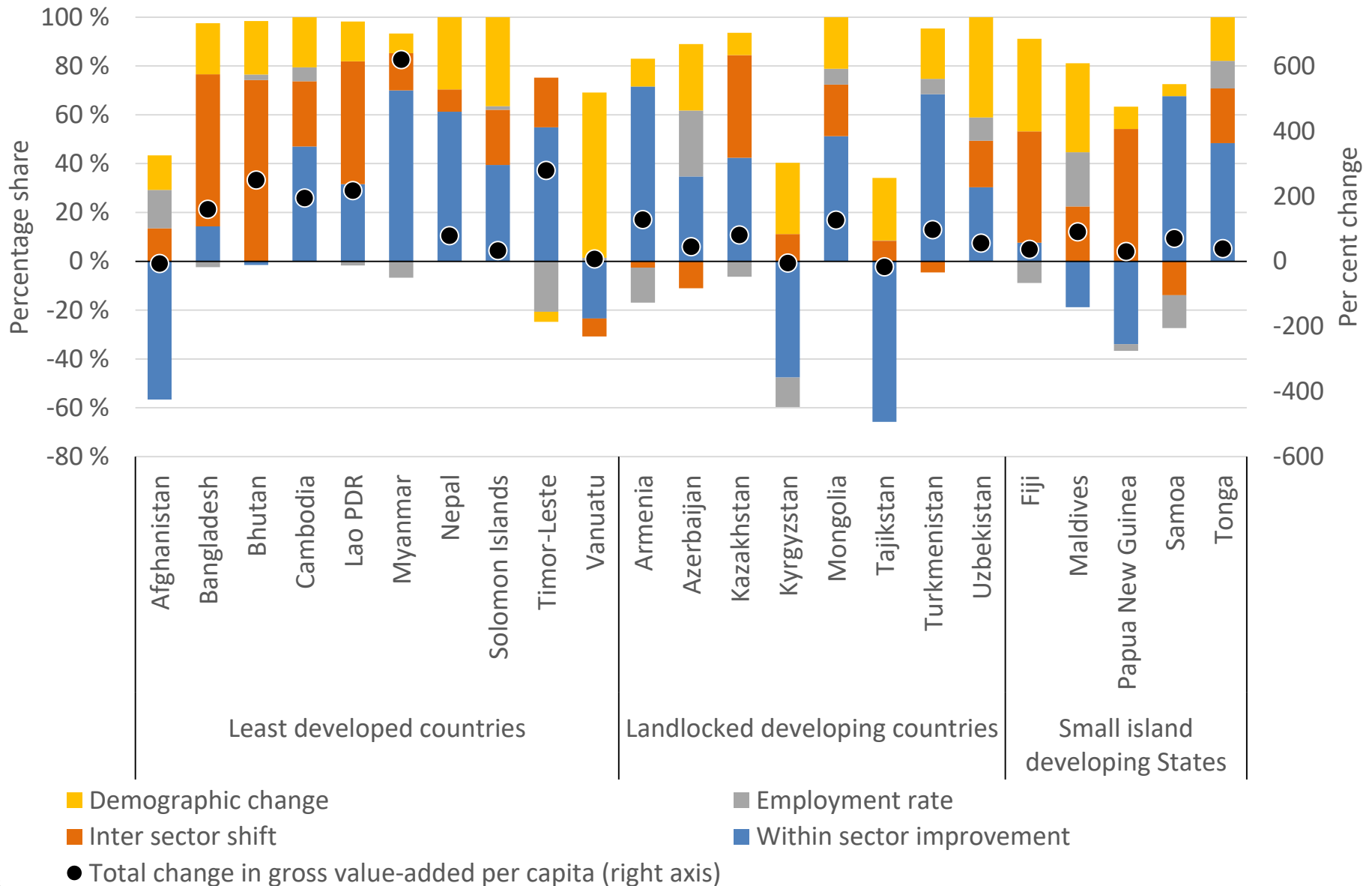
- Employment and GDP shares are higher than average.
- Labour productivity in agriculture is often low -> to be boosted

