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Item 2:
Growth with employment for inclusive and sustainable development

Speaker:
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Thursday, 12 December 2013

Not checked against delivery *

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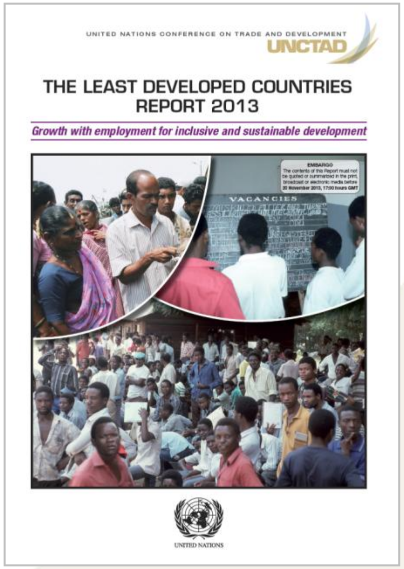
The Least Developed Countries Report 2013



Growth with employment for inclusive and sustainable development

Taffere Tesfachew

Director, Division for Africa, Least Developed Countries and Special Programmes, UNCTAD

TDB Executive Session

12 December 2013, Geneva

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Least Developed Countries (LDCs)

(49 countries)

Africa 34, Asia 9, Caribbean 1, Pacific 5

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

December 2013

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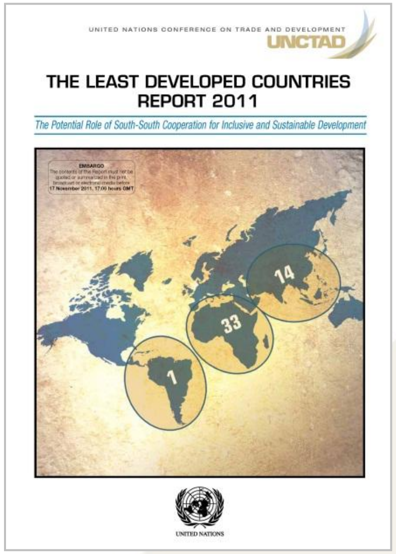
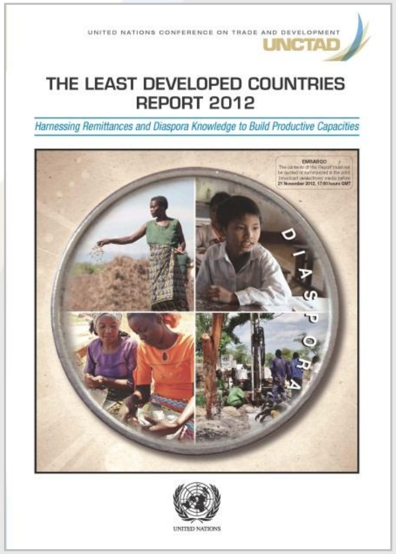
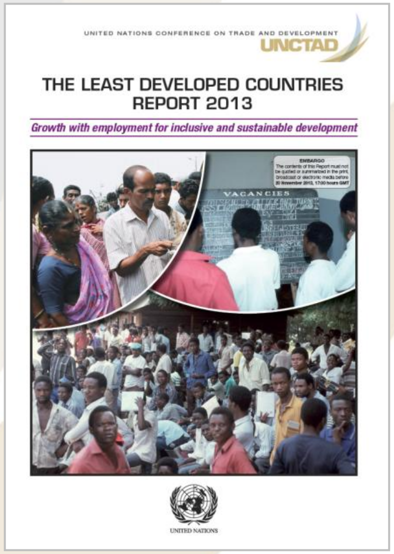
UNCTAD’s Least Developed Countries Report







