

Challenges Hindering Growth in Developing Economies



José Pulido
Office for Monetary Policy and Economic Information
Central Bank of Colombia

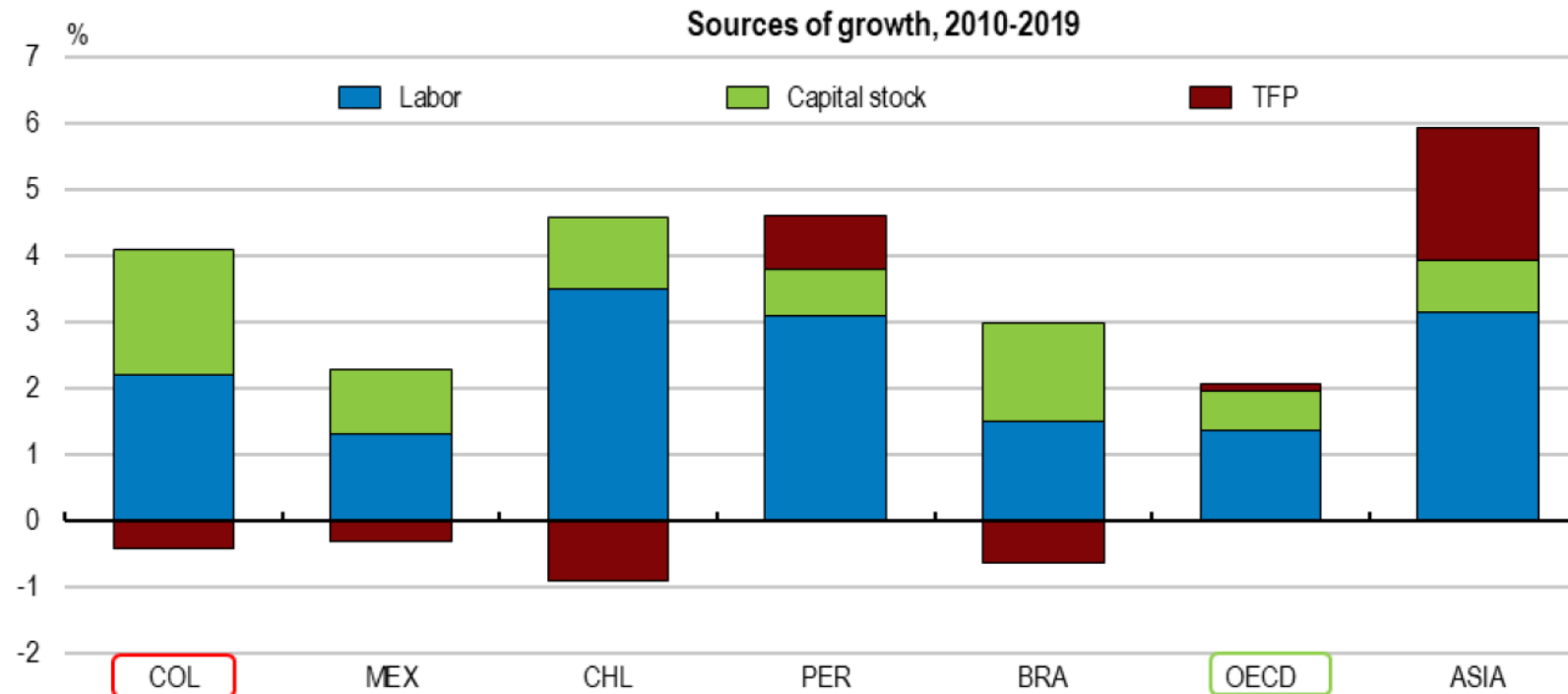
BCC 11th Annual Conference – Geneva, September 28, 2023

Three primary structural challenges hindering medium-term growth in developing economies

1. Weak policy settings inducing low productivity levels
2. Adaptation to climate change
3. Structural transformation due to automation

