

Expert Meeting on Challenges and opportunities for  
graduation and Structural transformation in LDCs  
Addis Ababa, Ethiopia

28 February to 1 March 2012

**By**  
**Mussie Delelegn**  
**Economic Affairs Officer**  
**UNCTAD-ALDC**

**Tel. +4122917 5038**  
**Email: [mussie.delelegn@unctad.org](mailto:mussie.delelegn@unctad.org)**

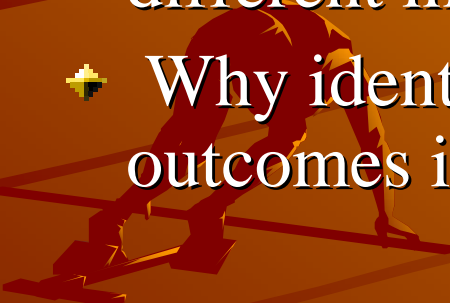


Economic performance of  
LDCs: Regional and country  
variations, policies and  
strategies



# Questions for our collective thinking

- ✦ What are the sources of growth in LDCs?
- ✦ Why is growth variation among countries and across regions?
- ✦ Why the same rate of economic growth results in different impact in countries? and
- ✦ Why identical/ similar policies result in different outcomes in different countries?

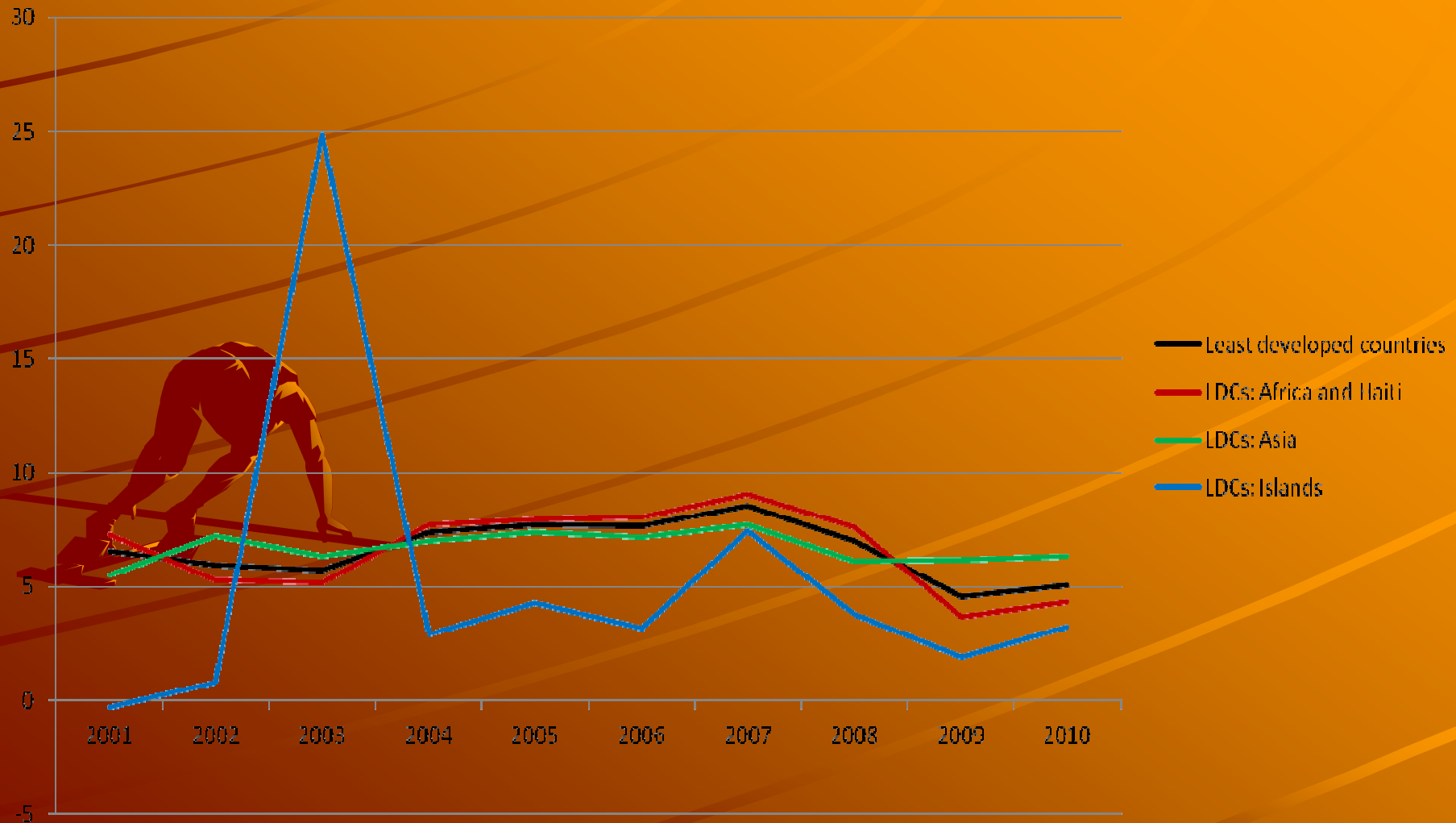


## Tracking progress...

- ◆ Pattern of growth has been erratic and "enclave-based";
- ◆ It has been uneven within and across countries, reflecting growing inequality and their heterogeneity;
- ◆ Form and quality of growth remain weak and vulnerable to shocks;
- ◆ Sources of growth are varied and externally driven; and
- ◆ Growth is not trickling-down and has little or no dent on extent and level of poverty.

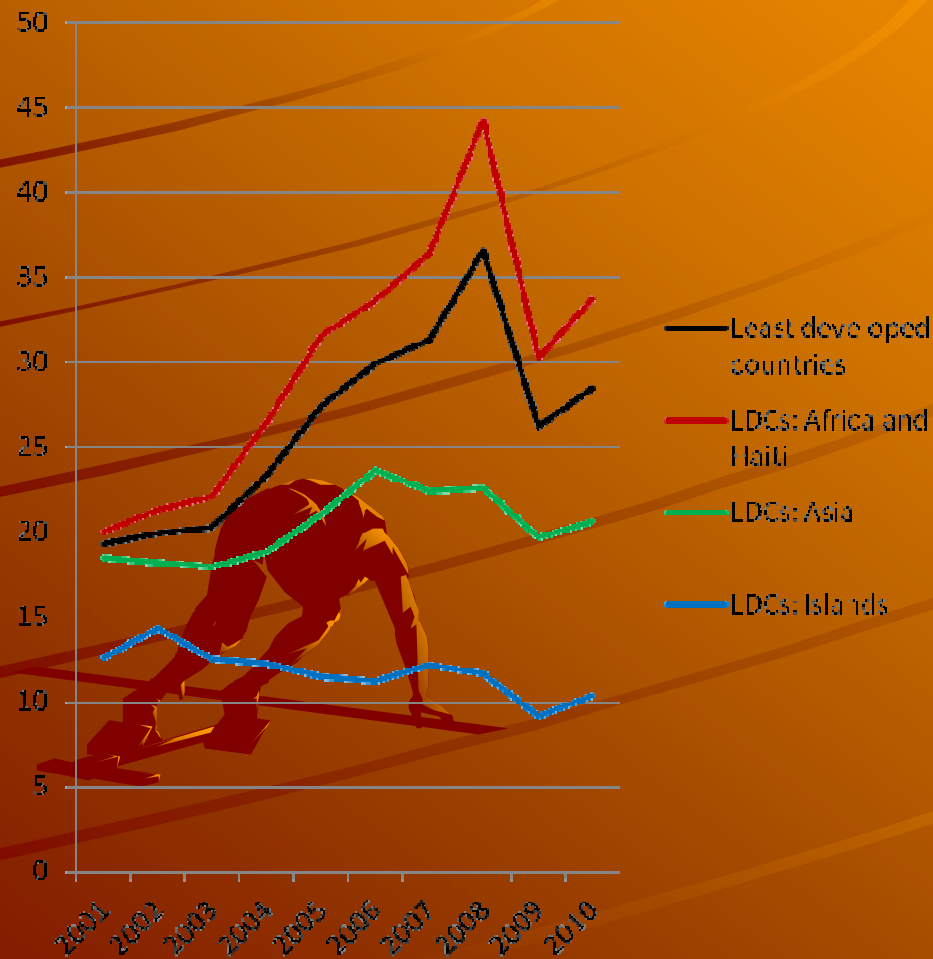
# Reaching the growth target in a decade of boom and bust

Average annual real GDP growth, 2001-2010 (%)

