Global Development Trends and Challenges in Emerging Asia:

Making the most of the OECD Development Centre

Iino Hall - Tokyo, Japan
19 December, 2016

Mario Pezzini
Director
OECD Development Centre
Special Advisor to the OECD SG on Development
Today’s agenda

• 1. Shifting wealth I – a global development trend
• 2. Shifting wealth II – Remaining Development challenges
• 3. How Can we best Support Partner Countries? Joining forces
I. SHIFTING WEALTH
A GLOBAL DEVELOPMENT TREND
Shifting Wealth is reshaping the world economy

The “Three Speed World” in the 1990s

Source: Perspectives on Global Development 2010: Shifting Wealth, author’s calculations based on World Bank Data 2009

Note: This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.
The “Three Speed World” in the 2000s

Source: Perspectives on Global Development 2010: Shifting Wealth, author’s calculations based on World Bank Data 2009

Note: This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.
Shifting wealth today

Source: Authors’ calculations based on IMF (2016) World Economic Outlook
Are developing countries on course to converge to OECD pc income levels by 2050?

Is convergence set to continue?
In the **1990s**
- 12 countries move from LIC to MIC
- 6 countries transit from MIC to HIC
- 7 countries re-enter IDA eligibility
- 7 countries graduate from IBRD

In the **2000s**
- 26 countries move from LIC to MIC
- 14 graduates move from MIC to HIC
- 14 countries graduate from IBRD
Countries across income groups share development challenges.
II. SHIFTING WEALTH: REMAINING DEVELOPMENT CHALLENGES

1. Competitiveness and productivity related challenges

2. Social challenges

3. Environmental challenges

4. Governance and territorial challenges
1. COMPETITIVENESS AND PRODUCTIVITY CHALLENGES
The Middle-Income Trap

Productivity is lagging behind

Productivity performance (compared to US)
Relative TFP by region (1961 = 100)

Source: IDB (2014), Productivity and Factor Accumulation in Latin America and the Caribbean: A Database.
Median TFP in Indonesia, by ownership, 2013

Average annual growth in TFP by firm size in the Philippines, 1997-2013 (%)

Composition of exports in selected countries, 2014

Source: WITS / UN Comtrade, Trade Indicators (database)
Weak innovation performance

- Although developing countries are increasing their production and innovation capabilities, they are still far from the OECD average.

- **Targeting resources to specific scientific and technological areas** (new materials, biotechnology and clean energy vehicles; healthcare, etc.).

- **Public procurement for innovation** (e.g. Brazil, China, India and South Africa)

- **Attracting more knowledge-intensive FDI** (e.g. Brazil, Costa Rica, Malaysia, Morocco)

- **Promoting start-ups** (Brazil, Colombia, Peru)

- **Promoting cluster development** (e.g. Brazil, Chile, India)

---

Shifting value chains

Major trade partners for Asia's intermediaries exports in goods and services, 1995-2011

Note: The figure reports imports and exports flows with at least 15% of total share. 
Source: Authors' elaboration on OECD Trade in Value Added (TiVA), 2015
2. SOCIAL CHALLENGES
Has growth translated into an increase in job opportunities? In many countries, the employment intensity (IE) of growth was particularly low indicating a jobless growth process…
Inequality and vulnerable middle classes

Latin American population by per capita income level (percentage of total population)

Source: OECD and World Bank (2016) LAC Equity Lab tabulations of SEDLAC (CEDLAS and the World Bank) and World Development Indicators.
Most jobs, particularly for some groups, are informal...

Informality rates in Latin America by age and socio-economic characteristics

Gender: The cost of discriminatory social institutions

Gender-based discrimination in social institutions is estimated to COST up to $12 trillion to the global economy.

Source: Ferrant G. and A. Kolev (2016)
 WHICH COUNTRY IS THIS (2010)?