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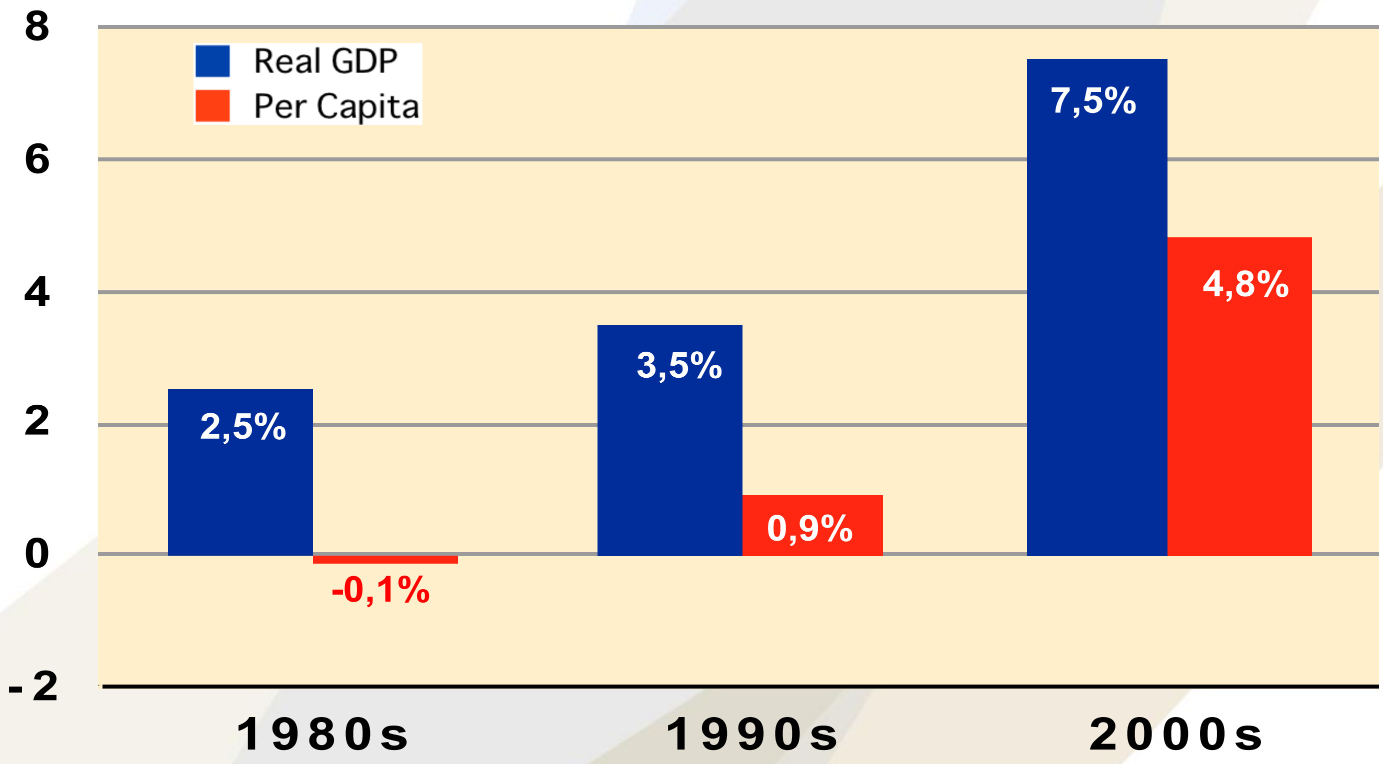
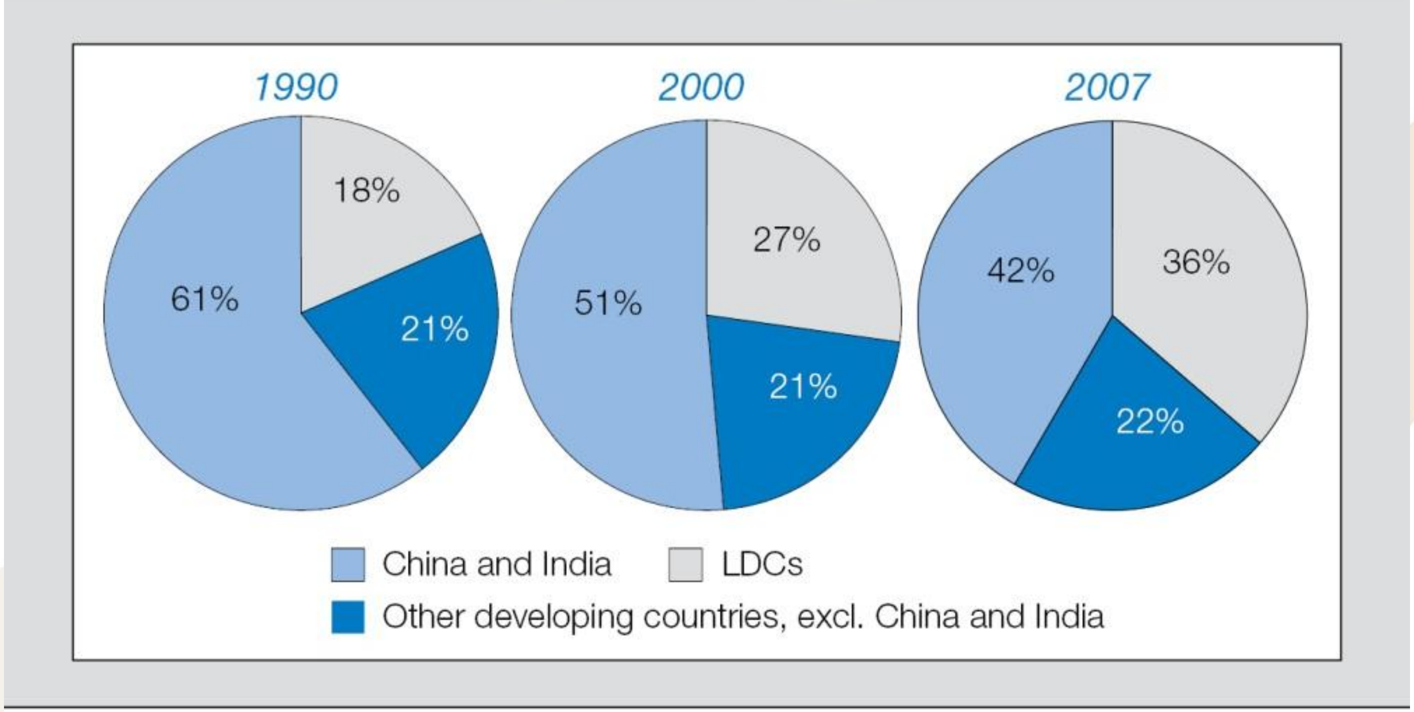
Growth Story of LDCs (annual average in %)



Key features of the recent growth in LDCs

- Limited impact on poverty reduction

Distribution of people living in extreme poverty across developing countries: 1990, 2000 and 2007
(Below 1.25 $/day)



Source: UNCTAD, 2011f.