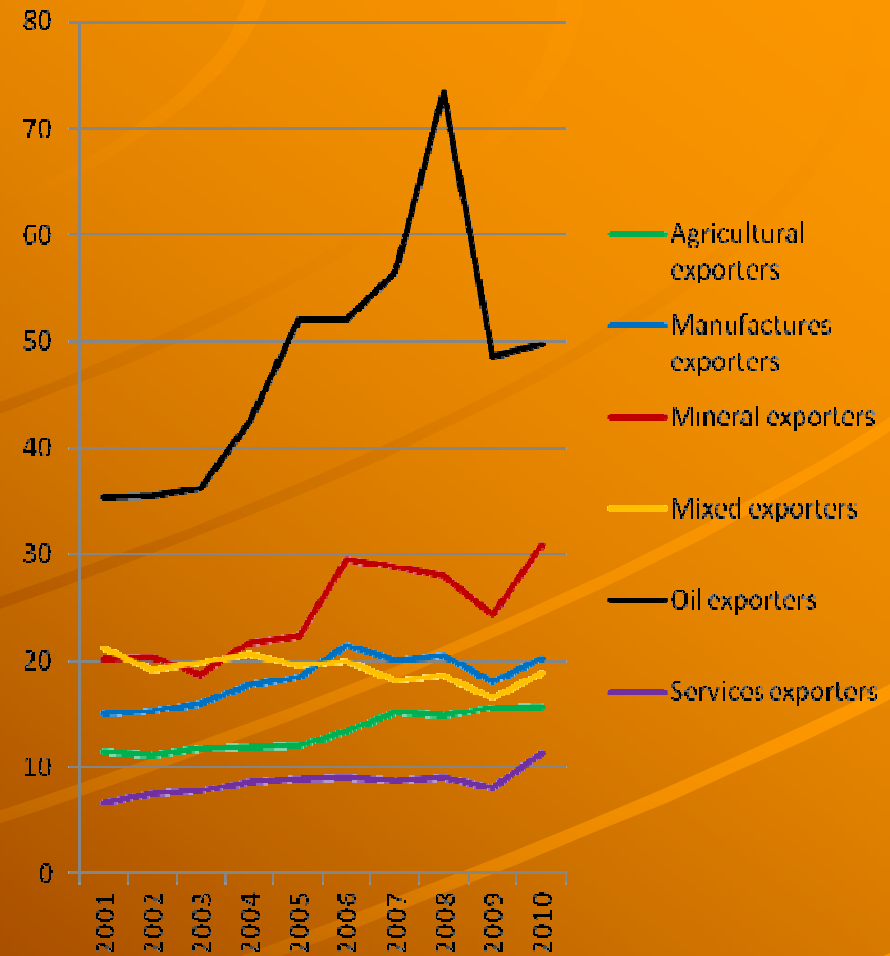


# Surging exports driven by commodities

## Exports over GDP, 2001-2010 (%)

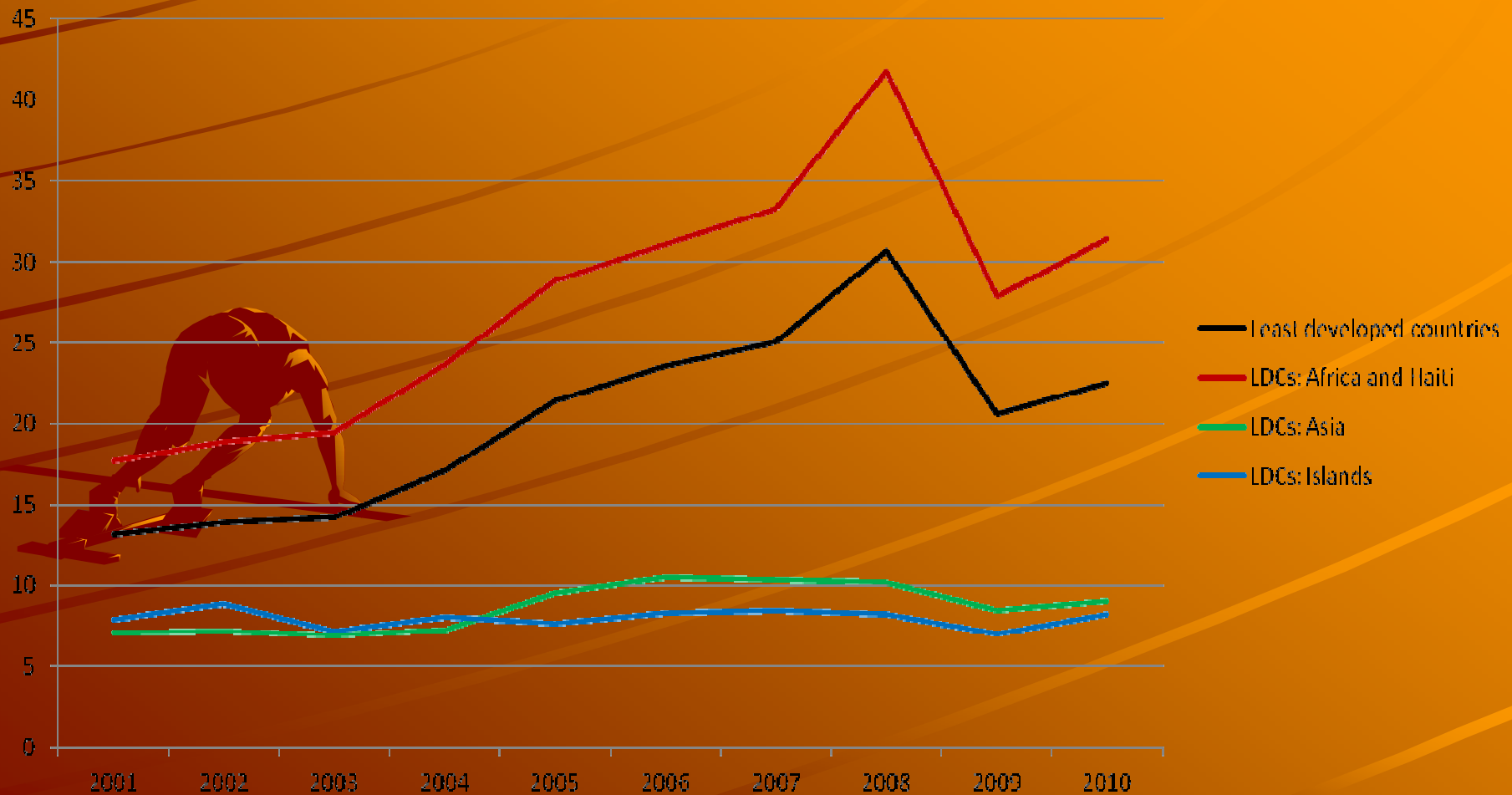