1. Weak policy settings that induce low productivity levels

In Latin America, we have witnessed persistently low productivity growth in the last decades:



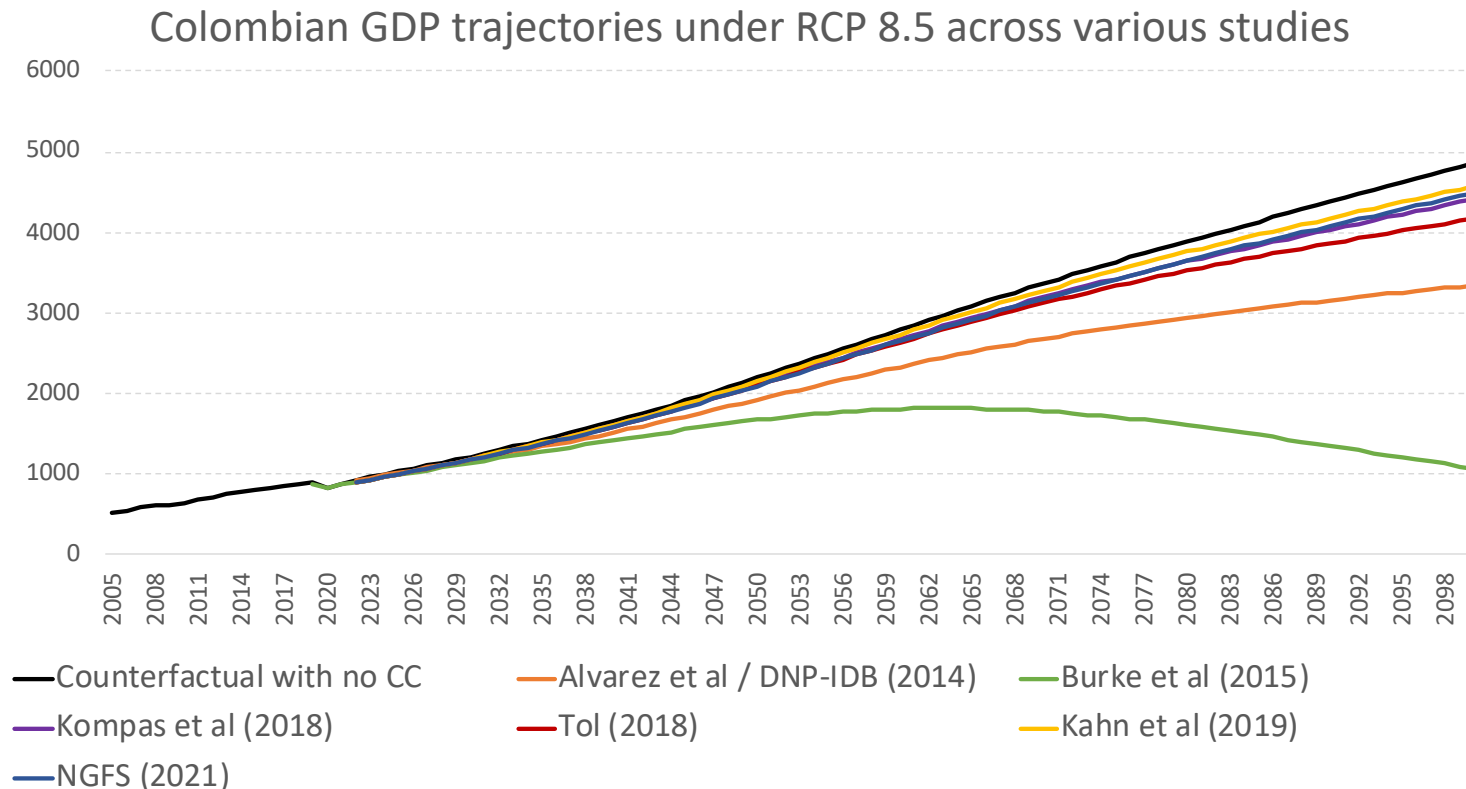
Source: OECD Economic Survey of Colombia, 2021. Data from Conference Board and PWT.