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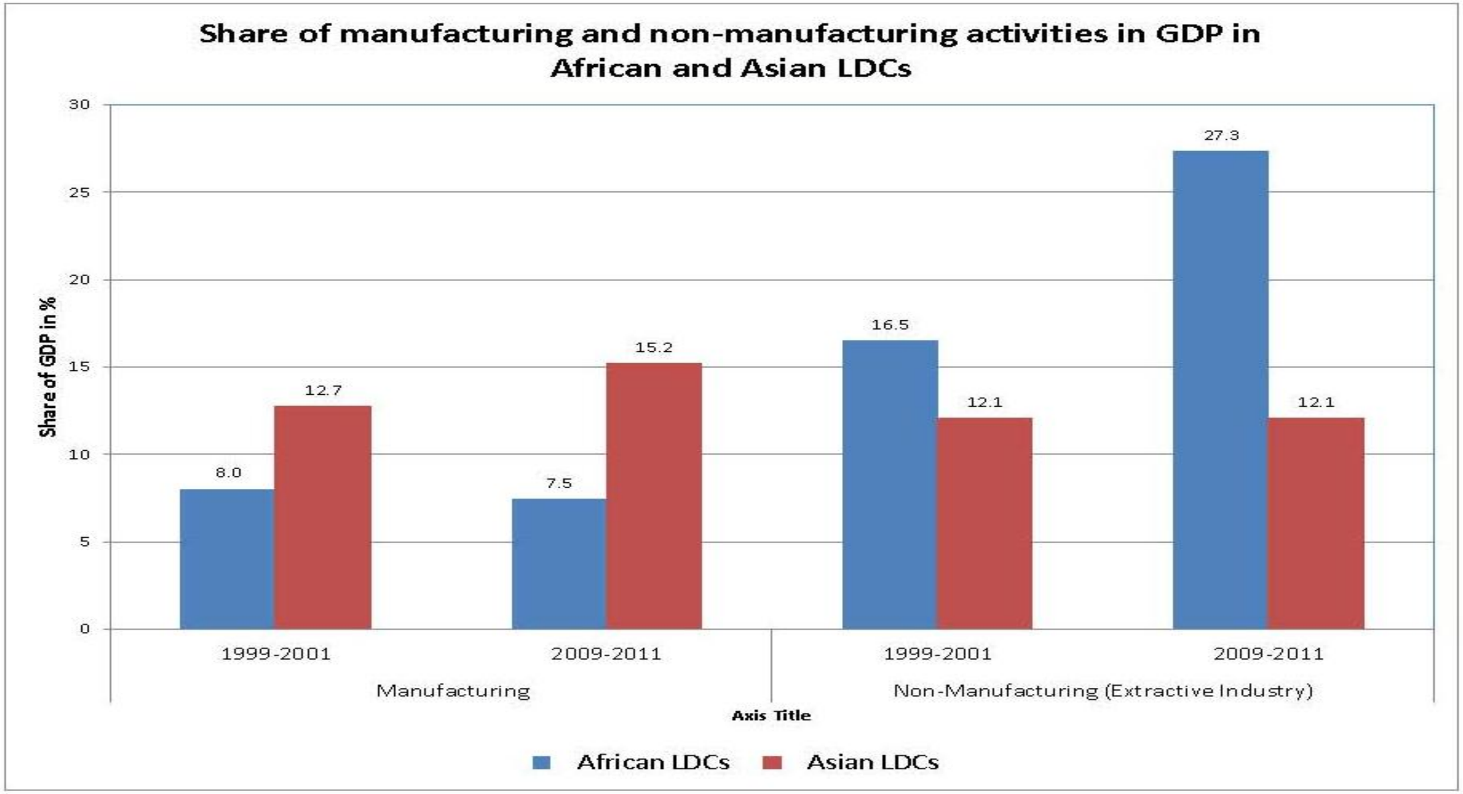
Key features of the recent growth in LDCs (contd.)

1. Reinforced the traditional international division of labour and trade – i.e, commodity dependency.
2. Stagnation or even decline of manufacturing activities, especially in African LDCs.



Key features of the recent growth in LDCs (contd.)

- Driven largely by external financial flows – low domestic private investment.
- Generated very little employment opportunities – “job-less” growth.

