



Division for Africa, Least Developed Countries and  
Special Programmes (ALDC)  
UNCTAD

# Building Productive Capacities for Sustainable Development: Productive capacities Index (PCI) and Policy Implications

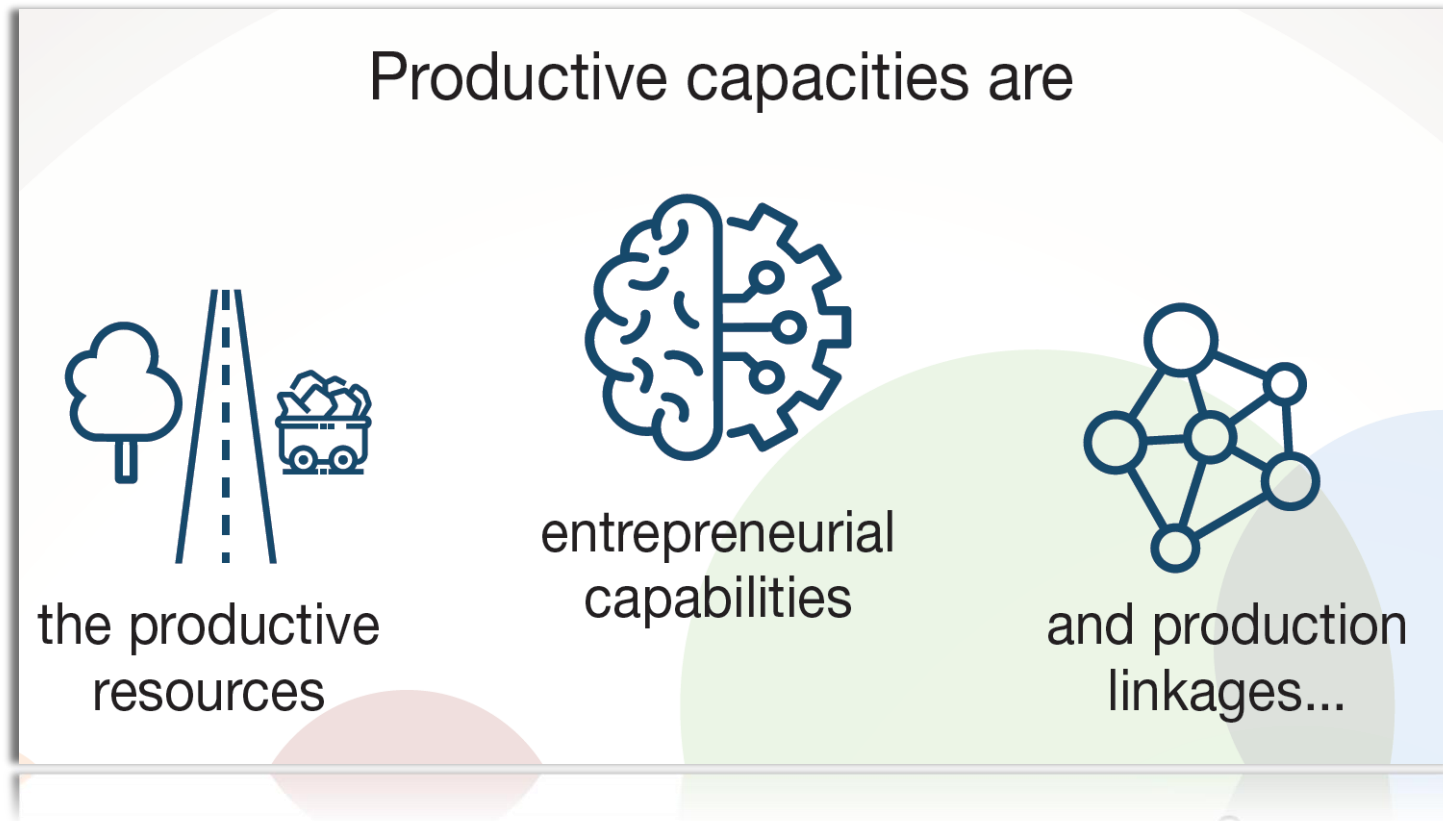
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# Outline of the presentation:-

- I. Productive capacities and structural economic transformation:  
Concepts or definitions?
- II. Why PCI? Main underlying justifications or motivation
- III. PCI categories, results and gaps between country groups
- IV. Key Lessons and findings
- V. Conclusions with policy implications

Please visit: <http://pci.unctad.org> for all the resources on the index

# I. Conceptually, Productive Capacities....



which determine a country's capacity to produce goods and services

Productive capacities enable countries to grow and develop



# ..... and structural transformation

⇒ structural transformation of economies



Shifting productive resources:

labour, technology,  
capital, natural resources

low-productivity  
activities



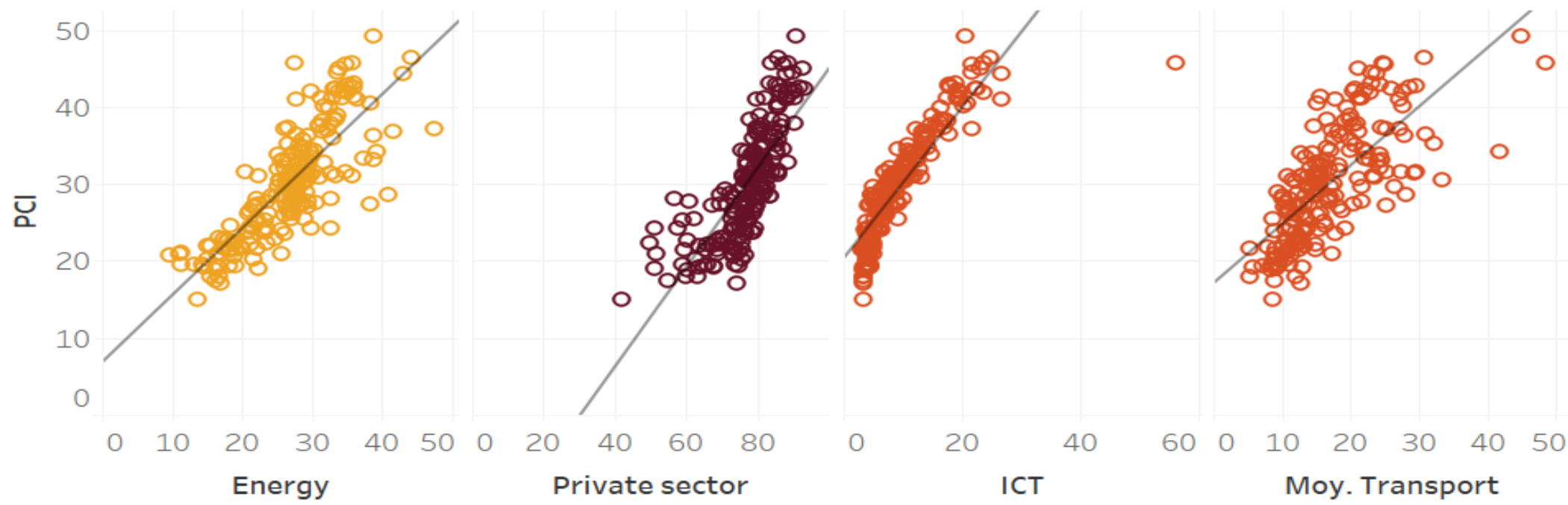
high-productivity  
activities



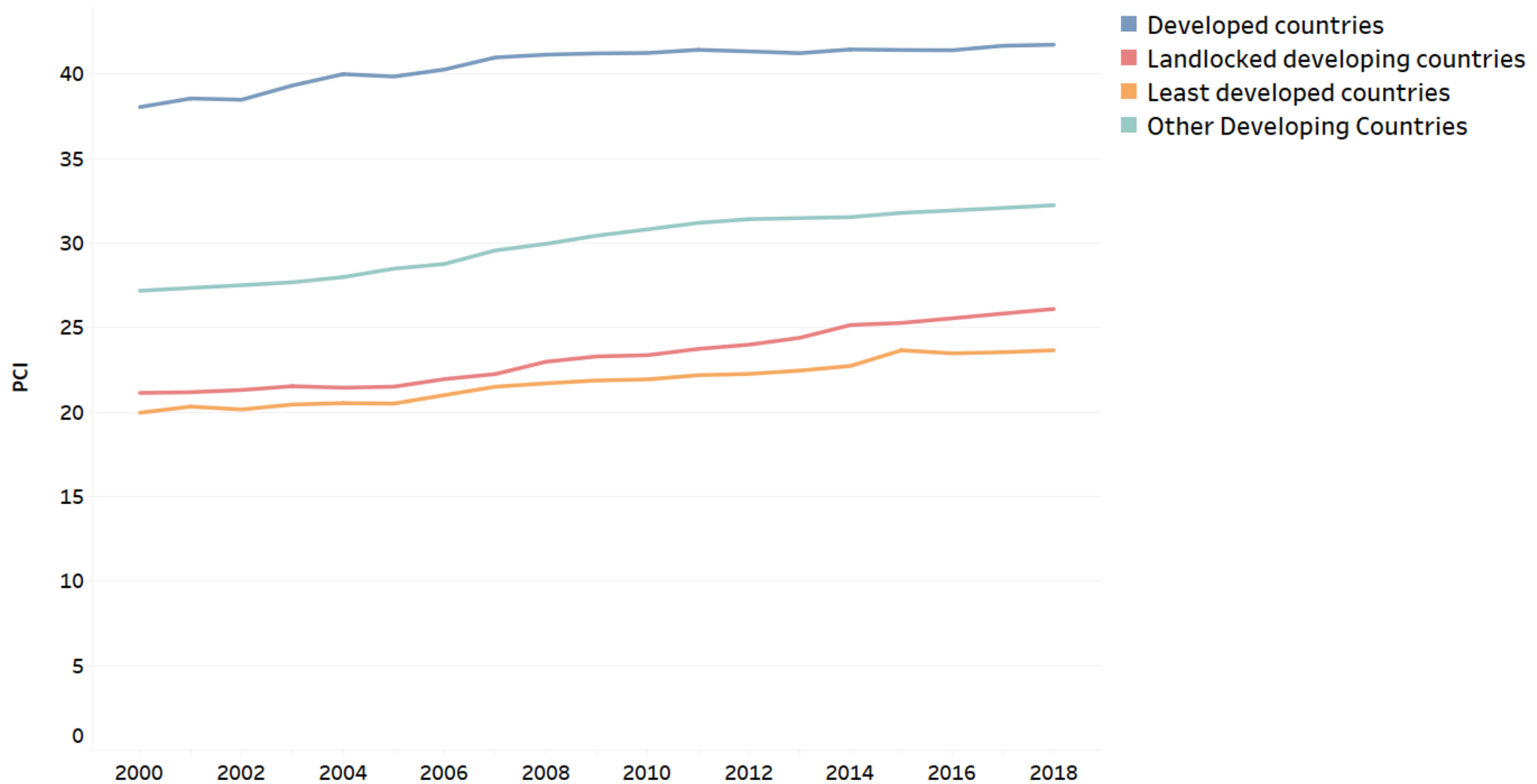
## II. Why PCI? Motivation to develop PCI emanates from

- Growth paradoxes or “tragedies” in weak and vulnerable economies:
  - ✓ higher economic growth but poor social outcomes;
  - ✓ higher income levels but lower human development outcome;
  - ✓ better economic performances but low-middle- income traps;
  - ✓ progress in key determinants but little or no structural change;
  - ✓ increased investment in physical infrastructure with no parallel improvements in economic outcomes;
- Persistent vulnerabilities of economies to negative shocks
- Mandates: UNCTAD XIV, ECOSOC, CDP