Move to services



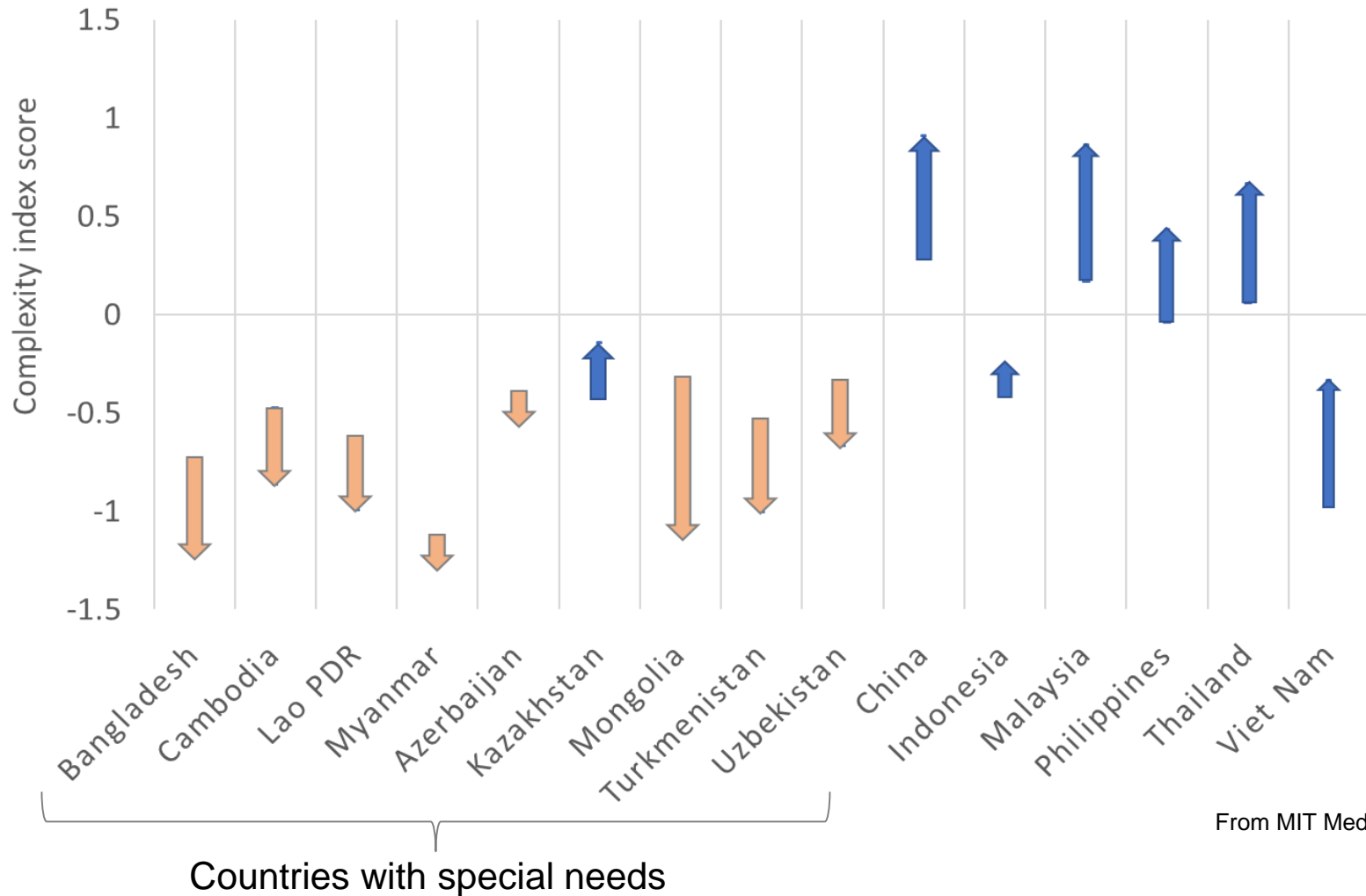
-> mostly low productivity and informal

Decomposing productivity changes (1991-2016)



Structural Transformation and Productive Capacities

Economic complexity index
(changes between 1991/1992 and 2016)



