



Division for Africa, Least Developed Countries and  
Special Programmes (ALDC)  
UNCTAD



# National Workshop on mainstreaming the Vienna Programme of Action for LLDCs for the Decade 2014-2024

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# Mainstreaming Structural Transformation: Context and policy options for Mongolia



# Structure of the presentation

- I. Context: what structural transformation means and why it matters?
- II. What drives structural transformation?
- III. Mongolia and other LLDCs: some comparators and indicators
- IV. Key policy messages

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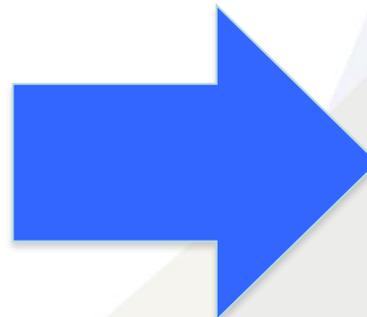
# What is Structural Transformation?

Shifting resources and policy focus:



FROM

- traditional sectors
- traditional activities
- low-productivity
- low-technology



New sectors  
New activities  
Higher productivity  
Higher technology

Structural transformation takes place:

- *within* sectors
- *across* sectors

# Why Structural Transformation matters?

- **It is essential for development:**

- Source of productivity growth
- Source of decent and skilled jobs
- Learning and knowledge accumulation
- Source of higher income and aggregate demand



- **In an open economy, trade plays a key role**

- **Why do countries trade?**

- Comparative advantage (static)
- Technology / learning (dynamic)
- Surplus production
- Balance of payment
- Diversification/sophistication

**TRADE**



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# What drives Structural Transformation?

- Investment (in particular public)
- Industrial policy – linked to agriculture and services, education
- Strategic integration into the global economy
- Regional and global production network

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# What drives .....Continued?

## **The rise of the South:**

- Emergence of Southern growth poles
- South assisting in infrastructure dev.
- New markets for diversification
- New source of investment and transfer of technology and development experience

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# What drives....Continued?