## III. PCI Categories, results and gaps between country groups



# Results: Developed Countries, Other Developing Countries, LDCs and LLDCs



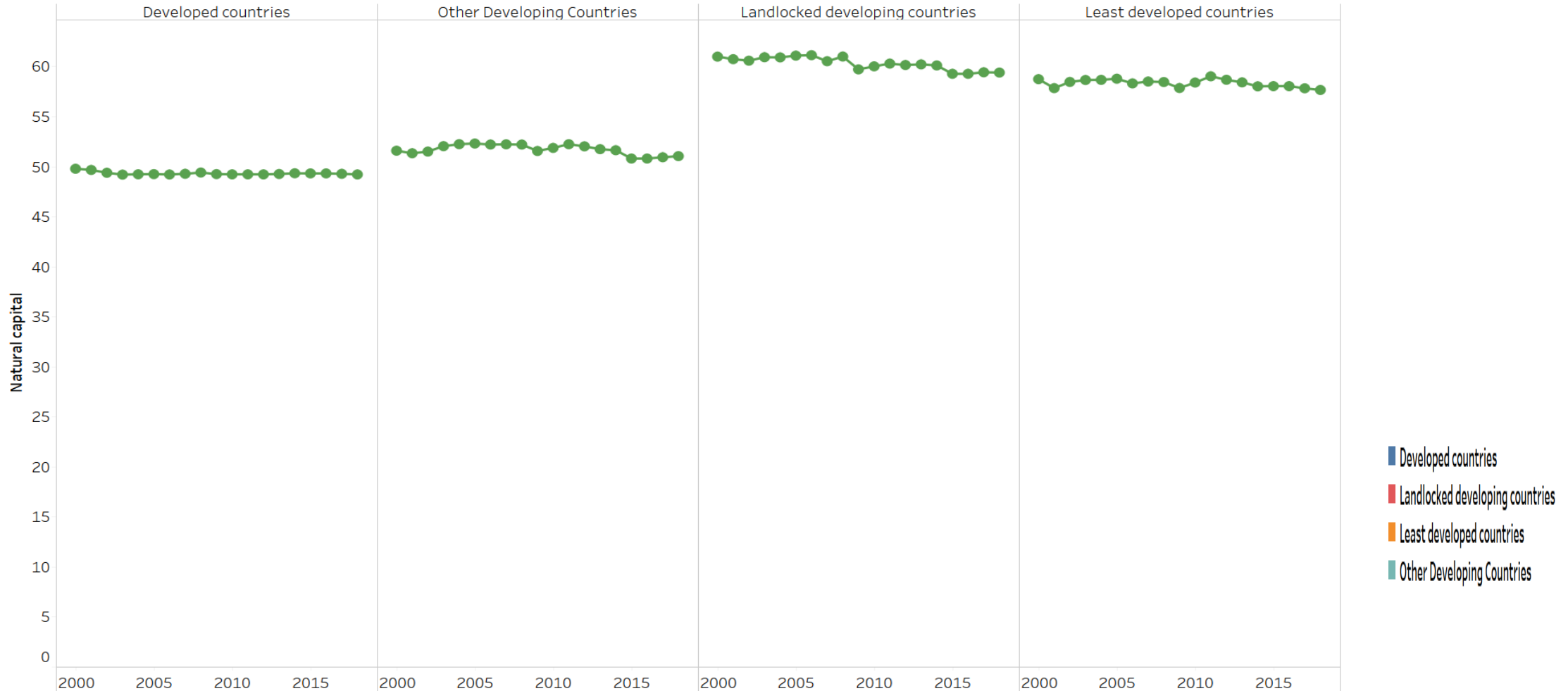




Natural  
resources

# III. Category specific gaps analysis

## (a) Natural Capital category and gaps between country groups

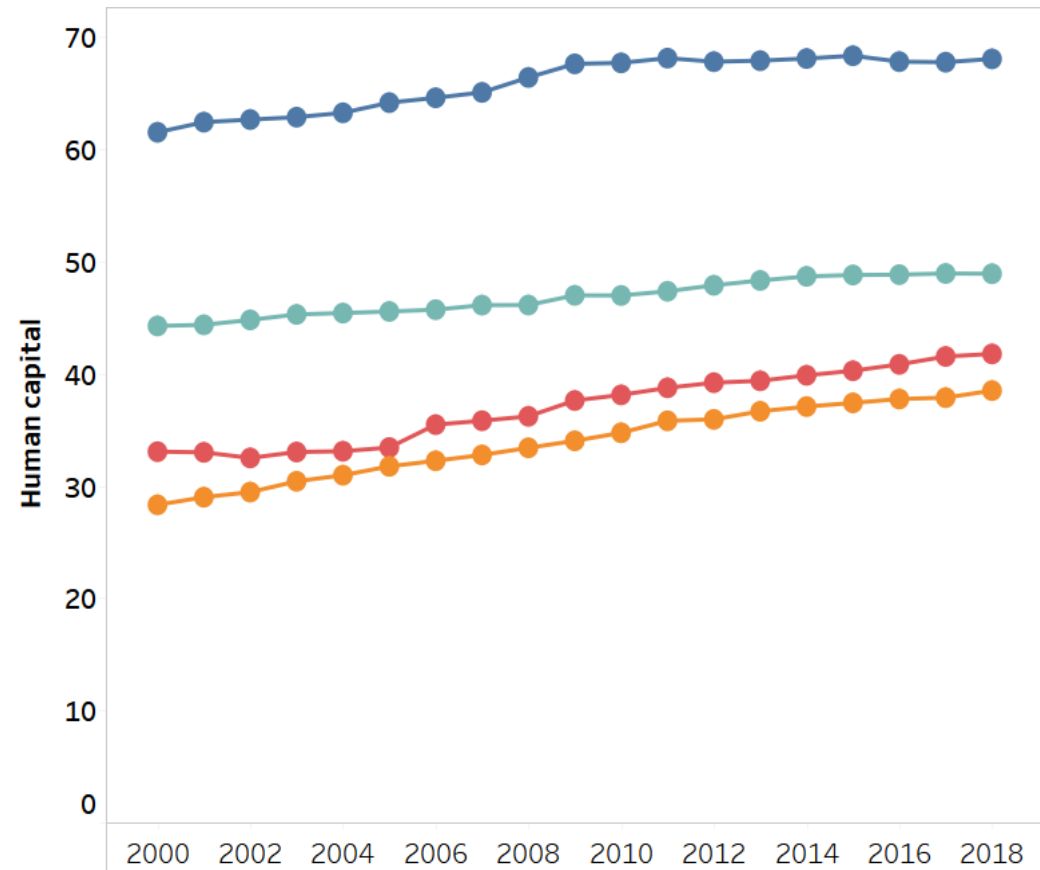
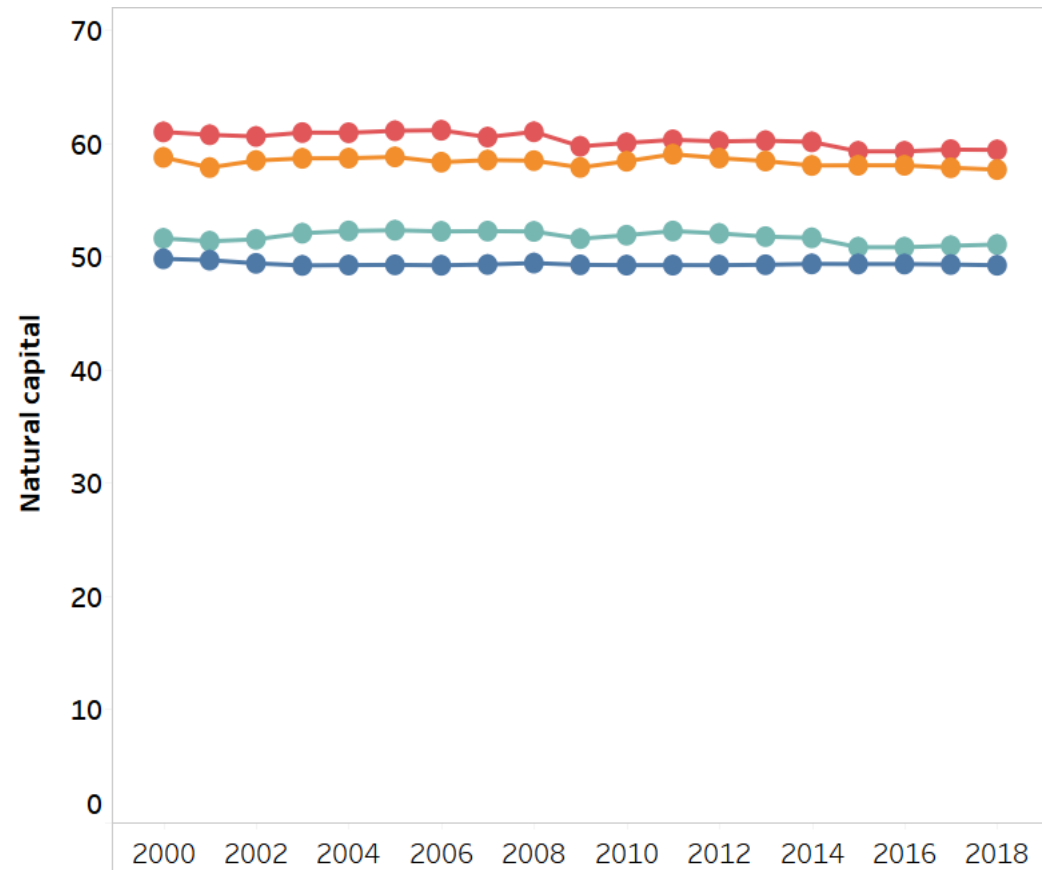