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Recent trends

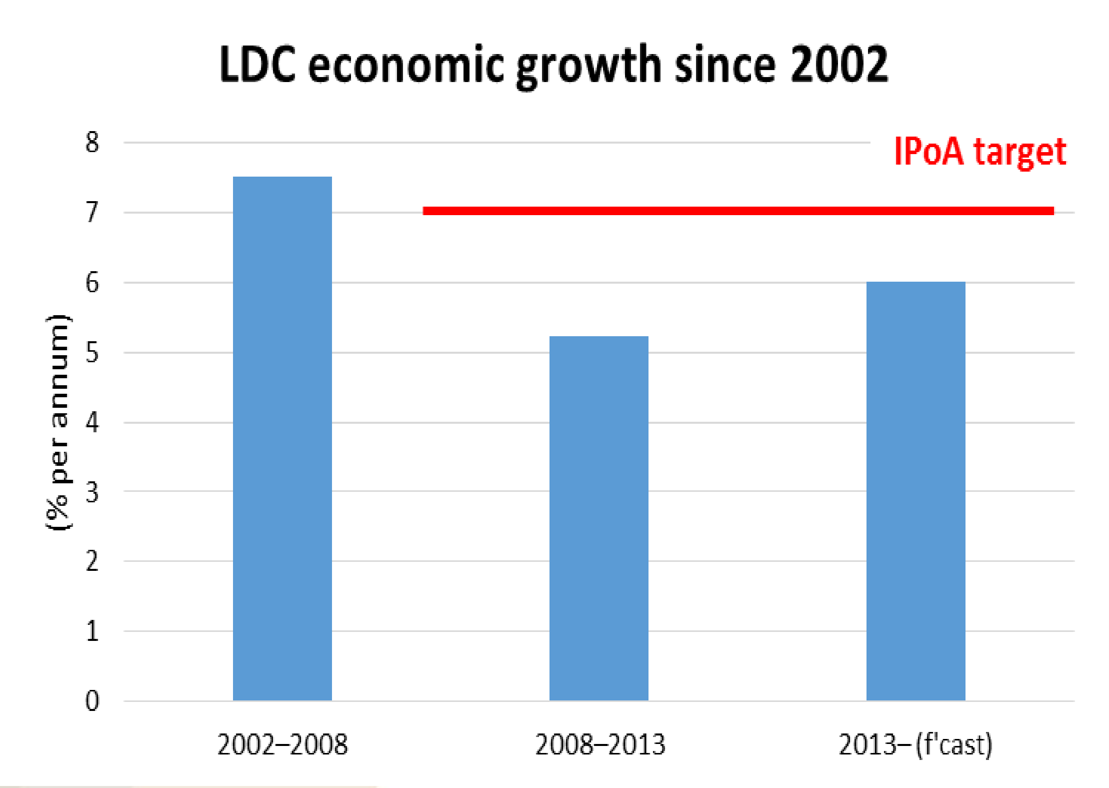
GDP growth of LDCs

2008 - 2013

5.2%, over 2 percentage points lower than during the boom period

2002 - 2008

7.5% annual growth: fastest growth in decades



Mid-term outlook

6% annual growth

Lower than target of Istanbul Programme of Action (IPoA): 7%

Weaker external economic impulses :

- Lower growth in developed and developing ("emerging") economies
- Subdued international trade
- Falling commodity prices
- More expensive international finance

Even more difficult for LDCs to generate jobs required by population growth

LDCs are the group of countries with the fastest population growth

Total LDC population is projected to double to 1.7 billion by 2050

Rapid demographic growth

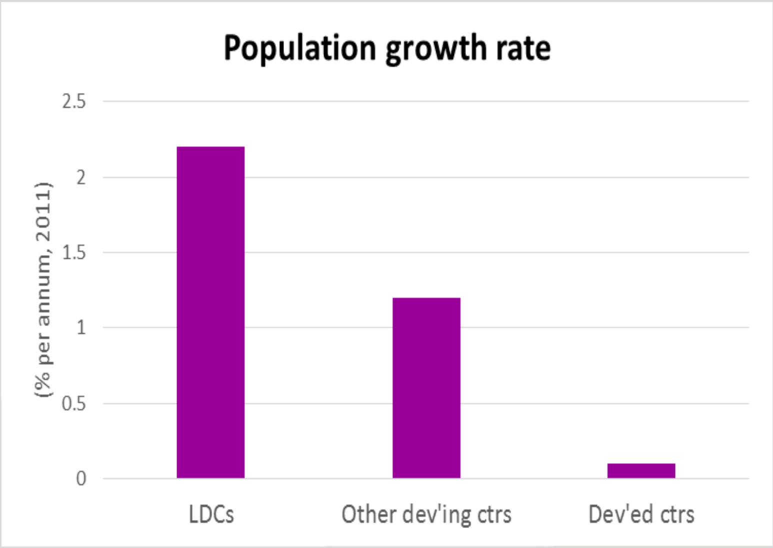


Chart 6. LDC population, 1970–2050
(Absolute value, millions)

