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**Contribution of UNCTAD to the implementation of the
Programme of Action for the Least Developed Countries**

**Building productive capacities in the least developed countries
and graduated developed countries: Lessons learned**

**Accelerating progress in building productive capacities in
least developed countries and other vulnerable developing
economies**

Executive summary

Building productive capacities is critical for sustained economic growth and for achieving the Sustainable Development Goals, particularly in the least developed countries and other vulnerable developing economies. The present background note outlines the areas for discussion for the meeting and proposes policy recommendations.



1. Building productive capacities is critical for sustained economic growth and for achieving the Sustainable Development Goals, particularly in the least developed countries and other vulnerable developing economies. Over the past two decades, these developing countries have strengthened efforts to build productive capacities by mainstreaming the issue into their national developing strategies and plans. These efforts have had some positive impact, as evidenced by the improvements in trade and economic performance experienced by the least developed countries and other vulnerable developing countries over the past two decades. Nevertheless, significant challenges in building productive capacities remain in these countries. These include overdependence on a few primary commodities for exports, weak institutional and human resources capacities to formulate and implement policies, lack of financial resources, rudimentary production systems and a weak private sector. Against this backdrop, a panel session will examine the state of productive capacity development in the least developed countries and other vulnerable developing countries and identify actionable policy recommendations that are needed in these countries to accelerate progress in building productive capacities.

Questions to be addressed by the panel

2. The questions to be addressed during the meeting by the panel are as follows:
- (a) What is the state of productive capacity development in the least developed countries and other vulnerable developing countries?
 - (b) How can the least developed countries and other vulnerable developing countries accelerate progress in building productive capacities to meet the Sustainable Development Goals?
 - (c) What role should the private sector and civil society play in the development of productive capacities?
 - (d) How can development partnerships contribute to accelerating progress in productive capacities?

Policy recommendations

3. There is growing recognition, at the national and international levels, of the critical importance of building productive capacities in the least developed countries and other vulnerable developing economies to enable them to achieve sustained economic growth and sustainable development. Therefore, fostering productive capacities in these countries should be viewed as a key strategy to promote economic growth, jobs creation, poverty reduction and achievement of the Sustainable Development Goals. Only by advancing their productive resources, entrepreneurial capabilities and production linkages can economies raise their ability to sustainably grow and develop. To that end, macroeconomic and microeconomic policies as well as international development partnerships should be geared towards building economy-wide productive capacities to enable weaker and poorer countries to structurally transform their economies. In sum, productive capacity-building should be placed at the centre of development policies and strategies as well as international development partnerships.

4. UNCTAD, in collaboration with relevant United Nations agencies and other international organizations, as well as with the support of donor countries, should expand its work by seeking ways and means of mainstreaming productive capacities into policies and strategies of the least developed countries and other vulnerable developing countries. This should include ongoing efforts to measure and benchmark the conditions and levels of productive capacities with a view to assisting countries in the formulation and implementation of domestic trade and development policies that have a focus on building productive capacities.