## b. Gaps between county groups in Human Capital



# ..... Contrasts between natural and human capital

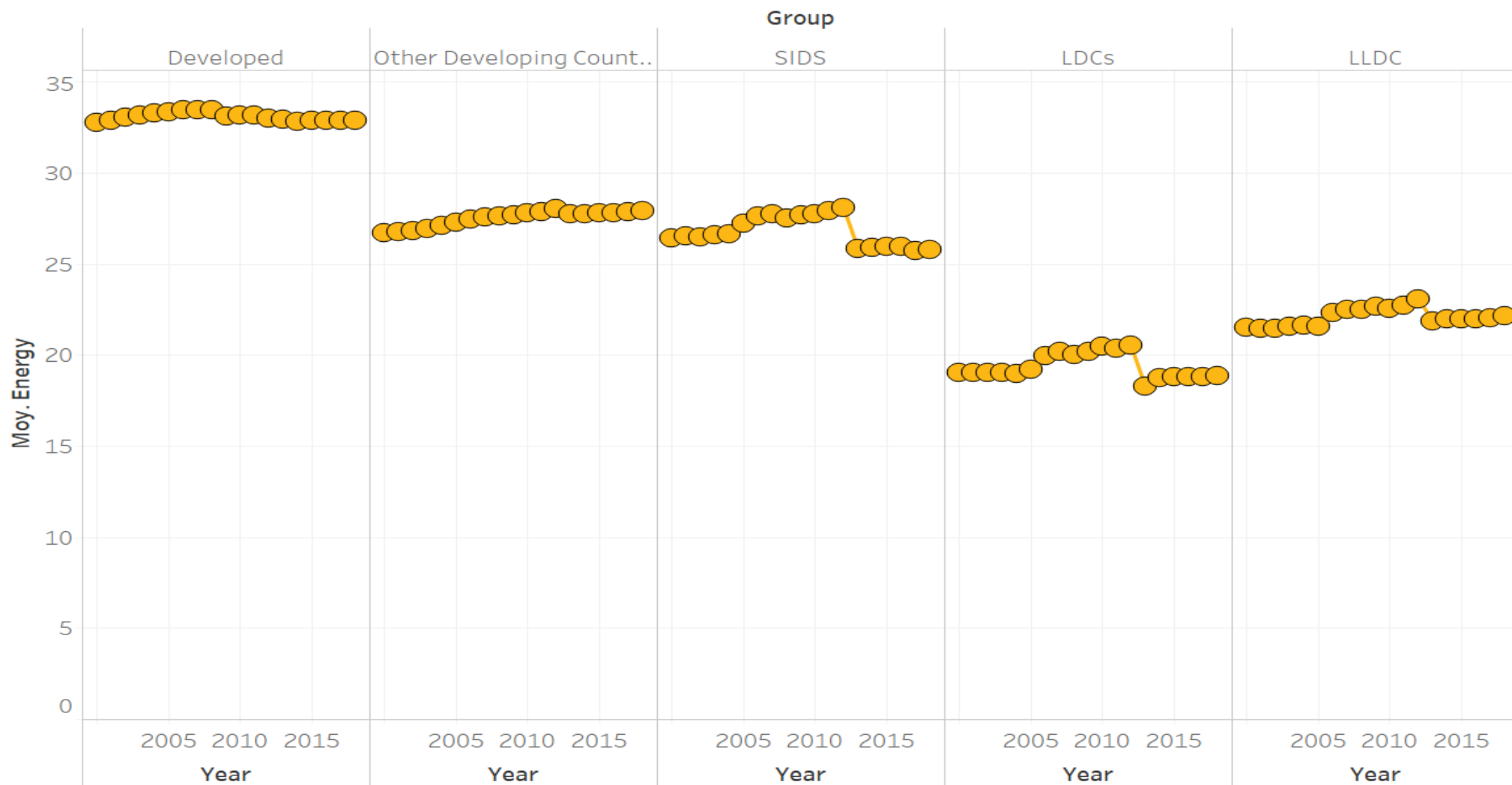


- Developed countries
- Landlocked developing countries
- Least developed countries
- Other Developing Countries

# Gaps in Energy.....



Energy





Transport

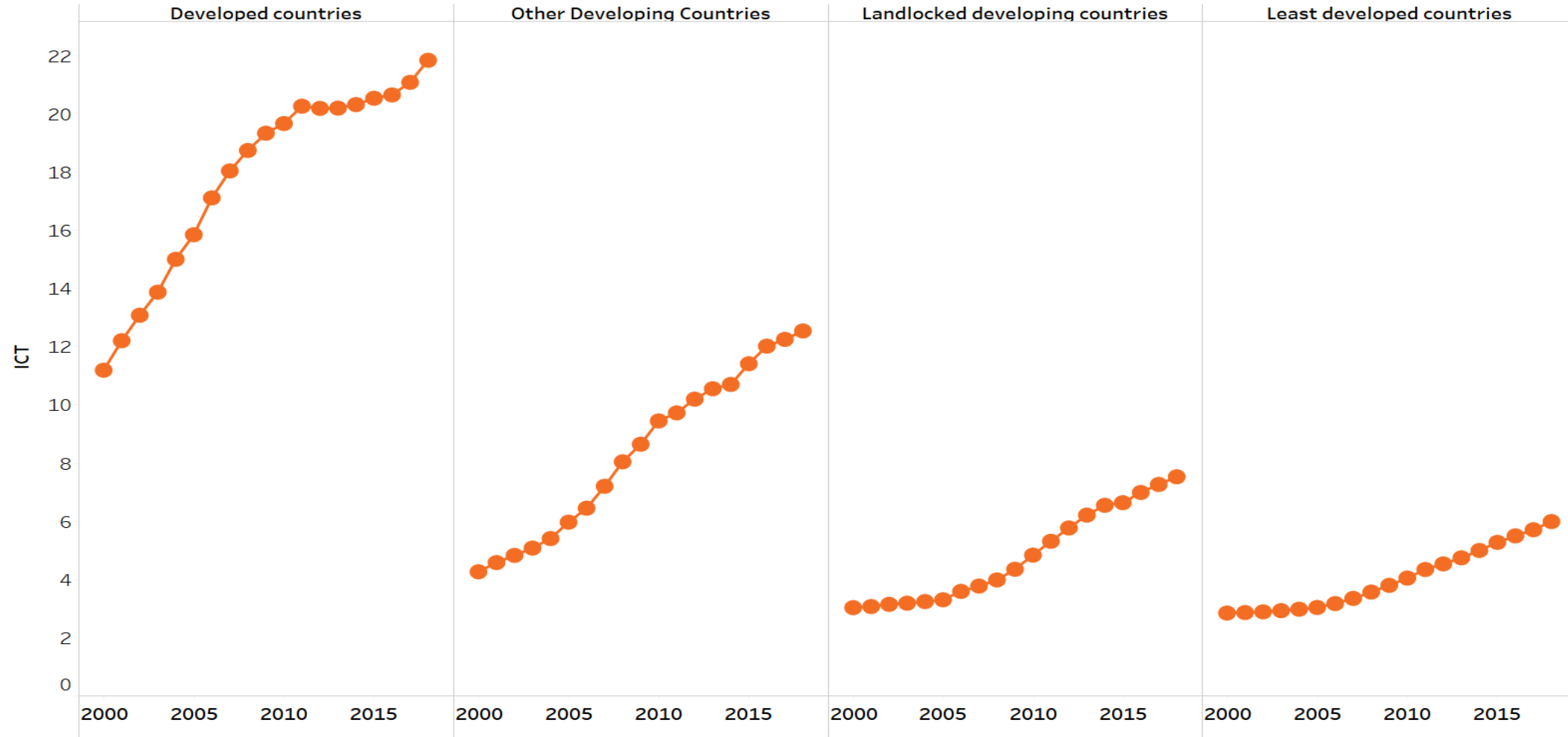
# .....Gaps between country groups in Transport Category