One explanation for this low productivity lies in the policy settings that impede competition and misallocate resources across firms (regulatory barriers to entry, administrative burdens, etc.). Without reforms that encourage pro-competitive environments, growth will continue to be constrained.



2. Adaptation to climate change

- Monetary policymakers lack the tools to contribute to the design of mitigation policies, but must understand the magnitude of the impacts and their macroeconomic consequences
- Challenge: Significant degree of uncertainty concerning GDP losses

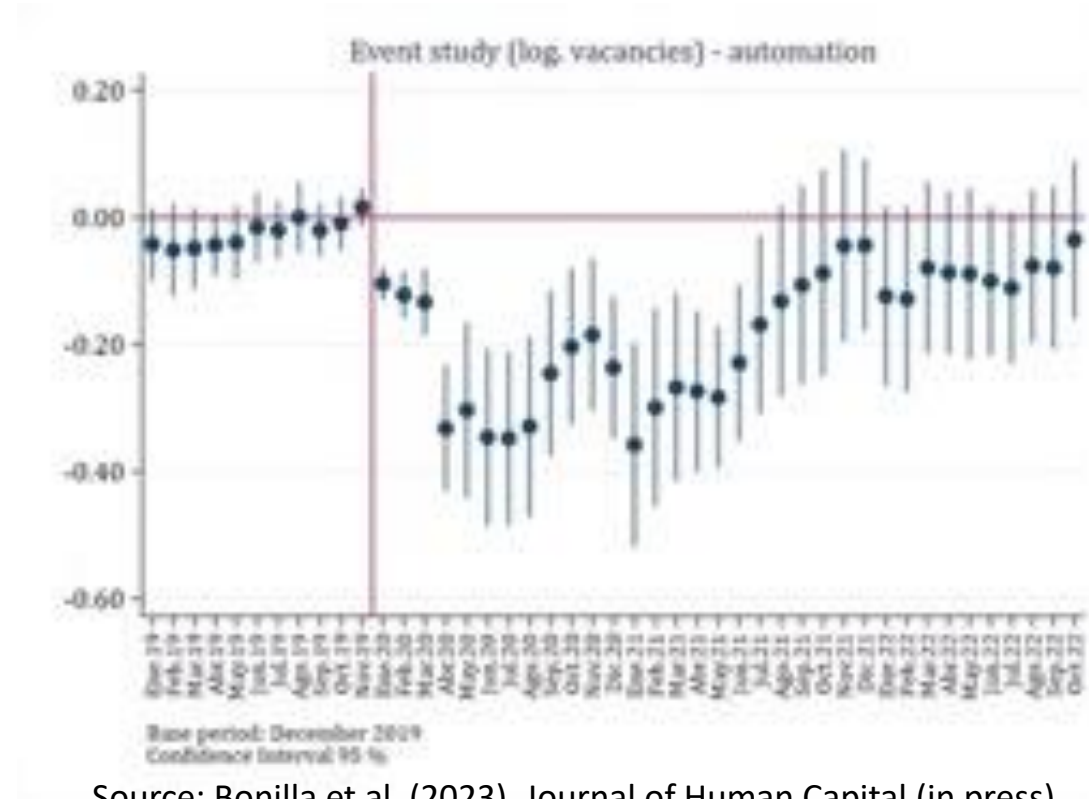


Source: Bernal and Ojeda, eds., et al. (2020). ESPE – Banco de la República



3. Structural transformation due to automation

Automation has accelerated over the last few decades. The pandemic accelerated this process:



Source: Bonilla et al. (2023). Journal of Human Capital (in press)

Such shifts in labour demand require appropriate and continuous human capital training to facilitate its reallocation, otherwise structural mismatches can arise.