

# **Structural Economic Transformation**

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# Structural Economic Transformation

- Structural transformation is a process that involves the reallocation of economic activity from low value-added and low productivity activities and sectors to those of higher value-added and high productivity
- Industrialization is important for LLDCs because it enables them to alleviate the impediments arising from landlockedness
- Manufacturing has historically been at the core of economic transformation and is key to value addition and enhancing the ability of LLDCs to compete in global markets

**-> LLDCs need to structurally transform their economies if sustained economic growth and poverty eradication are to be achieved**



# Structural economic transformation in LLDCs

- Agriculture in LLDCs shows declining share of value-added as a % of GDP - 15.6% in 2013 (6% fall since 2003)
- Manufacturing value-added as a % of GDP has also been declining - 9.5% in 2013 (3% fall since 2003)
- Manufacturing share is much lower than in transit countries (24% in 2013)
- The share of the services sector is high and rising – 51.4% in 2013 (4% increase since 2003)

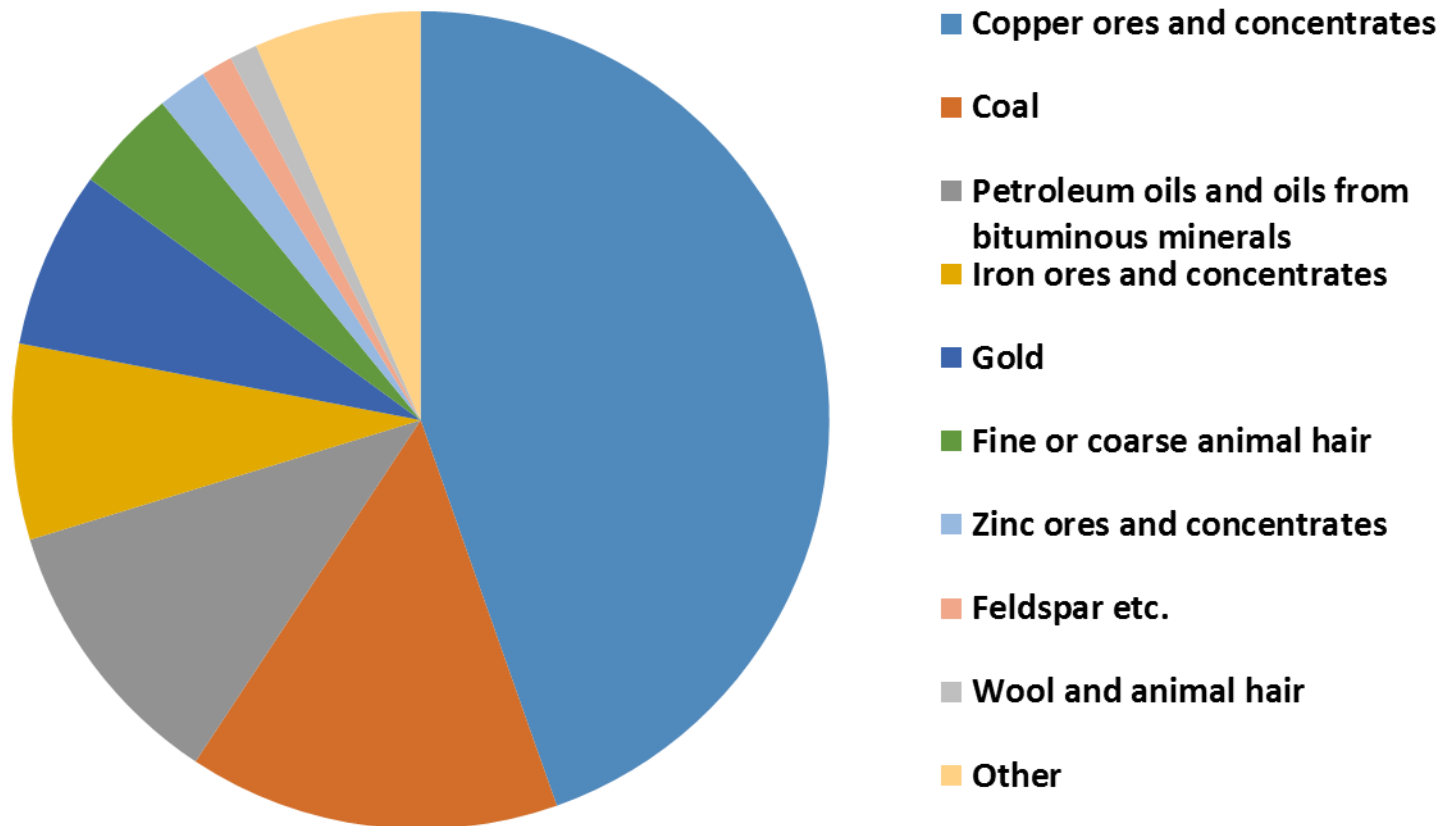
**-> This implies that landlocked developing countries are undergoing de-industrialization. In addition:**