ICT

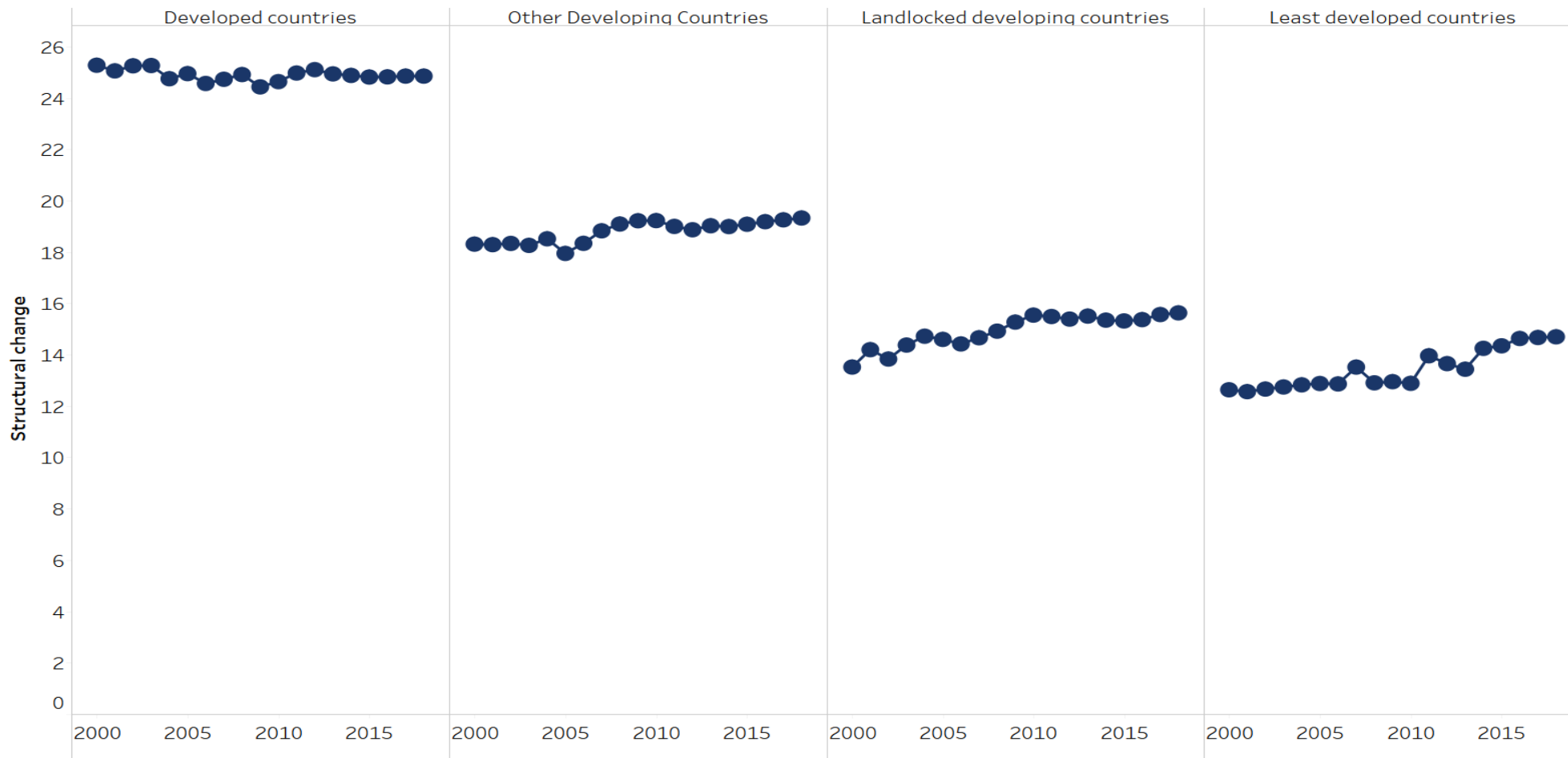
# (f) Gaps in ICT: Access and infrastructure





