

LDCs criteria and structural transformation: Are improvements in LDCs' structural handicaps a step towards structural transformation?

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1. Motivations and objectives (1)

Motivations

- ▶ The initial criteria for the identification of LDCs were modified over time to better measure the structural impediments to LDCs structural transformation
- ▶ Since 1981, each decade, a programme of action is prepared to overcome the structural handicaps and structurally transform LDCs' economies
- ▶ Many documents state and emphasize the importance of structural transformation objective in LDCs (UNCTAD, 2014).
- ▶ It is therefore important to tailor the graduation criteria to the ability of the graduating countries to structurally transform their economies.
- ▶ However, from our knowledge, no study investigates whether the criteria for LDCs identification and graduation, which are used to monitor and evaluate the LDCs performance, are relevant for structural transformation.



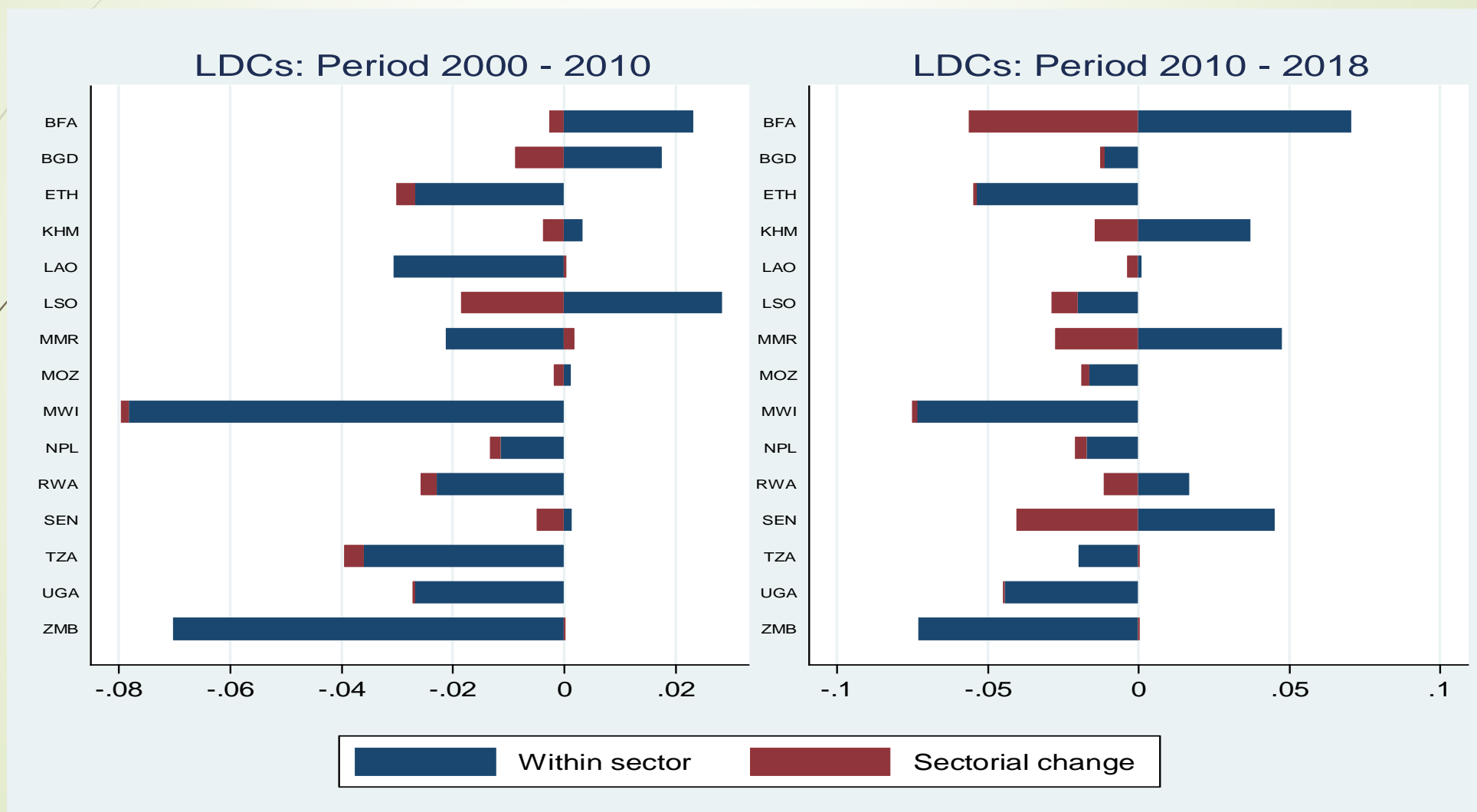
1. Motivations and objectives (2)

Objectives

- ▶ Quantify and analyze structural transformation in LDCs
- ▶ Assess the causal link between LDCs criteria (and their subcomponents) and structural transformation.