**Industry / Manufacturing** - Opportunity for :

- Raising productivity

Technological upgrading

Innovation

Virtuous link between demand and supply side

Productive employment

However, agriculture and services are also important

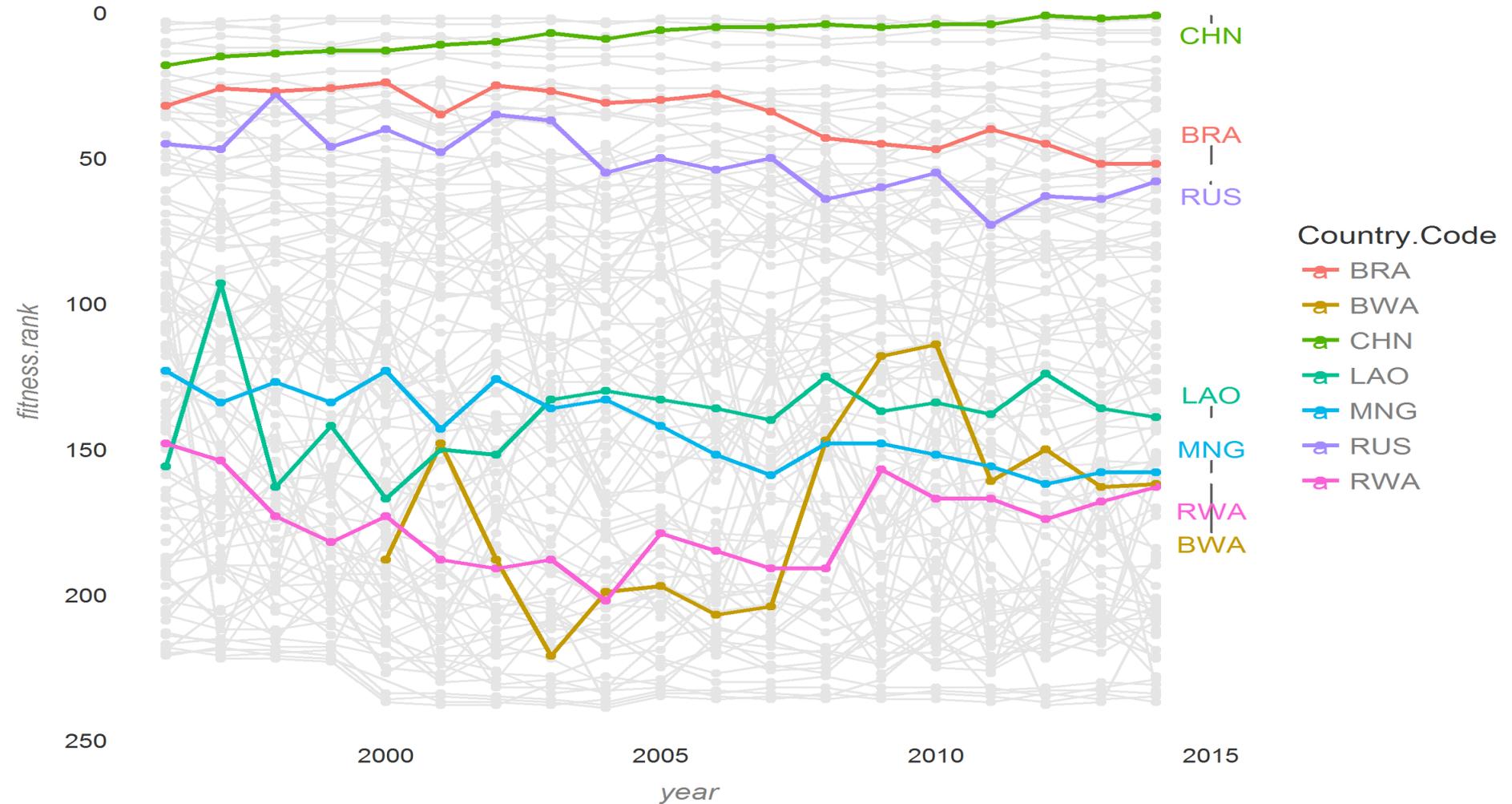


# I. Mongolia's trade structure or composition

- Exports are predominantly natural resources based or commodities;
- Over 80 % of export revenue is from extractive sector
- Trade intensity of GDP is the highest in Mongolia as compared to LLDCs as a group
- Structural transformation is taking shape but still in the lowest value chains
- Key comparators show weak productive capacities for Mongolia

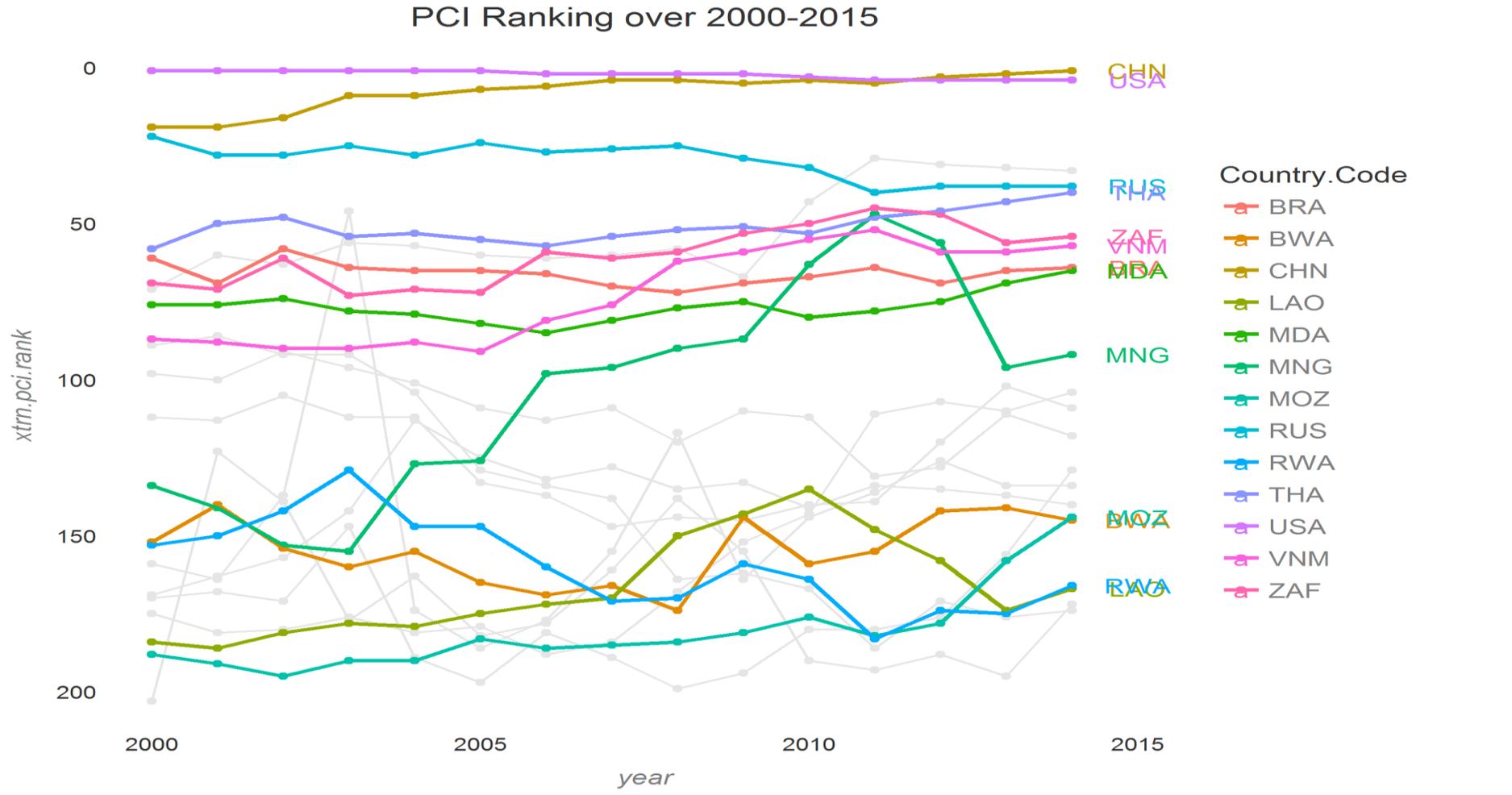
# Structural transformation: Mongolia & selected LLDCs: 2000 - 2015 (Ranking)

Economic Fitness Ranking over 1995-2014





# Productive Capacity Index (Ranking): Mongolia and selected Countries ( 2000-2015)



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# Key messages

- What you produce and what you export matters
- Some goods associated with higher value and productivity
  - The more you diversify, add-value and produce more sophisticated products and services, the more you establish stronger growth pattern.
  - No country has successfully moved the development ladder without undergoing structural transformation.



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## Key message.. (Continued)

**Industrial development – in particular manufacturing** – is a critical component of the structural transformation process, because of the concentration of progressively value-adding and productivity-driven activities in this sector.

Structural transformation could also take place in agriculture and services, which are important for their role in poverty reduction