Structural  
change

# .....Gaps between country groups in structural change component



# III. Key lessons and findings from the PCI

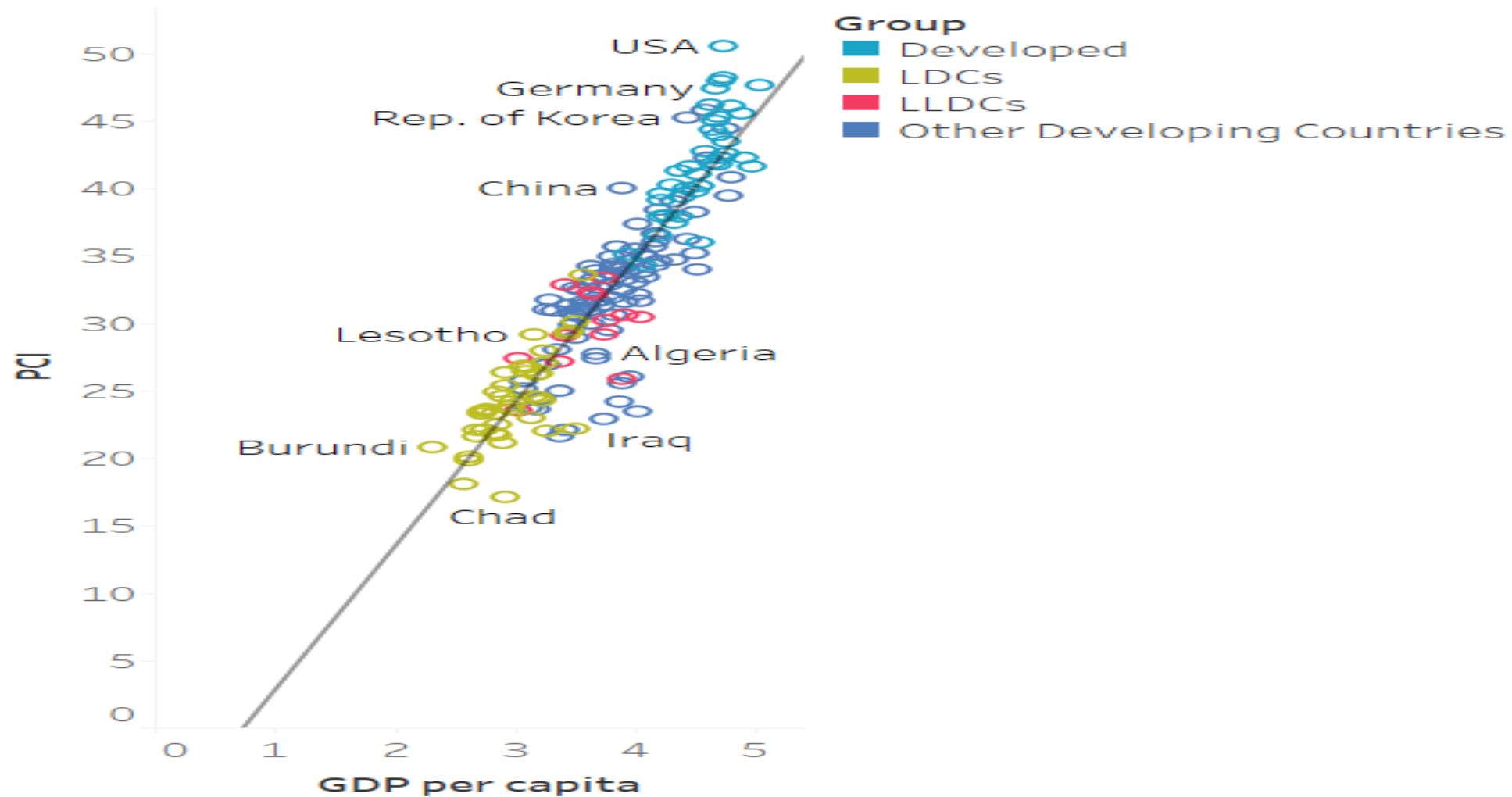
The PCI entails a shift from policy research and analysis to:

- Measuring and benchmarking economywide productive capacities;
- Assessing the degree of structural economic transformation;
- Identifying gaps and limitations in each of the 193 economies; and
- Operationalizing the concepts of productive capacities and SET in policy contexts. Therefore:-
  - The Index is a tool to guide evidence-based policy formulation and implementation;
  - It helps to place productive capacities at the center of domestic and global policies as well as partnerships;
  - It enables to compare country and regional performances; and
  - Helps to track socioeconomic progress or lack thereof.



...What are the key findings...?

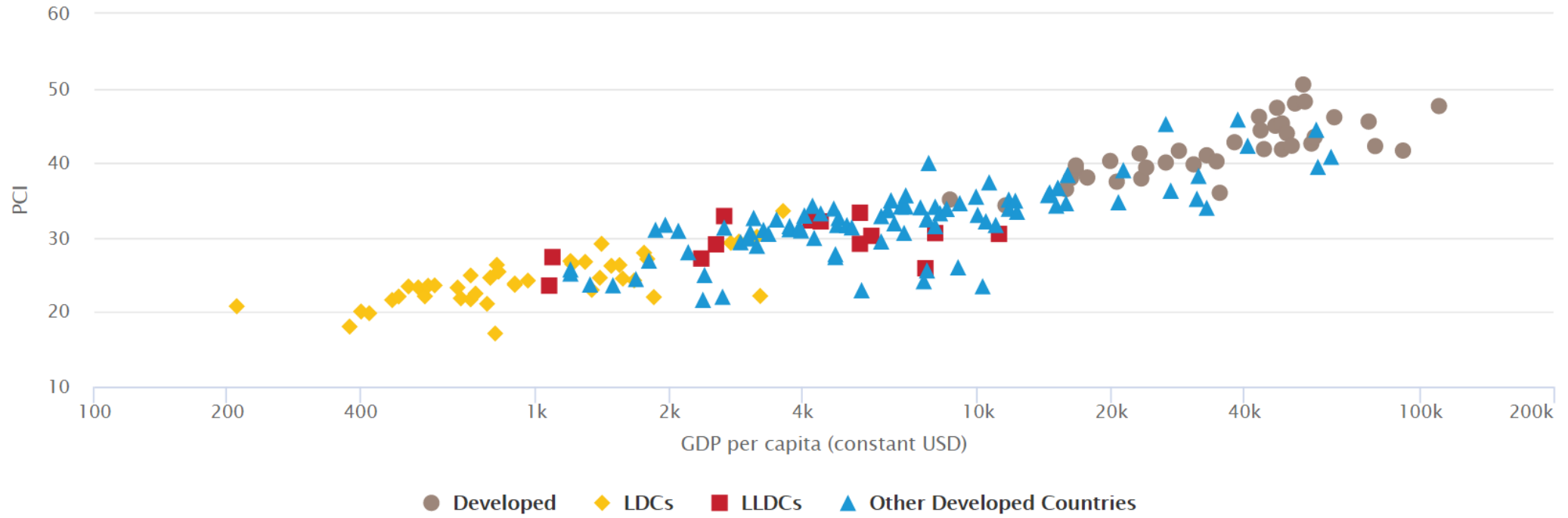
a. Very strong positive correlation between PCI and GDP per capita ( $R=0.91$ )