## Exports over GDP, 2001-2010 (%)



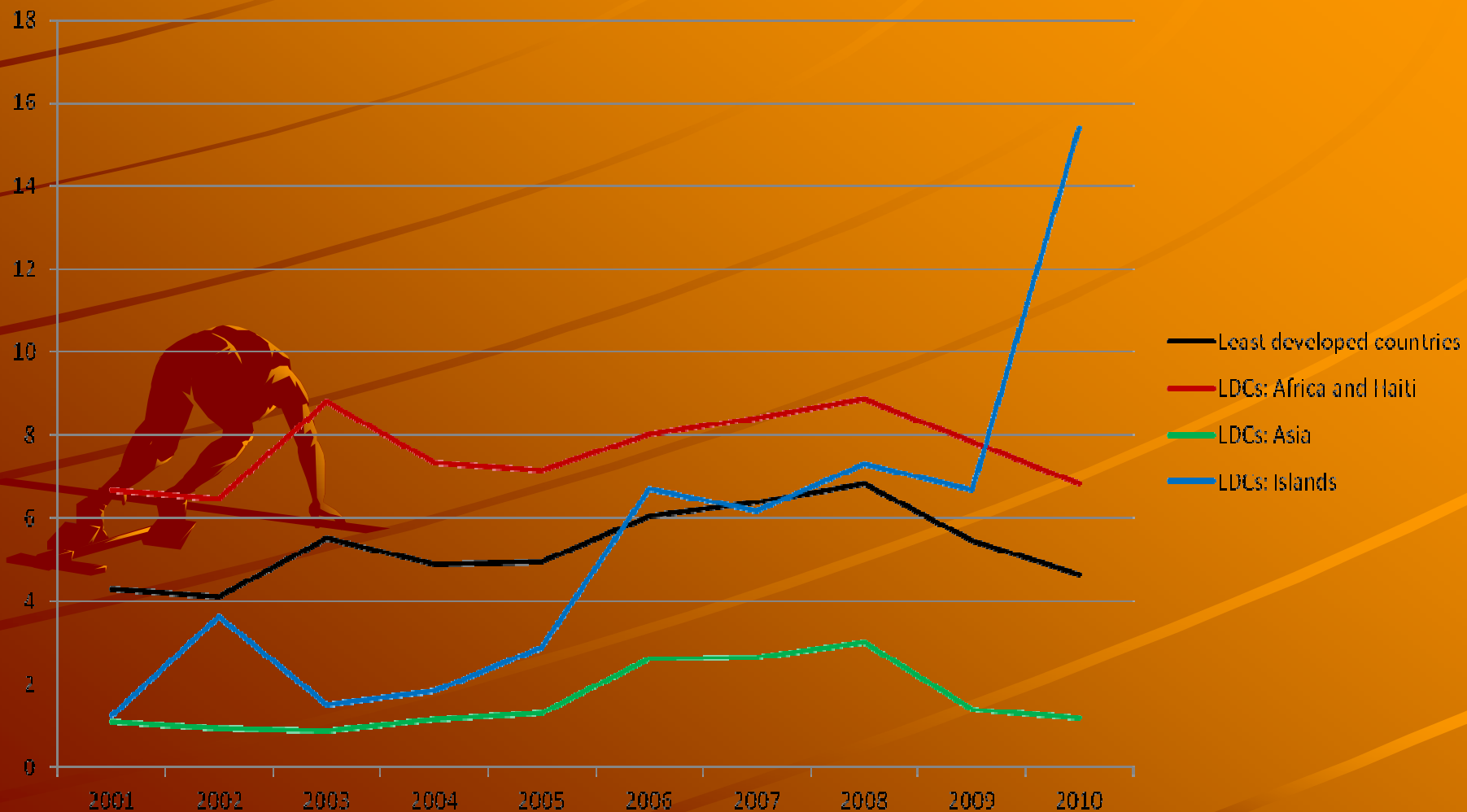
# Degree of commodity dependency

Commodity exports over GDP,  