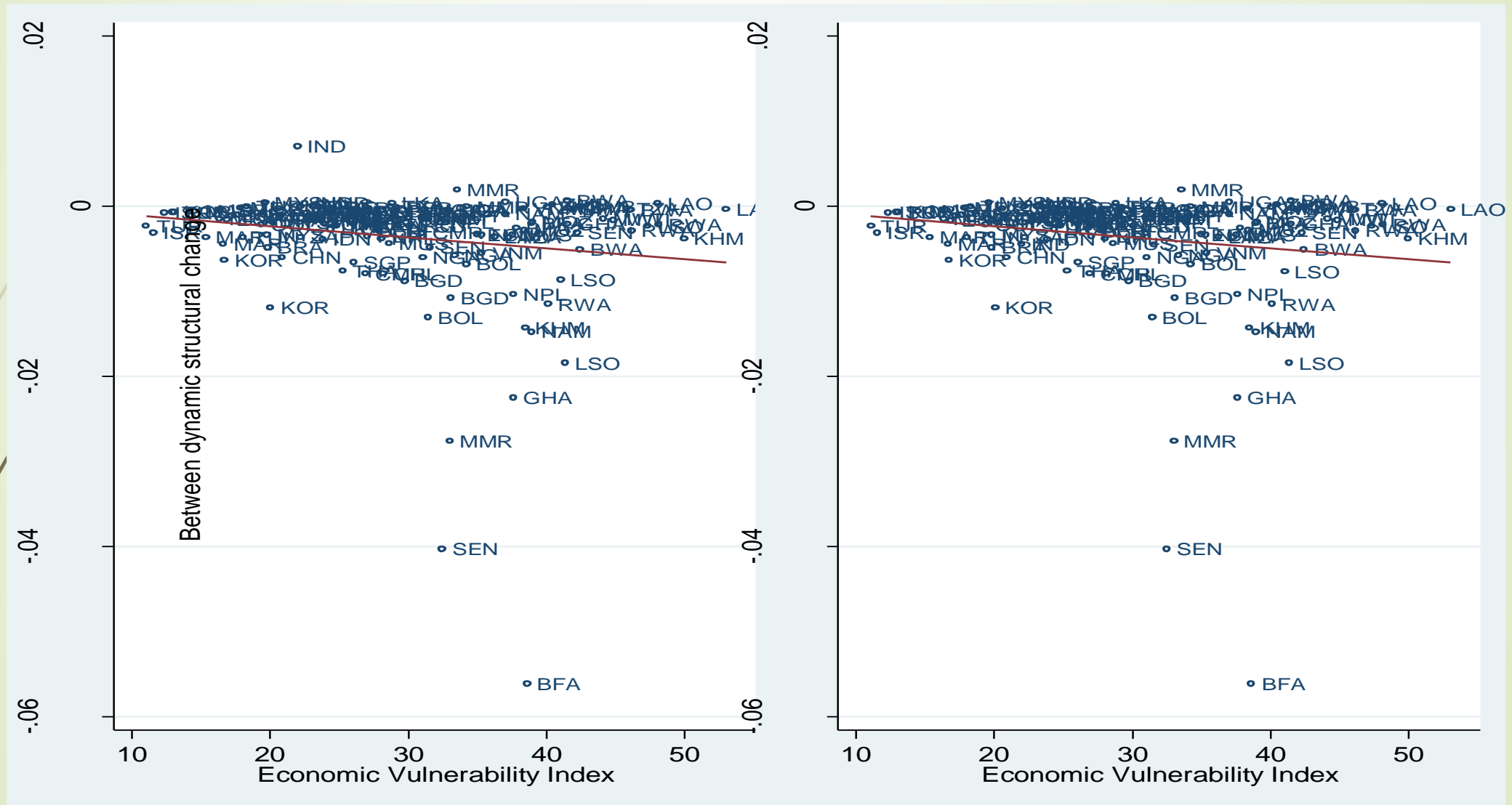
2. Structural transformation in LDCs (1)

Decomposition of the productivity into within sector change and structural change:
Productivities in LDCs have mainly been decreasing
Positive productivity changes are due to within sector change.