From MIT Media Lab

Table of contents

Structural transformation

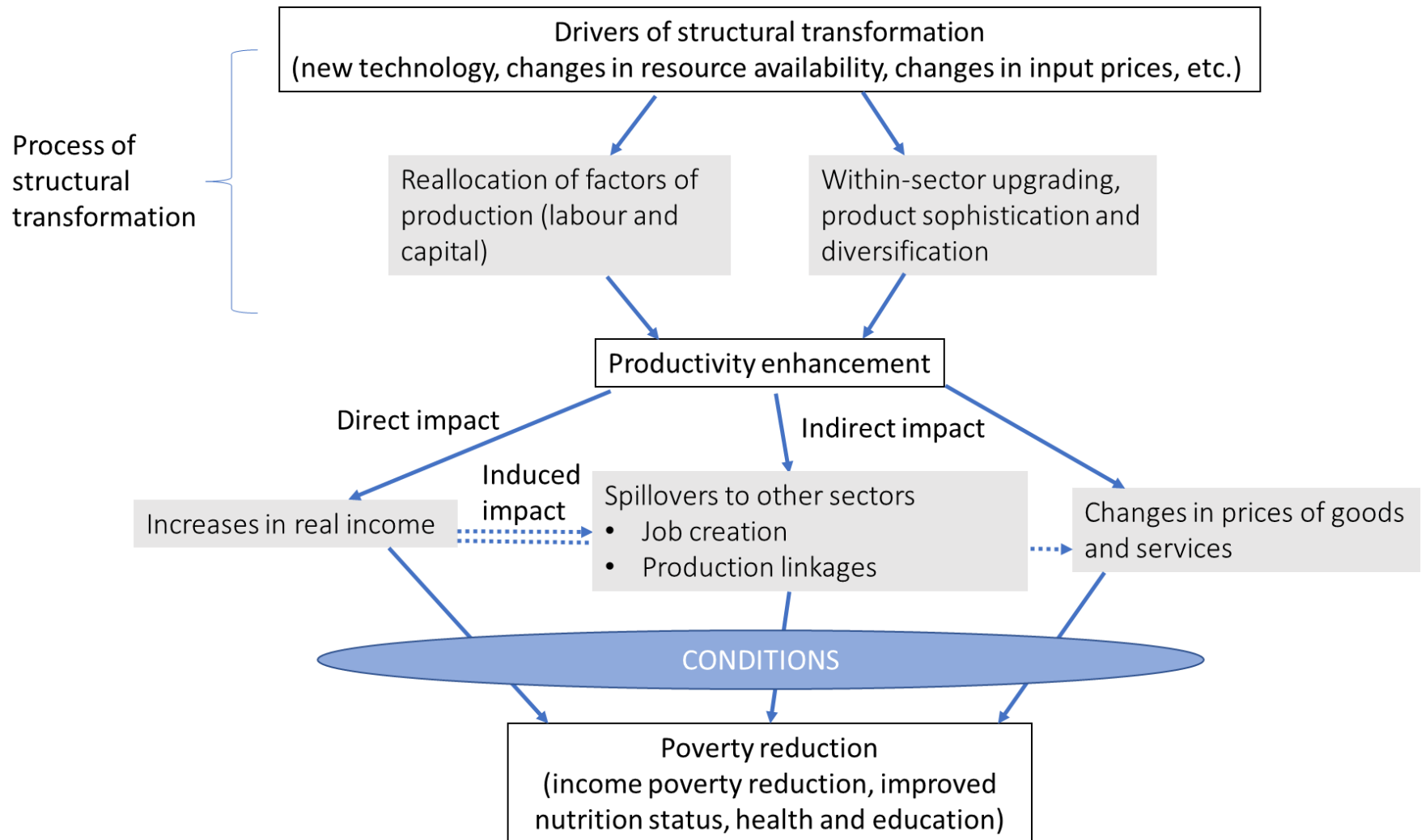
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Structural transformation and poverty reduction