2001-2010 (%)



# Island LDCs enjoying FDI flows to tourism and transport services

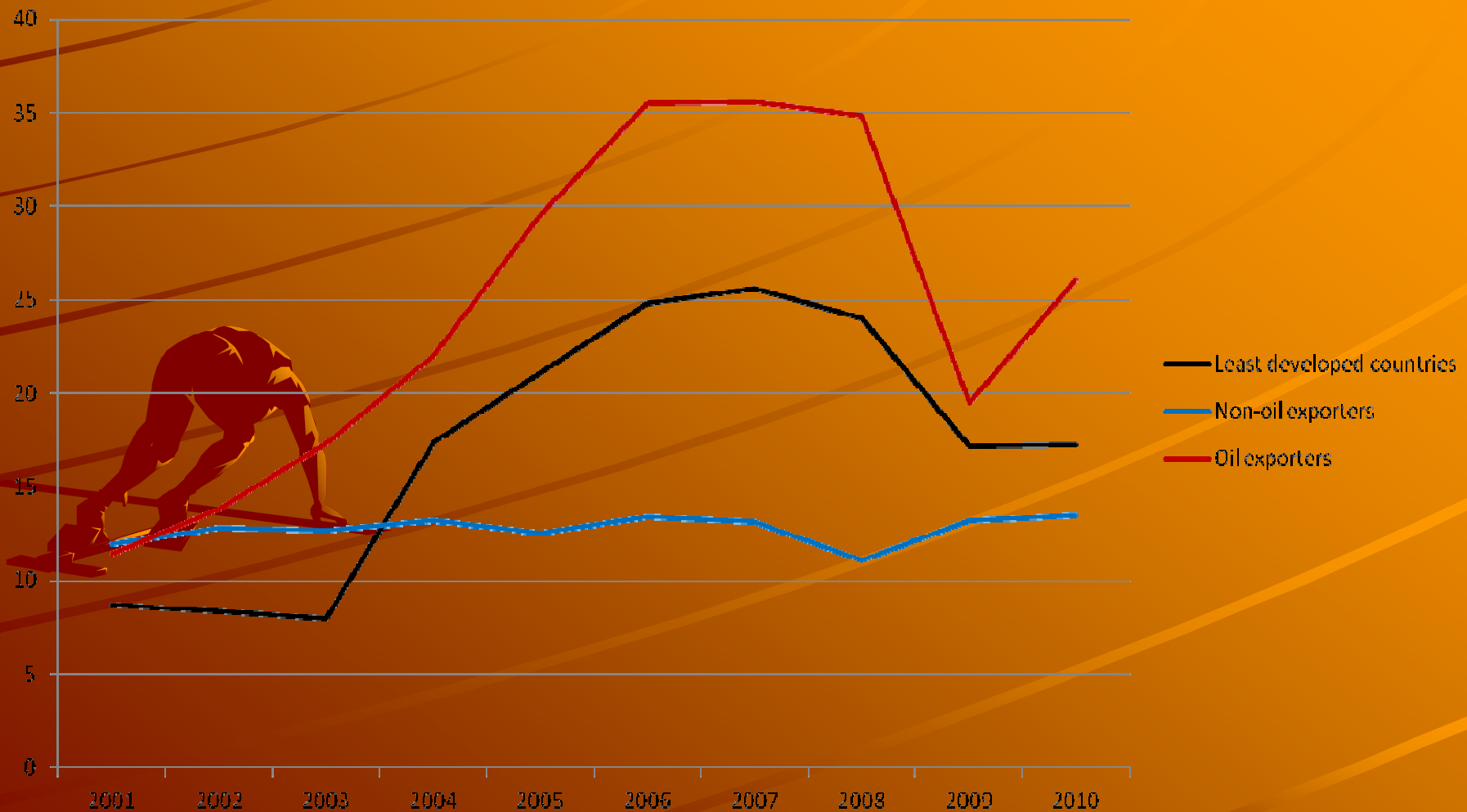
FDI flows over GDP, 2001-2010 (%)