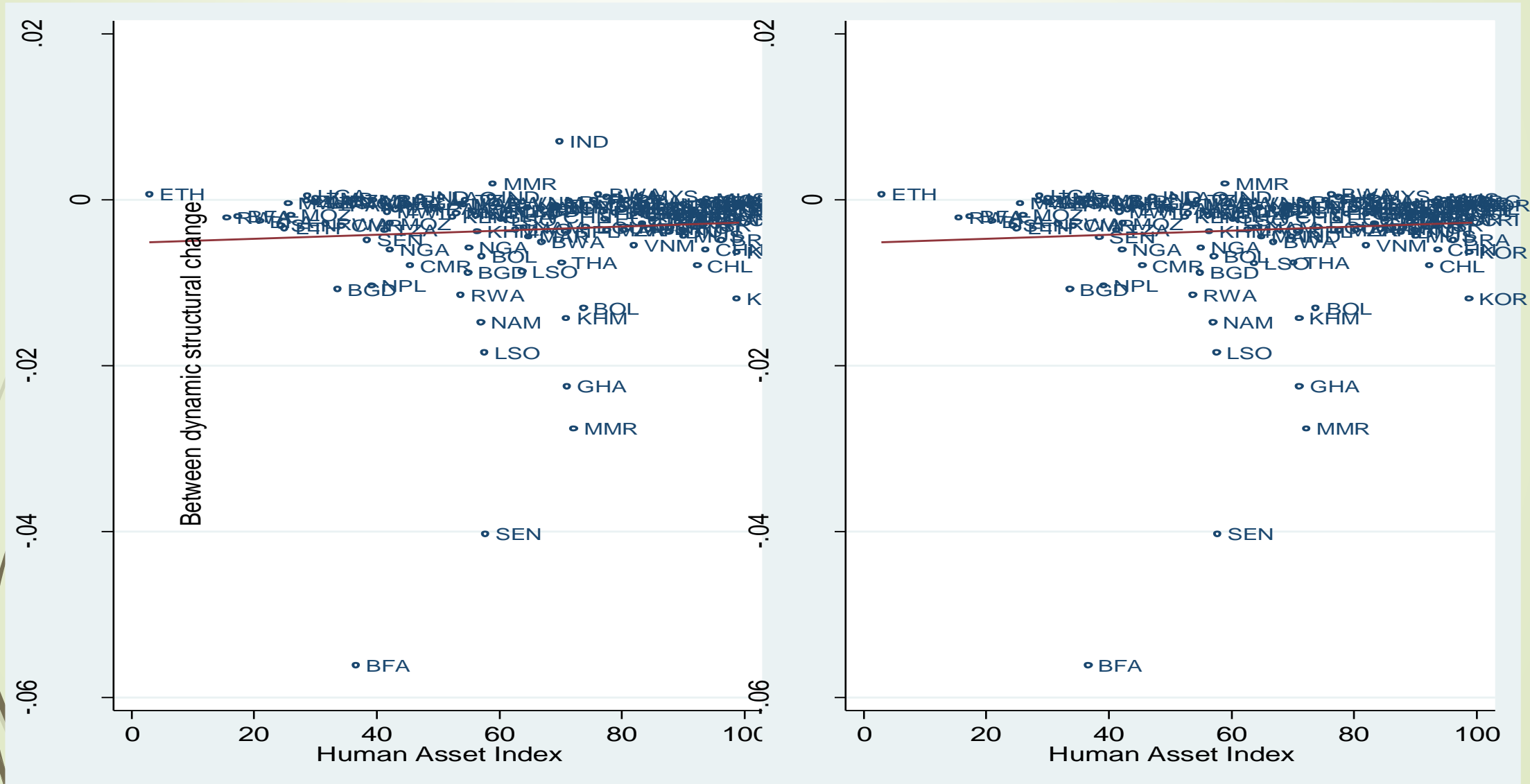
2. Structural transformation in LDCs (2)