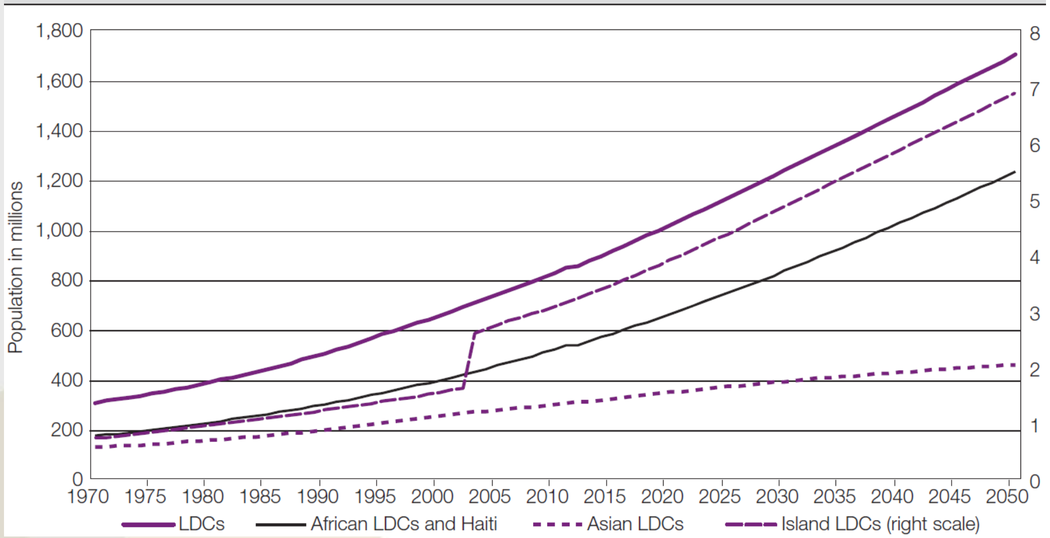


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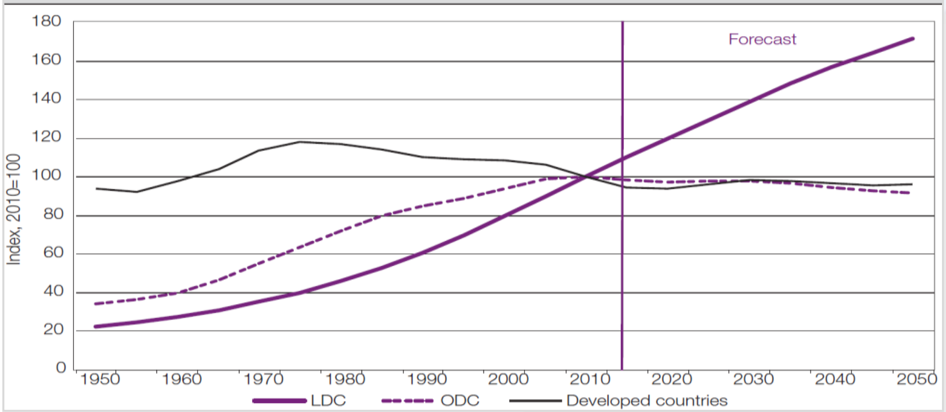
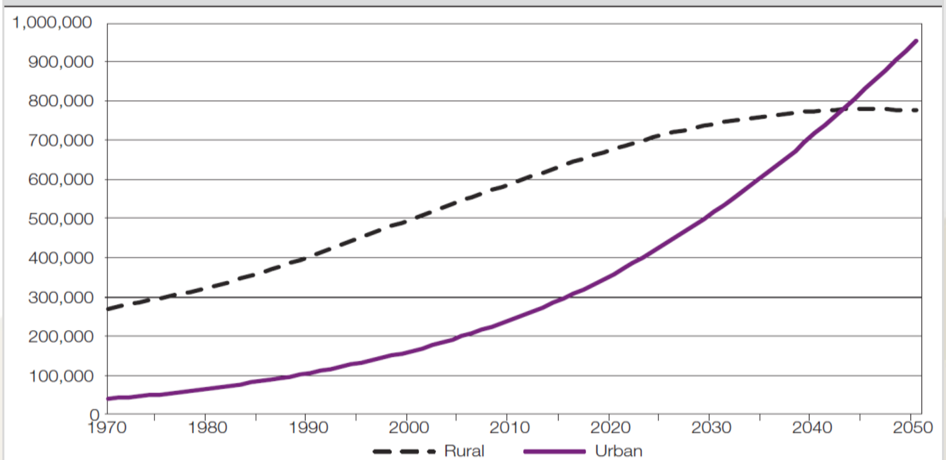
Chart 11. Youth population, (10–24 years), 1950–2050
(Index, 2010=100)



