



**CDP**

## **Committee for Development Policy**

United Nations Department of Economic and Social Affairs  
Development Policy and Analysis Division

***Expanding productivity capacity for  
sustainable development –  
Lessons learned from LDCs  
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# Key Messages and Policy Lessons: Learning From The Experiences of Three Countries: Bangladesh, Ethiopia and Rwanda

## I. Common features:

- **Pathway towards graduation** through economic diversification, structural transformation and the development of human capital
- **Not resource-rich** countries
- **Big countries in size of population** (Bangladesh 140 million, Ethiopia 90 million, Rwanda 12 million)
- **All three countries include periods of armed conflict**, stability: Bangladesh from mid-1970s, Ethiopia 1991, Rwanda 1994.
- **Non** of these countries **has yet met the graduation criteria** (Bangladesh to meet graduation criteria for the first time in 2018)
- **All are agrarian-based economies** (Ethiopia nearly 80%, Rwanda 71% and Bangladesh 66% of population living in rural areas).
- **Starting point** for expanding productive capacity, boosting investment and promoting economic diversification has been **agriculture and the transformation of rural economy**.

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## II. Outstanding achievements in a nutshell:

- **Bangladesh** – while initially **growth** was driven by an increase in **agricultural productivity**, over last 3 decades a **significant shift** from **agriculture to industry and services** has been achieved – agriculture is no more the major employer (44%). A state-led and **socially desirable development strategy**.
- **Ethiopia** - growth was driven by **rapid improvements in agricultural productivity** leading to **GDP growth rates** more than **10%** per year for over a decade, the **world highest in the world**, investment rate **40%** of GDP, **inclusive growth**– **Gini coefficient** 33,7 in 2011 and **poverty reduction** from 61% to 31 % from 2005 to 2011. Agriculture still remains a major employer (70% of TLF).

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- **Rwanda** – after civil war economic growth surpassed the target of 7 % GDP since 1995. Growth was driven by expanding productive capacity of agriculture, achieving food security, linkages with other sectors, and poverty reduction by 49% in 2012, **stellar performance in reducing MPI (2005-2010)**. Agriculture however still remains to be a major employer (more than 70% of TLF).

**In all three countries economic growth was supported by number of complementary industrial social and human capital development policies.**

**Their development experiences reinforce the importance of simultaneous development of human capital and social wellbeing and not that there is first growth and then followed by social and human development later on.**

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### **III. Economic model and policy areas identified as critical for expanding productive capacities for sustainable development:**

- **Political leadership** of all three countries pursued the **development model best suited to country's endowments, current needs and aspirations** with **clear vision** how it wants to grow the economy: **initial focus** of increasing productivity of existing resources- manpower and land – agriculture, **share growth** –economic growth benefiting population at large – reduction of poverty.

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- **The State played an active and a critical role in designing** appropriate macroeconomic, social, fiscal, trade and industrial policies, and in **creating** a development-focused governance structure in all three countries; **Government control** over financial institutions to ensure that long term finance was available for productive public investments channeled to priority, targeted sectors was important. (**Ethiopia's and Rwanda's** development model has been a conscious effort to imitate the 'developmental State' model applied in **East Asian** countries).
- **The ownership of the process of development** as reflected in the choice of policies, including '**unorthodox**' macro/finance and industrial policies (, such as targeting priority sectors and the importance attached to policy space and independence; for example: development of world's largest extension system in **Ethiopia**; crop intensification programme to promote private consolidation of land use) in **Rwanda**. Bangladesh: targeted support to RMG – becoming 3 largest exporter in the world.

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- **Social policies** have also been ‘**unorthodox**’ and successful -**Bangladesh’s** institutional setup under which non-government service providers engineered the public provision of health and education services; **Ethiopian** approach of deploying ‘health extension workers’ throughout the country, enabling the country to cover almost its entire population with public health programmes. **Rwanda:** gender parity on primary and secondary level and equal ownership rights of land.
- Significance given to **institution building** in support of both policy implementation and sectoral level development; the institutional arrangements established have been the result of development not the cause of development, demonstrating the advantage of an evolutionary approach.
- Strong emphasis was given to the **development competent governance capacity of bureaucracy** and to **combating corruption** - Rwanda zero-tolerance approach, Ethiopia’s political commitment to fight corruption.

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- **International support measures** – ODA has played a significant role in all three countries, for Bangladesh utilization of ISMs trade related support measures provided in favour of the LDCs were also important, however, Ethiopia and Rwanda are beginning to make use of these measures.

### **The development experiences of all three countries reinforce and validate:**

- reinforce the importance of peace and security as critical foundation for development and progress towards graduation.
- validate the traditional view that rural development can be an important launching path for gaining the momentum for growth, expanding productive capacity and promoting structural transformation.



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- reinforce the importance– the ability of the government to mobilize resources, their own home based (taxation) and external (Diaspora, FDI, ODA) necessary to maintain their independence and freedom to implement their **own home-grown vision and exercise policy space**. Ownership of the development process would be meaningless without the fiscal space necessary for governments to direct public investment into priority productive sectors, infrastructure development, improvements in health and education, and institutional building. There is no ‘policy space’ without the ‘fiscal space’.
- Validate an evolutionary process towards a democratic society.

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**To conclude**, the development experiences of all three countries show, that after all, the primary driver of their socio-economic development has been people of these countries (government and citizens) – they have decided what works best for them and designed their development model best suited to their needs and aspirations.

An important overarching message therefore is, that each country needs to design development model that best suits its dynamics, and takes the process of development in her own hands.

Thank you for your attention!