Correlation between structural change and economic vulnerability index



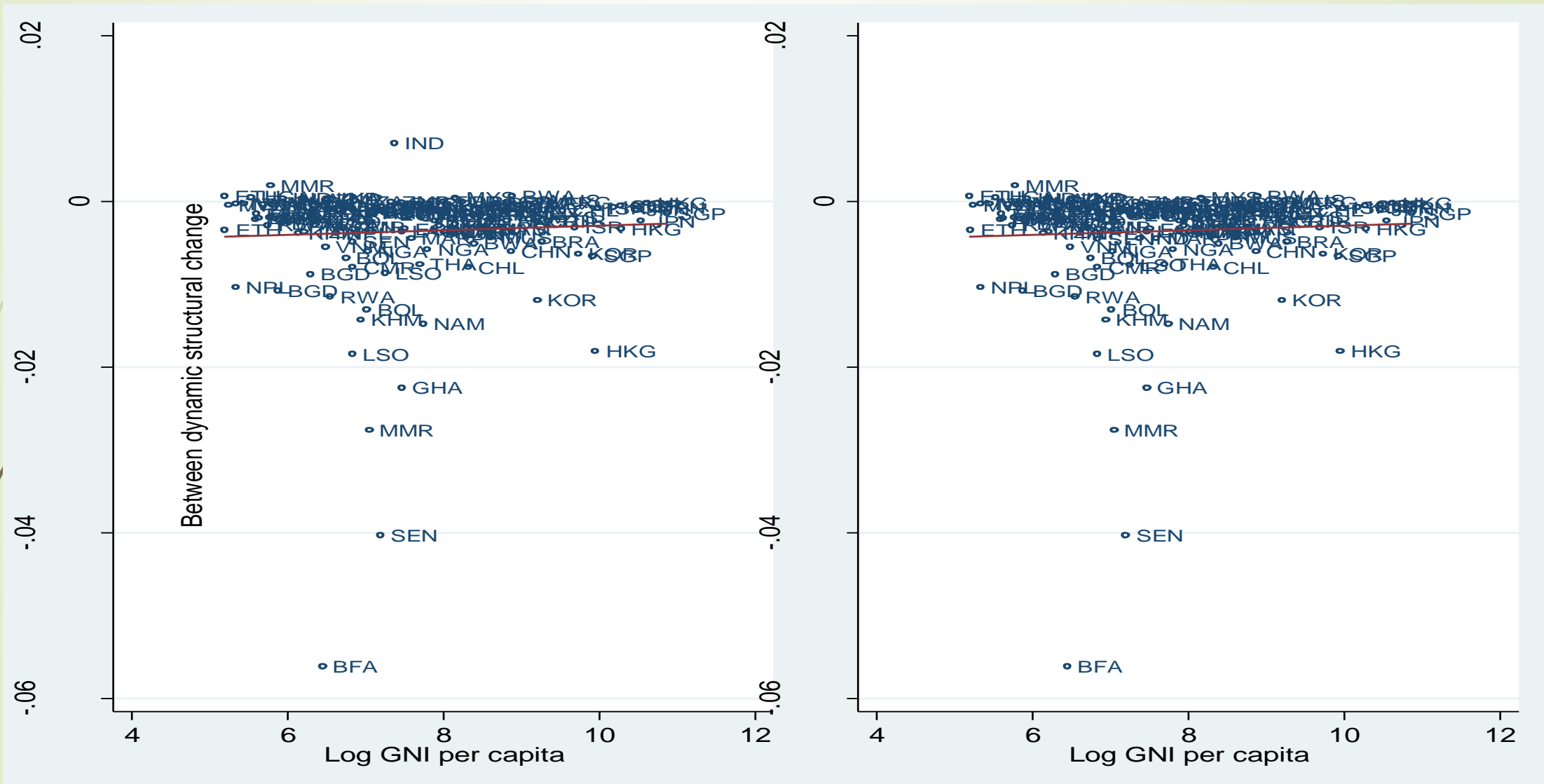
2. Structural transformation in LDCs (3)

Correlation between structural change and human asset index



2. Structural transformation in LDCs (4)

Correlation between structural change and per capita GNI





3. Econometric results

- GNI per capita, HAI and EVI are important determinants of structural transformation
- However, when they are disaggregated, not all their components are relevant for the achievement of structural transformation
- The instability of the exports is at the origin of the effect of EVI
- Adult literacy rate is the most important component of HAI in the determination of structural transformation

4. Policy Implications

The international development community

- May select the most relevant indicators to monitor and evaluate progress achieved by LDCs towards structural transformation based on empirical results.
- The instability of the exports and adult literacy rate seem the most relevant indicators in monitoring the LDC category with regard to the structural transformation.
- The results encourage the provision of the international support measures based on these indicators

At country level,

- LDCs should take stock of their comparative advantages and base their development on their primary commodity transformation
- More literacy rate and the reduction of export instability may support the development of primary sector, and its expansion will motivate its processing activities
- The activities in this sector have the advantage of offering lot of employment possibilities to the low skilled population in LDCs.



THANK YOU FOR YOUR ATTENTION!