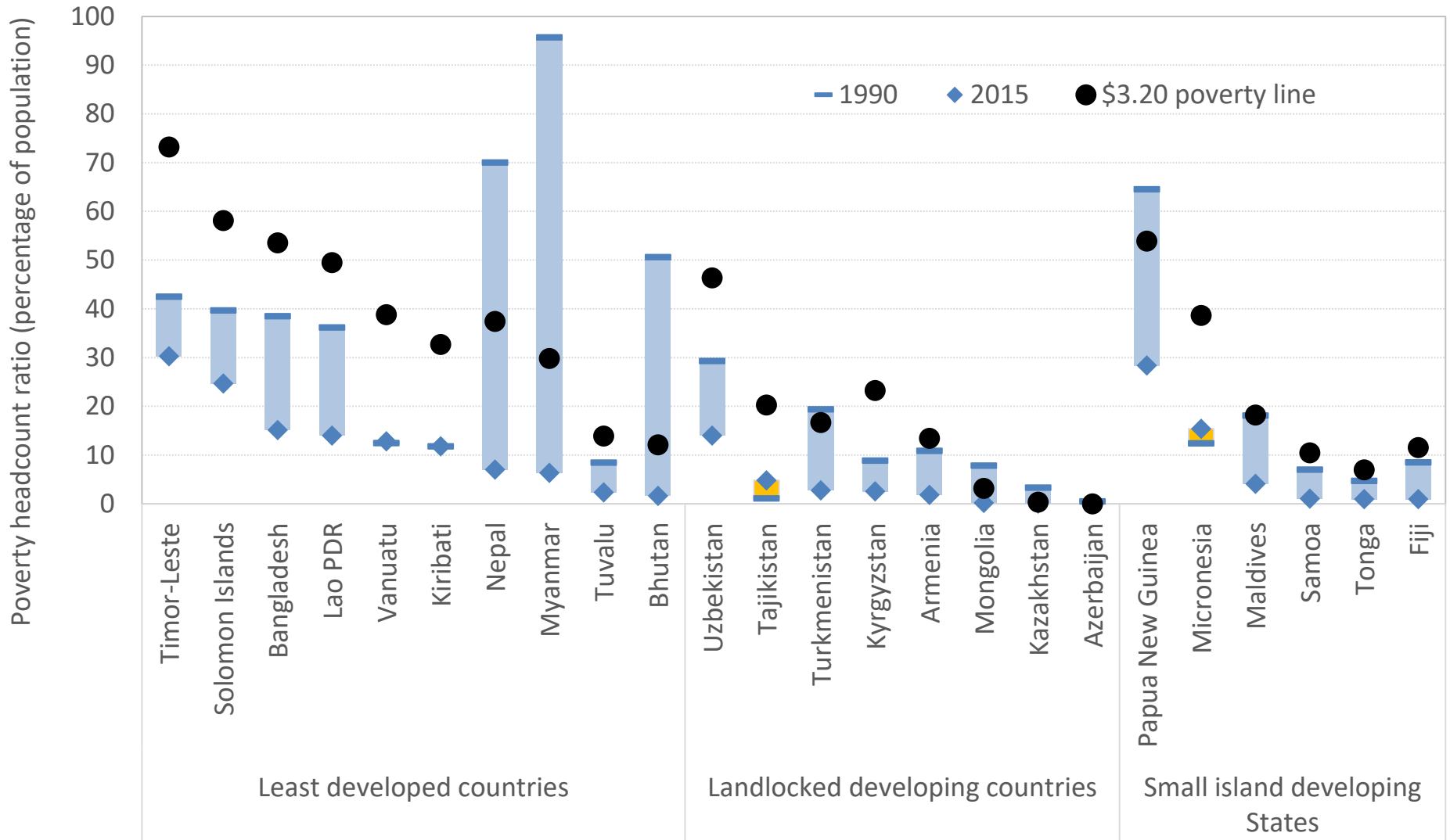
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ST and poverty reduction: A conceptual framework