- The share of high-technology exports as a percentage of manufactured exports in LLDCs only about 20%
- The exports of LLDCs highly concentrated in fuels (56%) and primary commodities (26%) while overwhelming proportion of imports are manufactured products (70%)



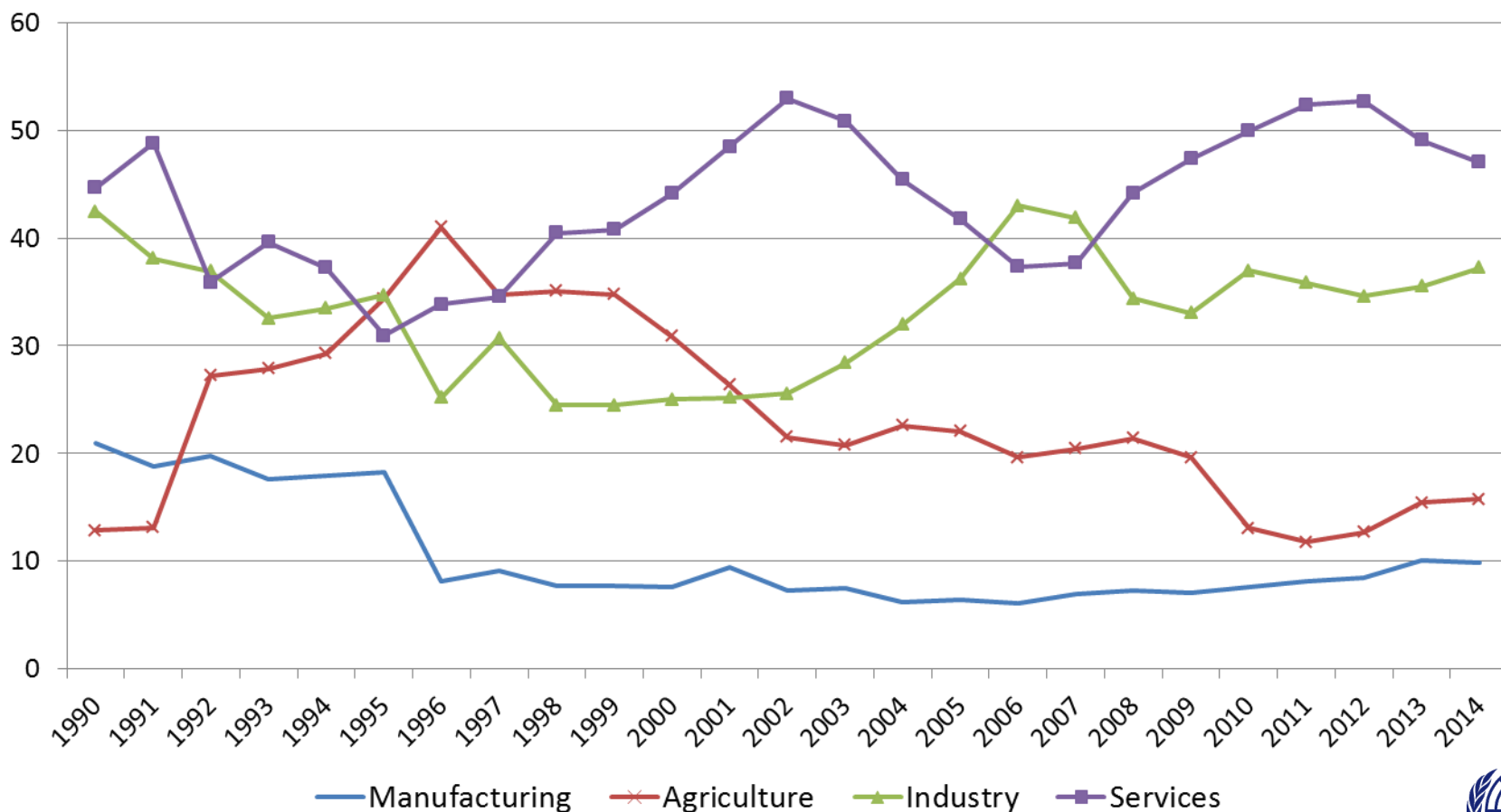
# Mongolia's exports are highly concentrated in primary commodities

## Composition of Mongolia's exports in 2014



# Economic Composition of Mongolia

## Value added shares by economic activity (% of GDP)



# Recommendations

- Enhancing productivity-led growth
- Increasing economic and export diversification
- Increasing the value addition in the agricultural and in particular in the manufacturing sector
- Promoting growth in non-mining sectors
- Leveraging technology and innovation in structural transformation, value addition and productive capacity building
- Increasing participation of the private sector, in particular in the extractive industry
- Seeking FDI inflows to high-value added sectors
- Enhancing the potential of the services sector

