



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

Building Productive Capacities for Sustainable Development in LDCs: Performance of LDCs on the UNCTAD Productive capacities Index (PCI)

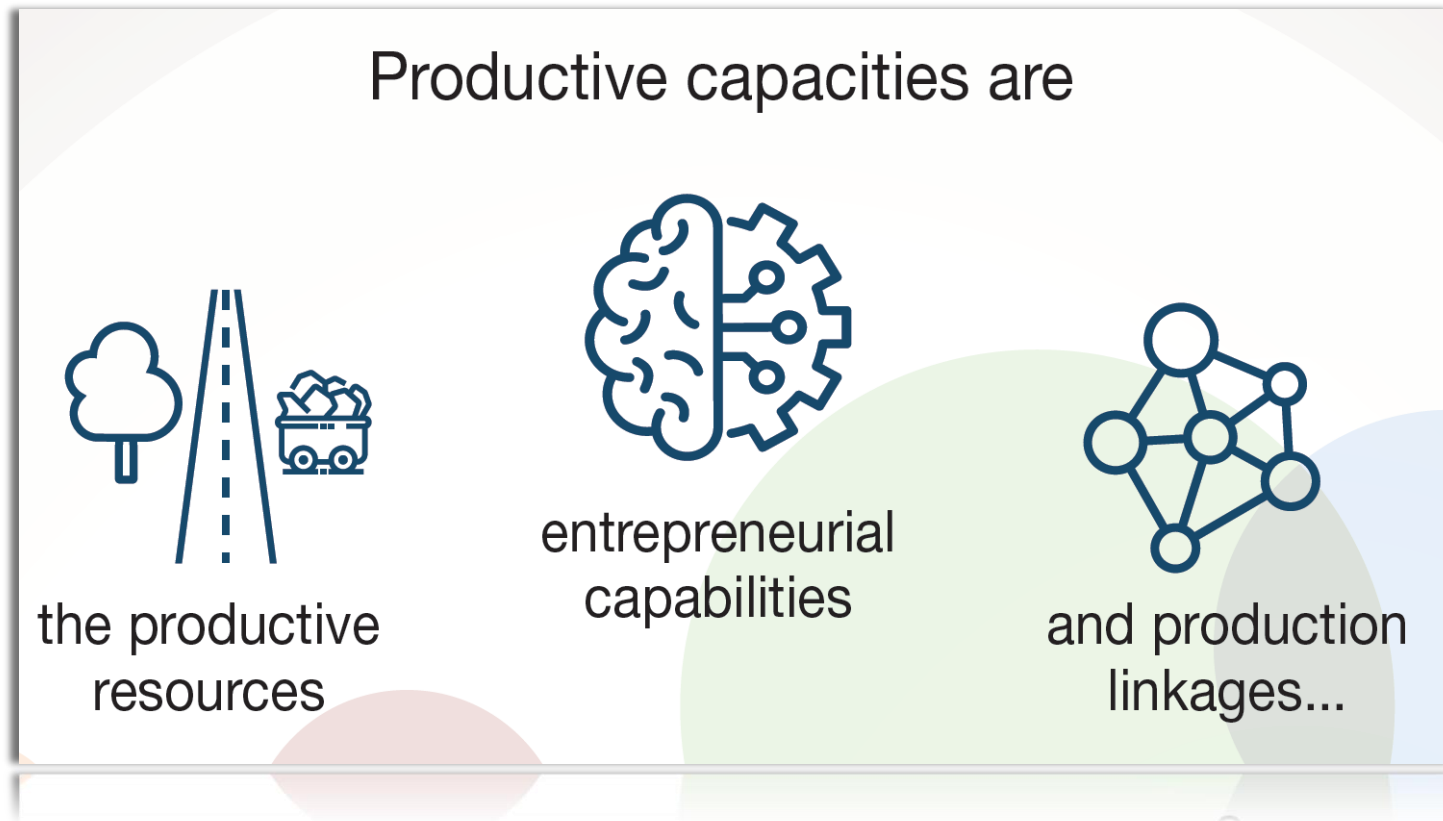
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Outline