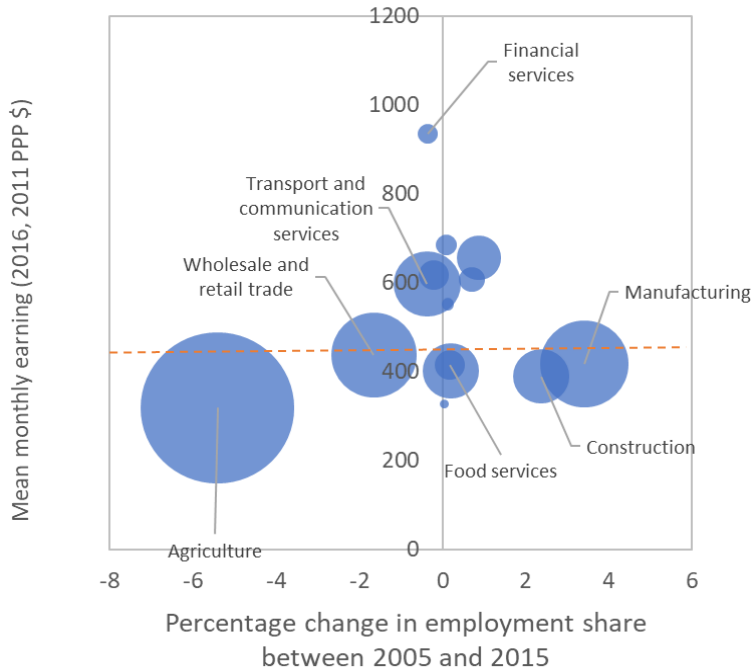


Poverty reduction

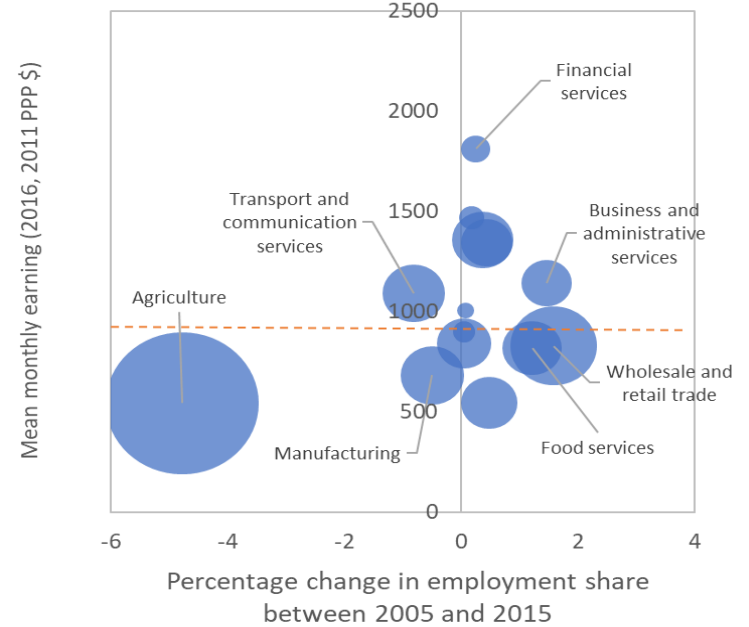


How have earnings and employment shares evolved?

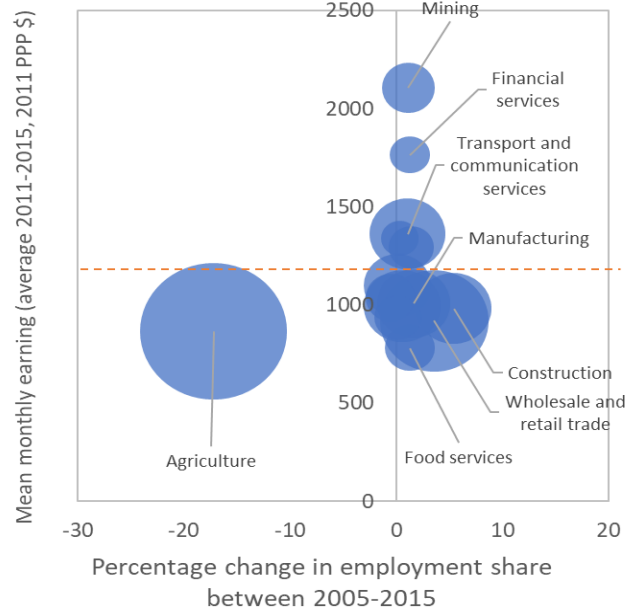
A. Bangladesh



B. Fiji



C. Mongolia



Structural Transformation: Correlates of poverty reduction

Pairwise correlations between the measures of structural transformation and poverty headcount ratio at the \$3.20 per day international poverty line, average for 2012-2016, Asia-Pacific developing countries

Correlations between labour productivity and poverty headcount ratio at the \$1.90, \$3.20 and \$5.50-per-day international poverty lines, average of 2012-2016, Asia-Pacific developing countries