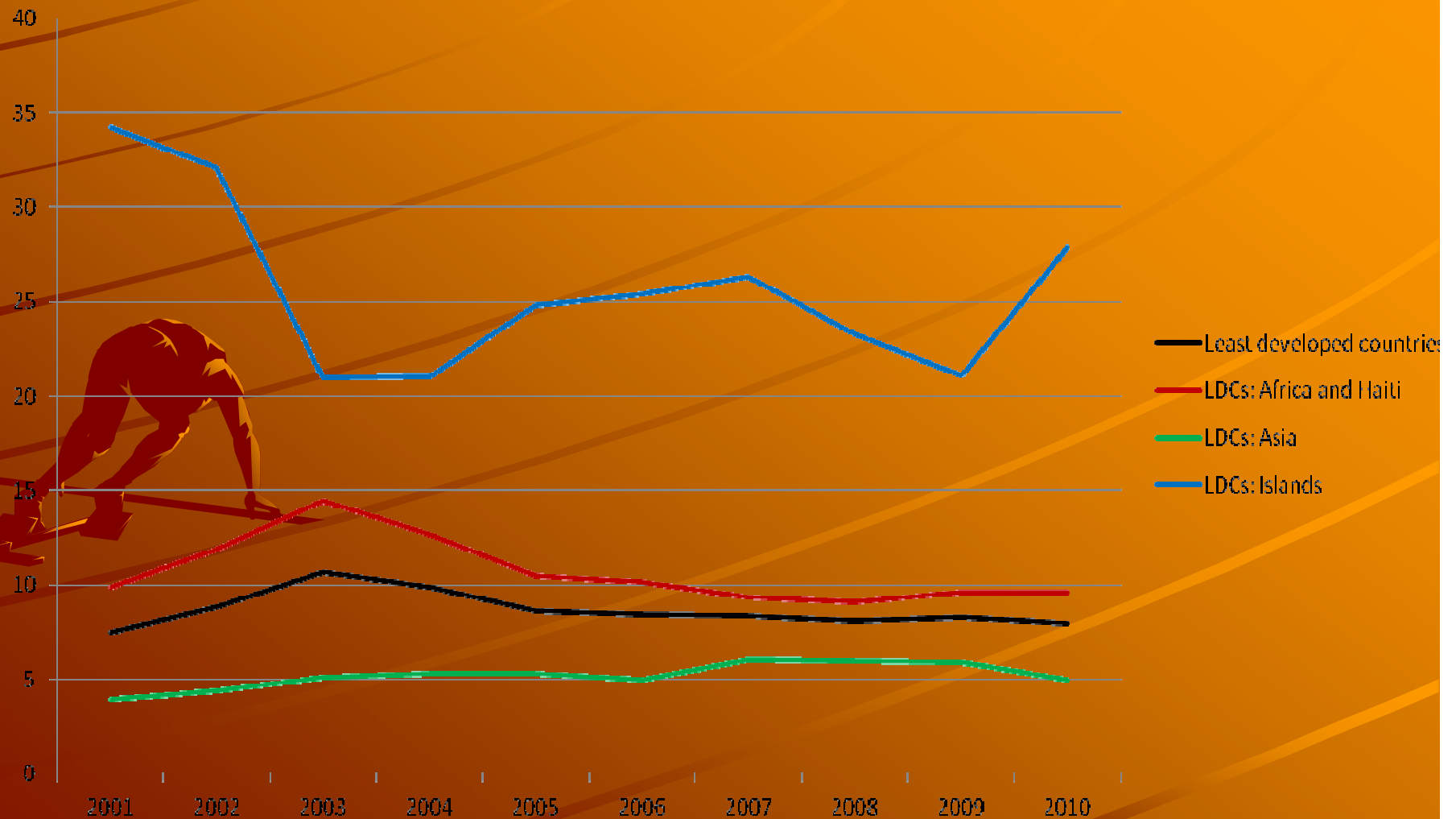
# Greater savings for oil exporters

Gross domestic savings over GDP, 2001-2010 (%)