- Lower middle income country
- 5% average GDP growth since 1990
- Primary enrolment rate of 100% since 2008
- 80% healthcare coverage (total population)
- 3% fiscal deficit
- Good reformer in Doing Business
3. ENVIRONMENTAL CHALLENGES
Fossil fuels to remain the main source of energy in Emerging Asia

Total primary energy supply in Emerging Asia by source, 1990-2040

Note: Other RES includes wind, solar PV, and geothermal. Calculations are based on IEA’s New Policy Scenario.

Renewable electricity generation is low or declining in the region’s larger economies.

Coal-fired power plants remain responsible for a large share of the region’s electricity generation.

Source: IEA World Energy Balances.
4. GOVERNANCE AND TERRITORIAL CHALLENGES
Governance is an on-going challenge

Panel A. Perceptions of youth towards democracy and government in LAC: Trust in Government

Panel B. Total tax revenues as percentage of GDP, 2014

Measuring income inequality before and after taxes and public transfers is a simple way to assess the extent to which fiscal policy play a redistributive role and can reduce income inequality.

**Inequality before and after taxes and transfers (Gini coefficient)**

Sources: Viet Nam: own calculation based on VLS2S, 2012; Argentina, Chile, Mexico and Peru: OECD, 2008; remaining countries OECD, 2013.
Disparities are also high within countries …

Gini index of inequality of GDP per capita between regions within countries

III. HOW CAN WE BEST SUPPORT PARTNER COUNTRIES?

JOINING FORCES
Five tools through which the Development Centre and Japan can further cooperate

1. The Multi-dimensional Country Reviews (MDCRs) – *Mario Pezzini*


3. Social Protection Systems and Youth Inclusion Reviews – *Mario Pezzini*

4. The gender programme – *Keiko Nowacka*

5. The nexus between development and the environment, including natural disaster risk management – *Naoko Ueda*
THANK YOU!

ありがとうございます

www.oecd.org/dev
ANNEX
How is the OECD Development Centre organised?

**GEOGRAPHIC DIVISION**
- Africa and Middle East
- Asia and Pacific
- Latin America and Caribbean

**THEMATIC DIVISION**
- Competitiveness and Structural Analysis
- Migration and Skills
- Social Capital and Rural Development
- Social Cohesion

**POLICY DIALOGUE**
- Networks: Business, Think-Tanks, Foundations, Donor Agencies, financing cities
- Regional Co-operation (Africa, Asia, Latin America)
- Global Policy Dialogue on Women’s Economic Empowerment
The MDCRs

Morocco
Myanmar
Peru
Philippines
Côte d’Ivoire
Kazakhstan
Paraguay
Uruguay
Panama
Senegal

OECD Development Pathways
Multi-dimensional Review of Peru
Volume 1: Initial Assessment

OECD Development Pathways
Multi-dimensional Review of Morocco
Volume 1: Initial Assessment

OECD Development Pathways
Multi-dimensional Review of Senegal
Volume 1: Initial Assessment

OECD Development Pathways
Multi-dimensional Review of Paraguay
Volume 1: Initial Assessment

OECD Development Pathways
Multi-dimensional Review of Uruguay
Volume 1: Initial Assessment

OECD Development Pathways
Multi-dimensional Review of Côte d’Ivoire
Volume 1: Initial Assessment

OECD Development Pathways
Multi-dimensional Review of Kazakhstan
Volume 1: Initial Assessment

OECD Development Pathways
Multi-dimensional Review of Myanmar
Volume 1: Initial Assessment

OECD Development Pathways
Multi-dimensional Review of Philippines
Volume 1: Initial Assessment

OECD Development Pathways
Les voies de développement
Examen multidimensionnel de la Côte d’Ivoire
Volume 1: Évaluation initiale

OECD Development Pathways
Les voies de développement
Examen multidimensionnel de la Côte d’Ivoire
Volume 1: Évaluation initiale
The MDCRs and the Sustainable Development Goals (SDGs)

**Goals**

1: Poverty
2: Food
3: Health
4: Education
5: Women
6: Water
7: Energy
8: Economy
9: Infrastructure
10: Inequality
11: Cities
12: Sustainable Production
13: Climate
14: Oceans
15: Biodiversity
16: Institutions
17: Implementation