Population: very young…

Youth to soar from 169 million in 2010 to 300 million in 2050

Chart 13. LDC rural-urban population trends and forecasts, 1970–2050



… and increasingly urban

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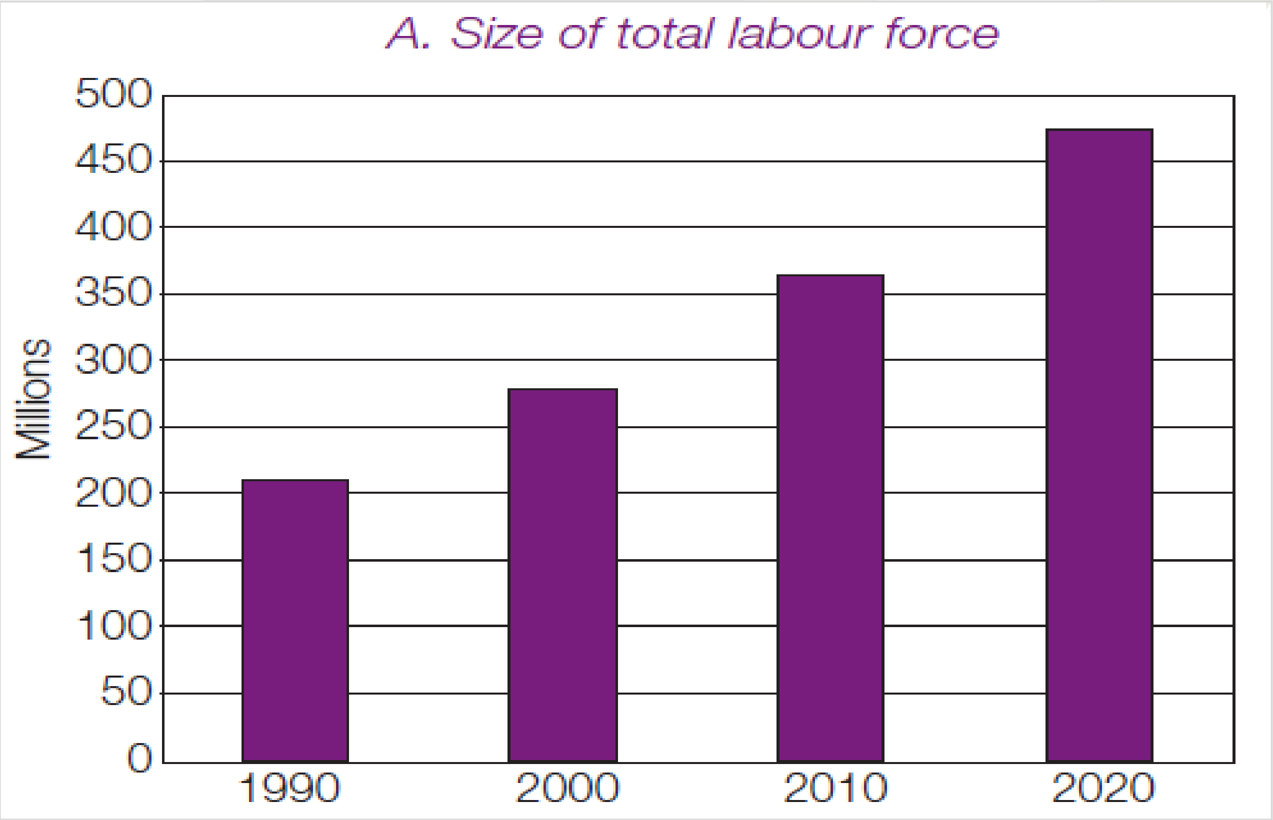
Fast growing labour force