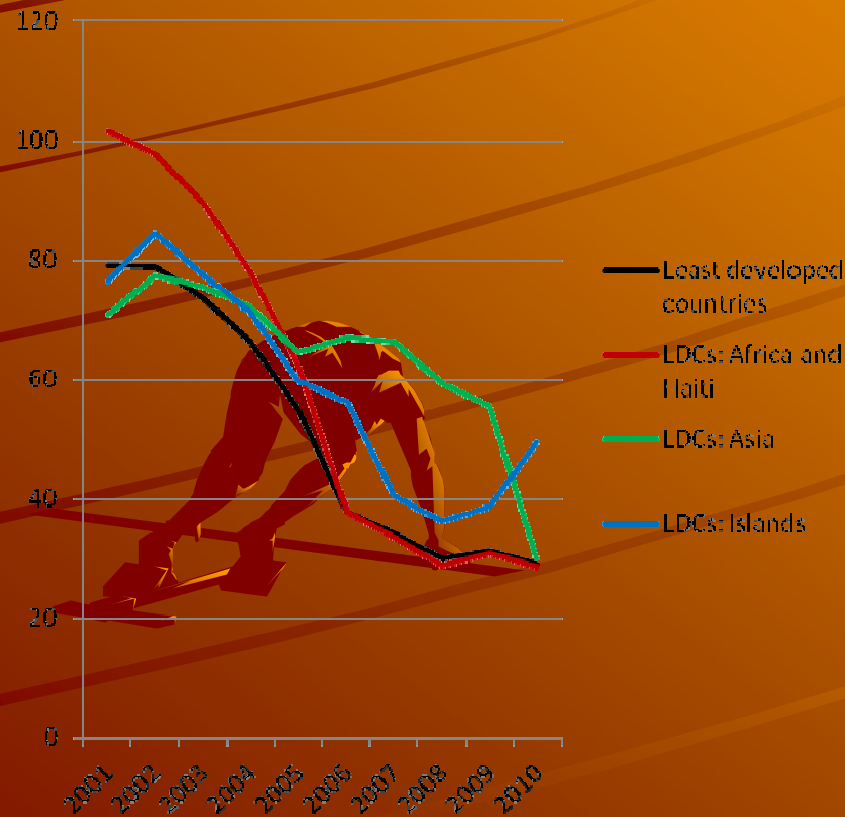
# The role of ODA: First up, then down to where we started

ODA over GDP, 2001-2010 (%)