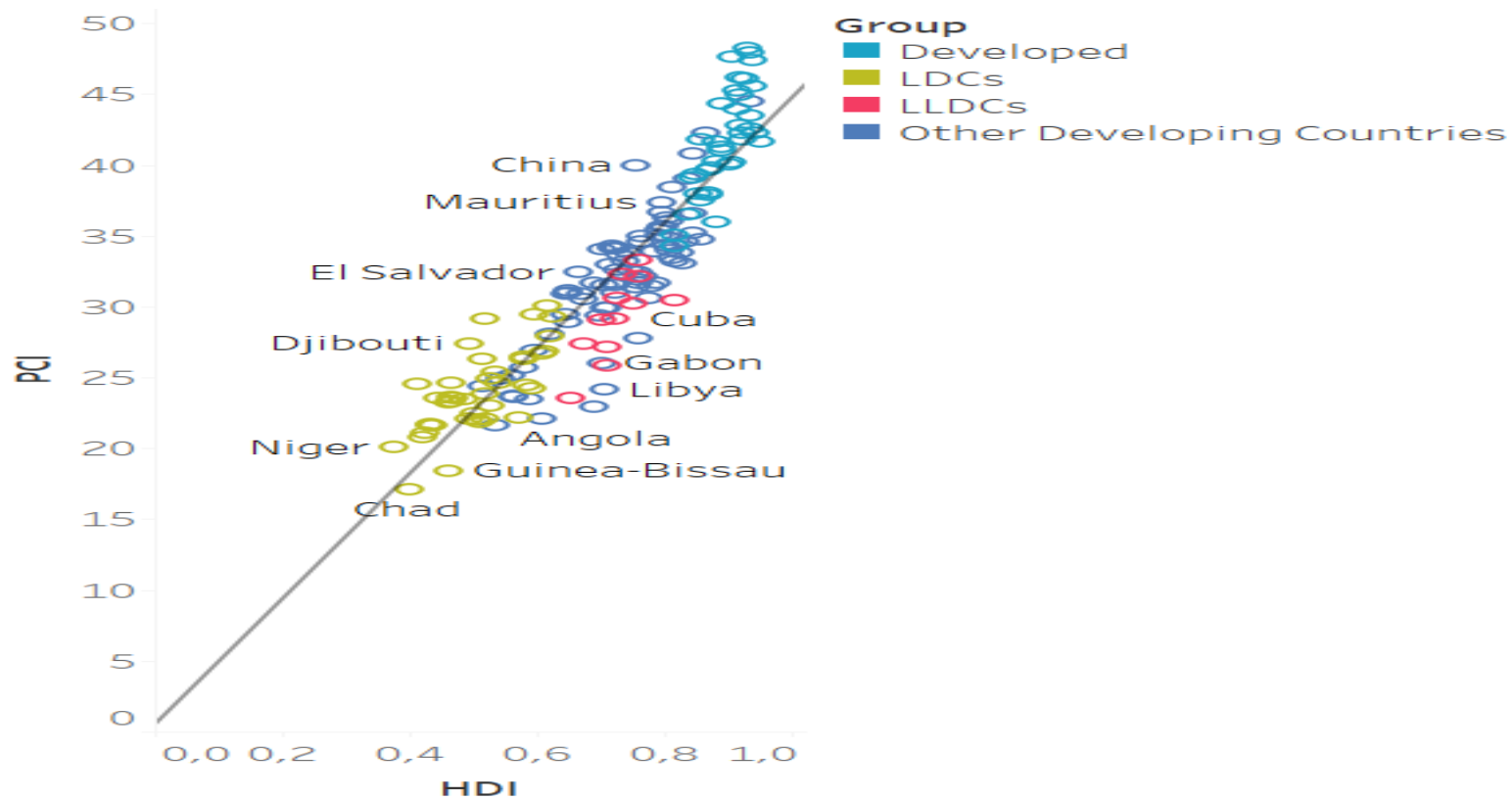
# Correlation between the Productive Capacities Index and gross domestic product per capita, 2018



$\rho = 0.91$



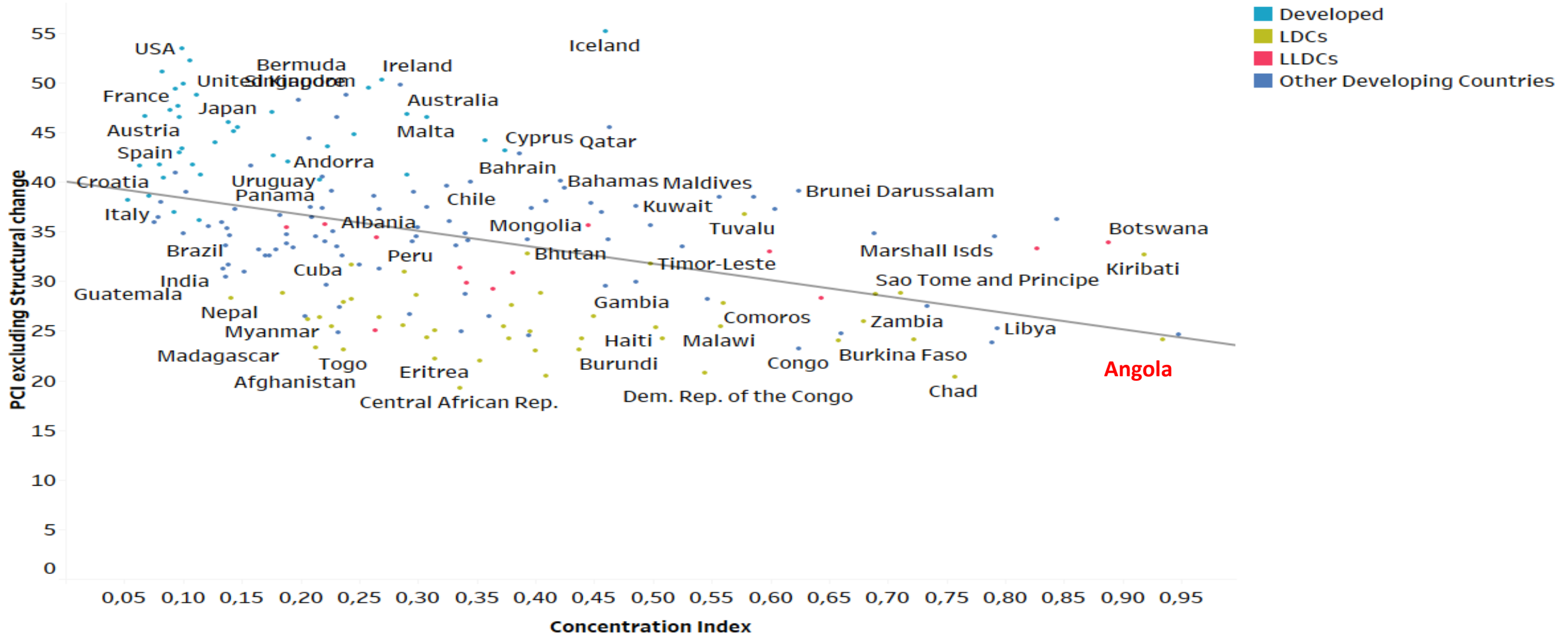
# b. Very strong positive correlation between the PCI and HDI ( $R=0.92$ )