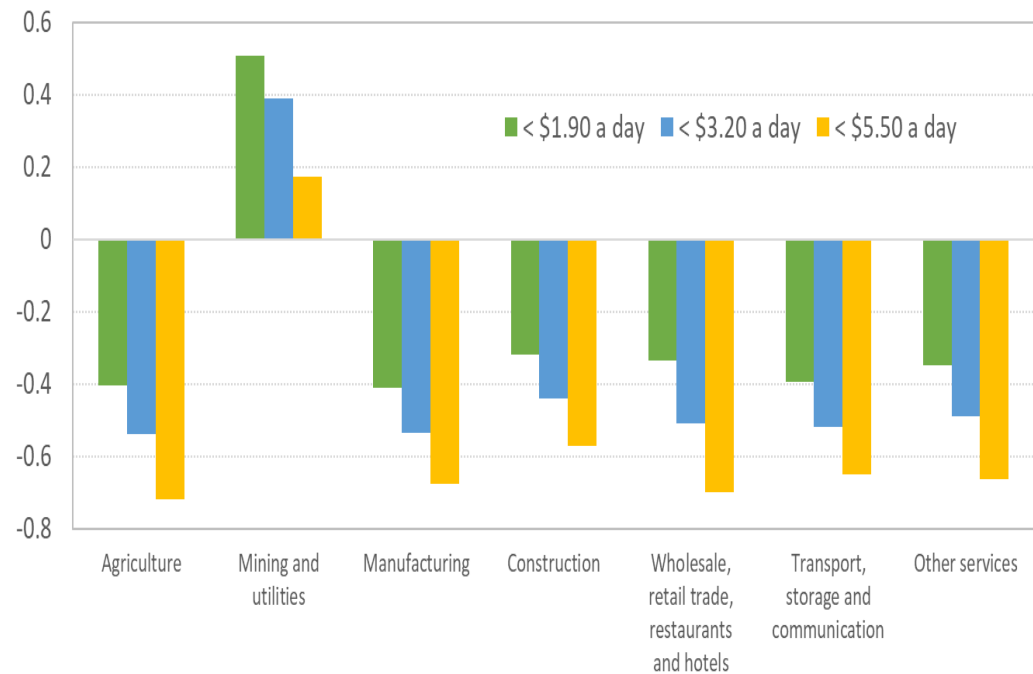
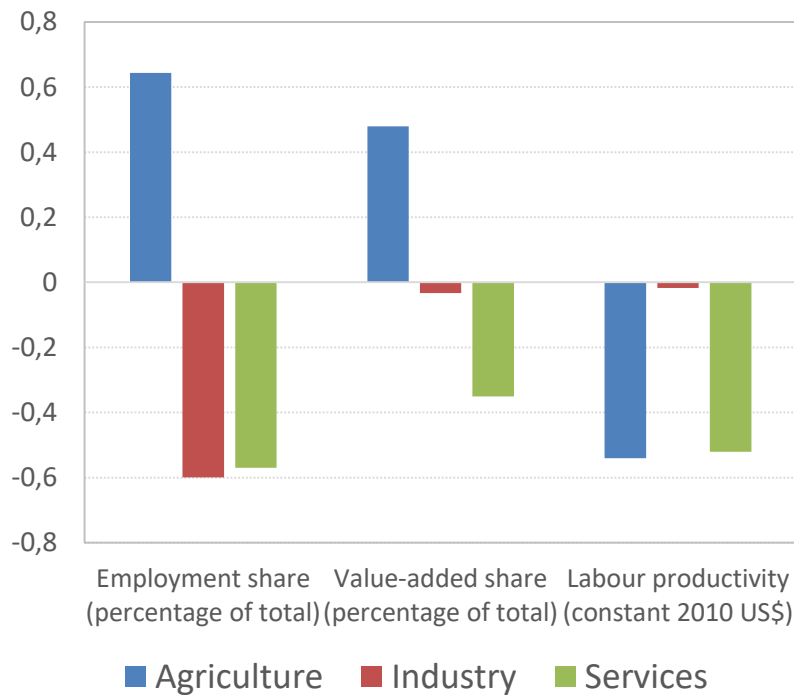


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Policy Considerations (I)

- The State must occupy the central position in structural economic transformation and poverty reduction efforts;
- Industrial Policy, either selective or functional, is the State's instrument for ST;
- *Targeting* depicts State's comprehensive support for a given industrial sector it chooses to develop.

Policy Considerations (II)

Least Developed Countries:

- Rural modernization
- Human capital
- Foreign direct investment / Special Economic Zones

Policy Considerations (III)

Landlocked Developing Countries:

- **Stopping premature deindustrialization**
- **Preventing the resource curse;**
- **Restructure capital-intensive industries**
- **Promote modern business services**

Small Island Developing States:

- **Targeting specific sectors**
- **Sustainable ocean management and fisheries**
- **Environmentally sustainable tourism**
- **High-value agriculture**

Policy Considerations (IV)

Cooperation and the Role of the International Community

- Asia and the Pacific is the place of various integration and cooperation efforts: e.g. BRI, EAEU;

The International Community must:

- Support cooperation between Landlocked Developing Countries and transit countries to ensure the former access to the global economy;
- Augment productive capacities of Least Developed Countries so that they can join the global economy through GVC and RVC;
- Mitigate the consequences of and altogether stop the climate change to allow the Small Island Developing States to survive.

THANK YOU FOR YOUR ATTENTION 😊

Please visit <https://www.unescap.org/publications/asia-pacific-countries-special-needs-development-report-2019>



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