# Overall decreases in external debt stocks and debt service

## External debt stocks over GDP, 2001-2010 (%)

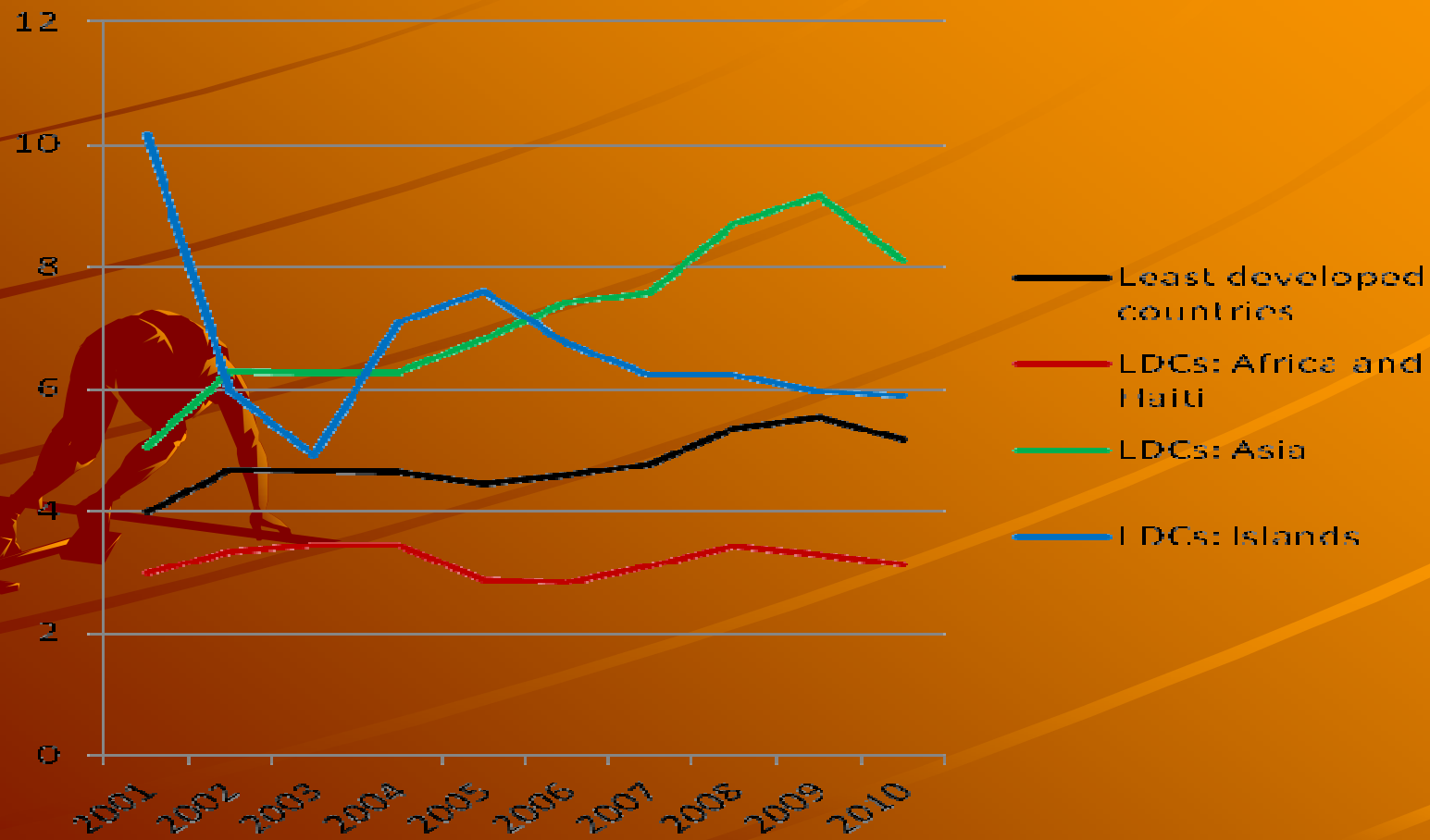


## Debt service on external debt in exports (%)



# A growing role of remittances in manufactures exporters

## Remittances over GDP, 2001-2010 (%)



# Policy and institutional quality as the source of variation in development outcome

In the case of African LDCs

- ◆ Reforms or SAPs (latter PRSPs) undermined the role of State,
- ◆ Institutional capacity to design and implement policies weakened,
- ◆ Market forces were given a leading role,
- ◆ Made reforms misguided and incomplete,
- ◆ Quality of policies improved but an overall business environment constrained
- ◆ Growth was driven largely by primary commodities.

## Policies and institutional....

### In the case of Asian LDCs

- ✦ Regional dynamism provided lessons and facilitated catch-up process,
- ✦ Export and investment-led growth was accompanied by active and selective government intervention,
- ✦ There was, thus a tilted and carefully managed balance between the roles of State and market forces,
- ✦ Growth was driven heavily by light manufacturing industries (e.g. textile in Cambodia and Bangladesh) and trade in services

## Other sources of variation

- ◆ Demographic trends- African LDCs exhibited higher population growth,
- ◆ More African LDCs suffered from prolonged and protracted civil conflicts than Asian LDCs,
- ◆ Less dependence on ODA in Asia-Pacific LDCs than the African ones,
- ◆ Less inflationary pressure and less budget deficit in Asia-Pacific LDCs,
- ◆ More distributive policies in the Asian LDCs

## Concluding remarks

LDCs....

- ◆ Building developmental State,
- ◆ Improving business environment,
- ◆ Enhancing the role of the private sector and civil society in development,
- ◆ Investment in infrastructure- both soft and hard,
- ◆ Diversification of exports and markets,
- ◆ Maintain political stability, improve governance and economic management



## Concluding remarks...

Development partners

Implement agreed ODA targets,

- ◆ Improve the quality and effectiveness of aid,
- ◆ Aid should not constrain policy choice in LDCs,
- ◆ ODA should be additional; not conditional
- ◆ Improve market access and entry conditions
- ◆ Refrain from implementing trade policies that are not conducive to LDCs development (such as subsidies, international quality standards)

Finally, lets work **HARD** to make the world free  
of LDCs !!

I thank you for your kind attention



**AMESEGNALEHU**