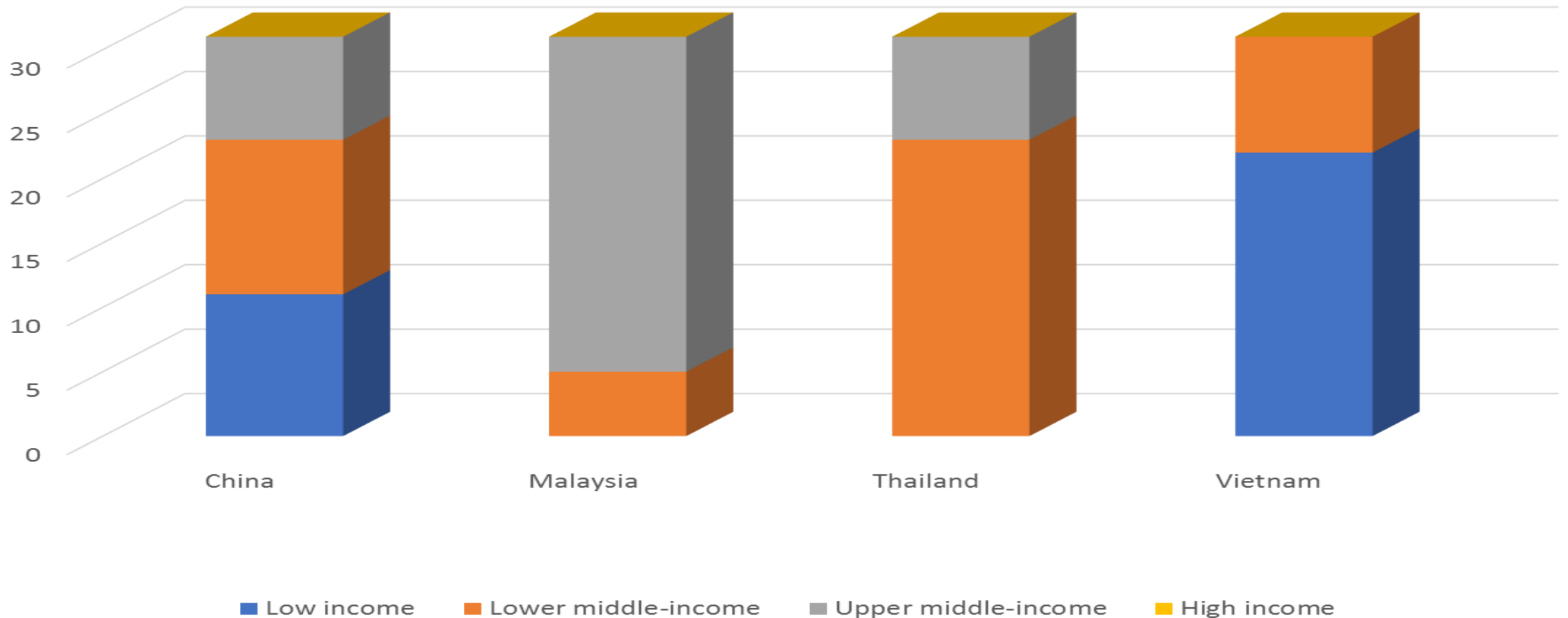
# c. PCI inversely or negatively correlates with MECI (R=-0.43)

## Correlation between the Productive Capacities Index and the Merchandise Export Concentration Index

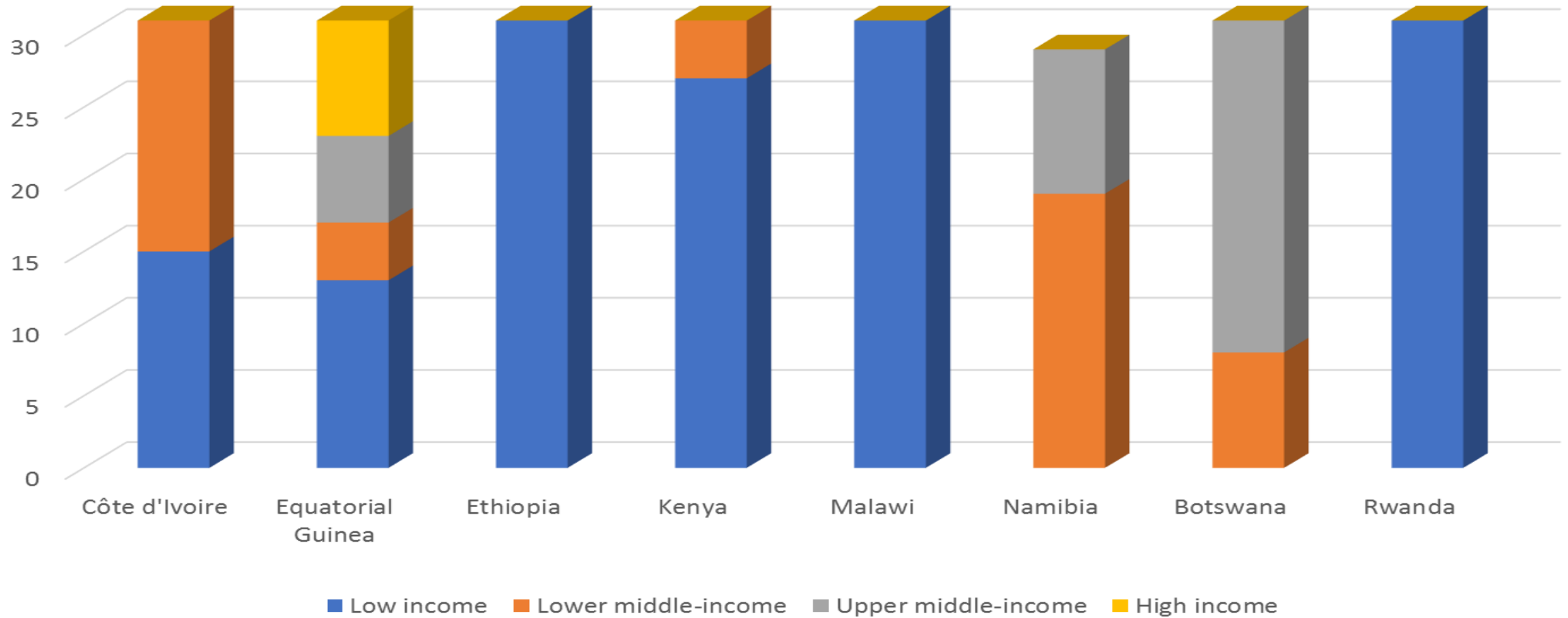
$\rho = -0.43$



# d. Countries with high PCI managed to quickly break income traps: (The case of selected Asian countries: 1987 to 2017)



# ...The case of selected Africa countries (1987-2017)



# V. Concluding remarks

The PCI is:

- ✓ **fitting to measure complex** development processes, challenges and gaps;
- ✓ **multidimensional, capturing** key factors influencing development trajectories of countries;
- ✓ **consistent with empirical and historical conclusions**: “No nation has ever developed without fostering productive capacities and structural economic transformation”;

The PCI also argues for a paradigm shift in development policies that

- “**new generation policies**” are urgently needed b/c existing “**commodity-driven**” growth model failed to deliver promises;
- Productive capacities and SET must **be placed at the center** of domestic and global development policies as well as partnerships.