Major challenge for LDCs: create quality jobs



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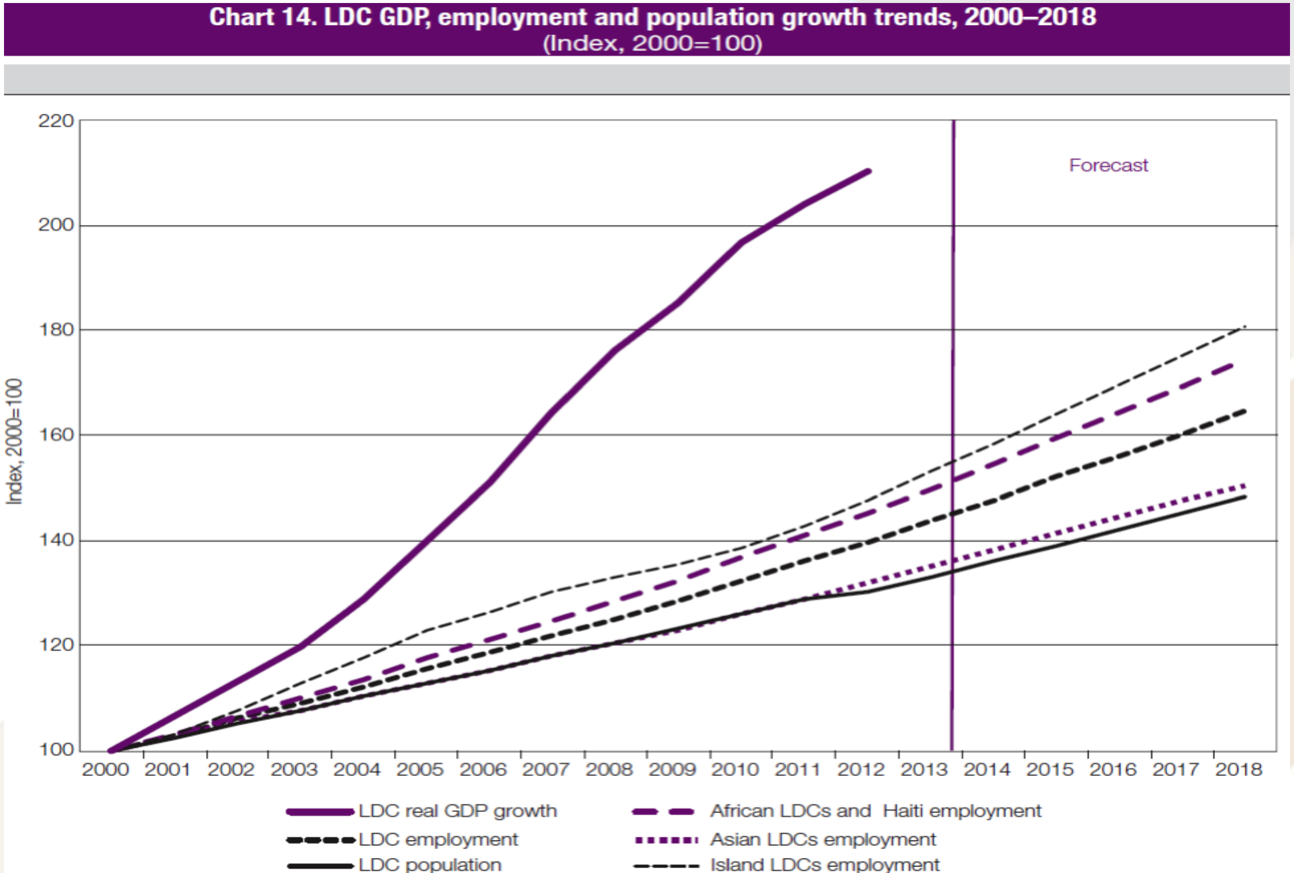
Economic growth with minimum job creation



… in quantity

Employment growth: 3%

well below economic growth: 7%

(annual rates, 2000 - 2012)

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Economic growth with minimum job creation

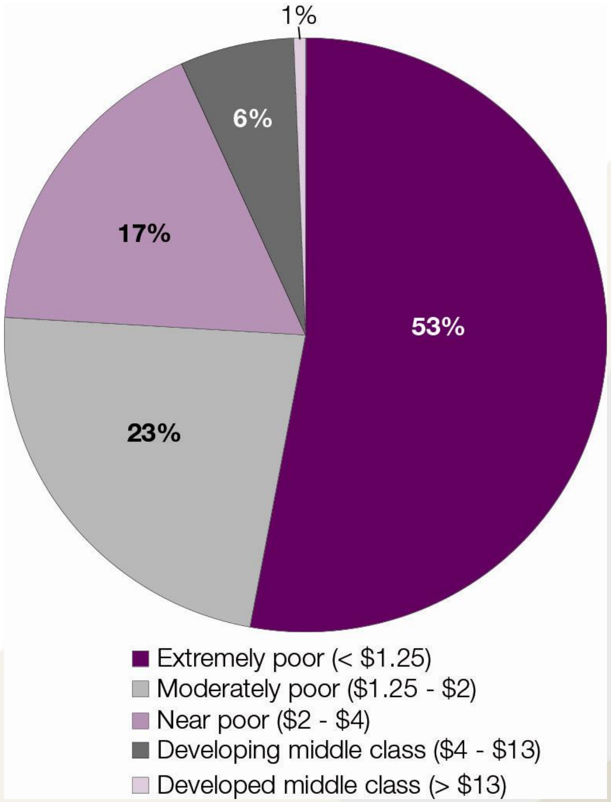
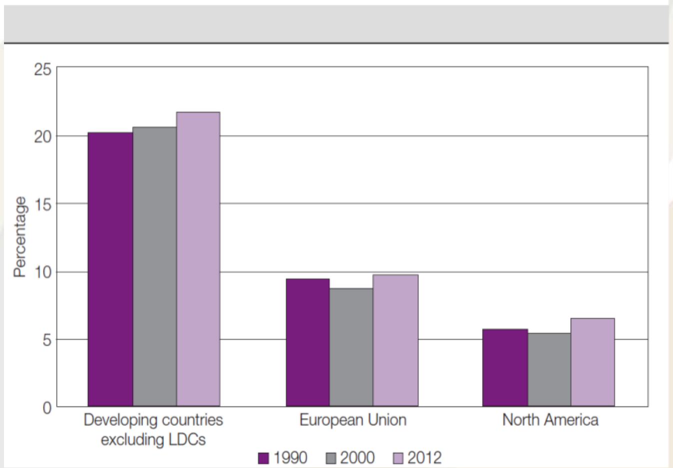


Chart 19. LDC output per worker as a share of more developed economies, 1990–2012
(Constant 1990 international dollars)



… in quality

- Labour productivity gap
- Most jobs are in informal sector:

(insecure, low wages, low skills)

Vulnerable employment (own account + family workers): 80% total employment

Working poor:

Slow overall poverty reduction

Reversing this trend is urgent

- Economic growth which does not create jobs is unsustainable

- Job creation without the development of productive capacities is equally unsustainable

- If employment performance does not improve, major risks arise:

→ Growing poverty

→ Low aggregate demand

→ Mass international emigration

→ Social instability

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Employment and productive capacities

PRODUCTIVE CAPACITIES

(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 & FORWARD LINKAGES
- INFORMATION FLOW & EXCHANGE OF EXPERIENCE
- RESOURCE FLOWS (HUMAN & FINANCIAL CAPITAL,)
- TERRITORIAL PRODUCTION CLUSTERS
- GLOBAL VALUE-CHAINS
- LINKS BETWEEN FDI & DOMESTIC ENTREPRENEURS
- LINKS BETWEEN LARGE FIRMS & SMEs

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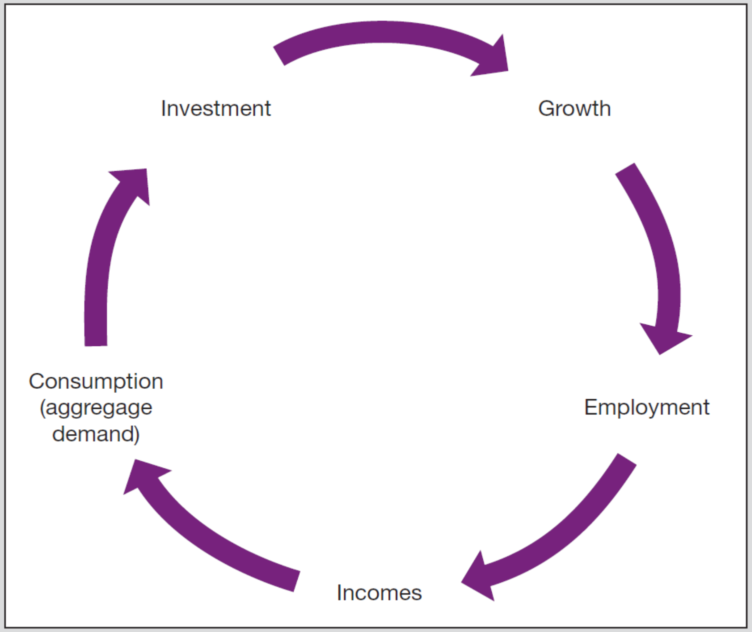
Policy options

Fostering the development of productive capacities for job creation

Chart 37. The investment-growth-employment nexus in a closed economy



- Investment-growth-employment nexus:

→ virtuous circle

- Entry point: investment critical for:

→ public investment, especially in infrastructure

→ social services

Policy options

Macroeconomic policies

Objective: Output and employment expansion

→ Fiscal policy: Central role to finance public investment and social services

Need to mobilization of domestic resources

→ Credit policy: improve access to financing of firms (esp. farmers, MSMEs)

Multiple actors: development banks (national and regional), rural banks, credit cooperatives, informal institutions…

→ Monetary policy : Focus on stimulating domestic investment

Go beyond exclusive focus on price stability

Policy options

Enterprise development

- ❑ Industrial policy

- Build / upgrade activities around existing comparative advantage (esp. natural resources)
- Favour investment in labor-intensive manufacturing

- ❑ Reaching critical firm size

Financing, formalizing, strengthening organization and technology

Networking / Clustering

- ❑ New international support measure for enterprise development

Policy options

Rural development policies

- Investment in rural infrastructure (Esp. irrigation, energy, transport, storage, communications)
- Rural extension services
- Raise funding of national / regional research centres
- Build regional value chains
- long-term finance to generate non-farm employment

Policy options

Cross-sectoral policies

- Tradables: Maintain export growth to generate foreign exchange
- Nontradables: Major role in absorbing surplus labour (short to meduim)
- Technology
  - → advanced in modern sectors
  - → Appropriate(labour-intensive) in nontradable activities
  - → Aim at productivity growth in all sectors

Public-sector job creation (crucial in short to medium term)

Public works in infrastructure – Potential benefits:

- Lifts major constraint on enterprise development
- Can crowd in private investment
- Choice of labour-intensive techniques – Advantages:
  - Greater employment creation
  - Local market creation
  - Enterprise development
  - Lower cost
  - Foreign exchange savings

Social services (mostly labour-intensive)

- education, health, sanitation,
- transport, public administration etc…

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- LDC's fast growing and young population needs quality jobs to escape poverty and earn decent livelihood.
- Despite fast economic growth since 2000, LDC economies' job creation has been disappointing.
- Quality jobs can only be the consequence of developing productive capacities.
- Macroeconomic, industrial, rural and infrastructure policies should be geared to job creation and development of productive capacities.

Put job creation front and center!

Taffere Tesfachew

Director, Division for Africa, Least Developed Countries and Special Programmes, UNCTAD

12 December 2013, Geneva

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