- I. Productive capacities & structural transformation: Definitions
- II. PCI categories and performances of country groups
- III. PCI scores of LDCs, graduated and would be graduating LDCs
- IV. Key messages & Concluding remarks

* 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

Dynamic development of productive capacities

⇒ **structural transformation of economies**



Productive resources:

labour, technology,
capital, natural resources

low-productivity
activities

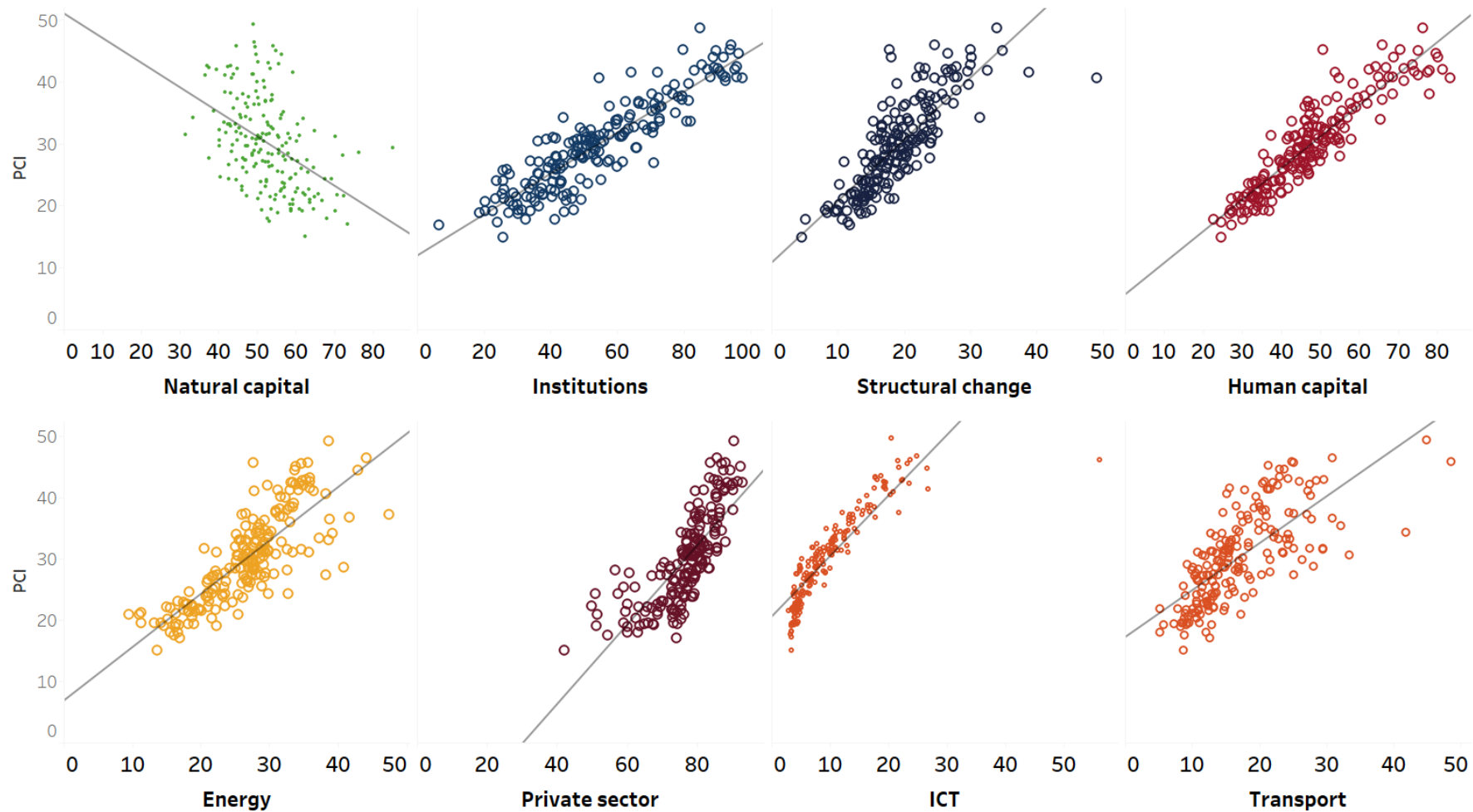


high-productivity
activities

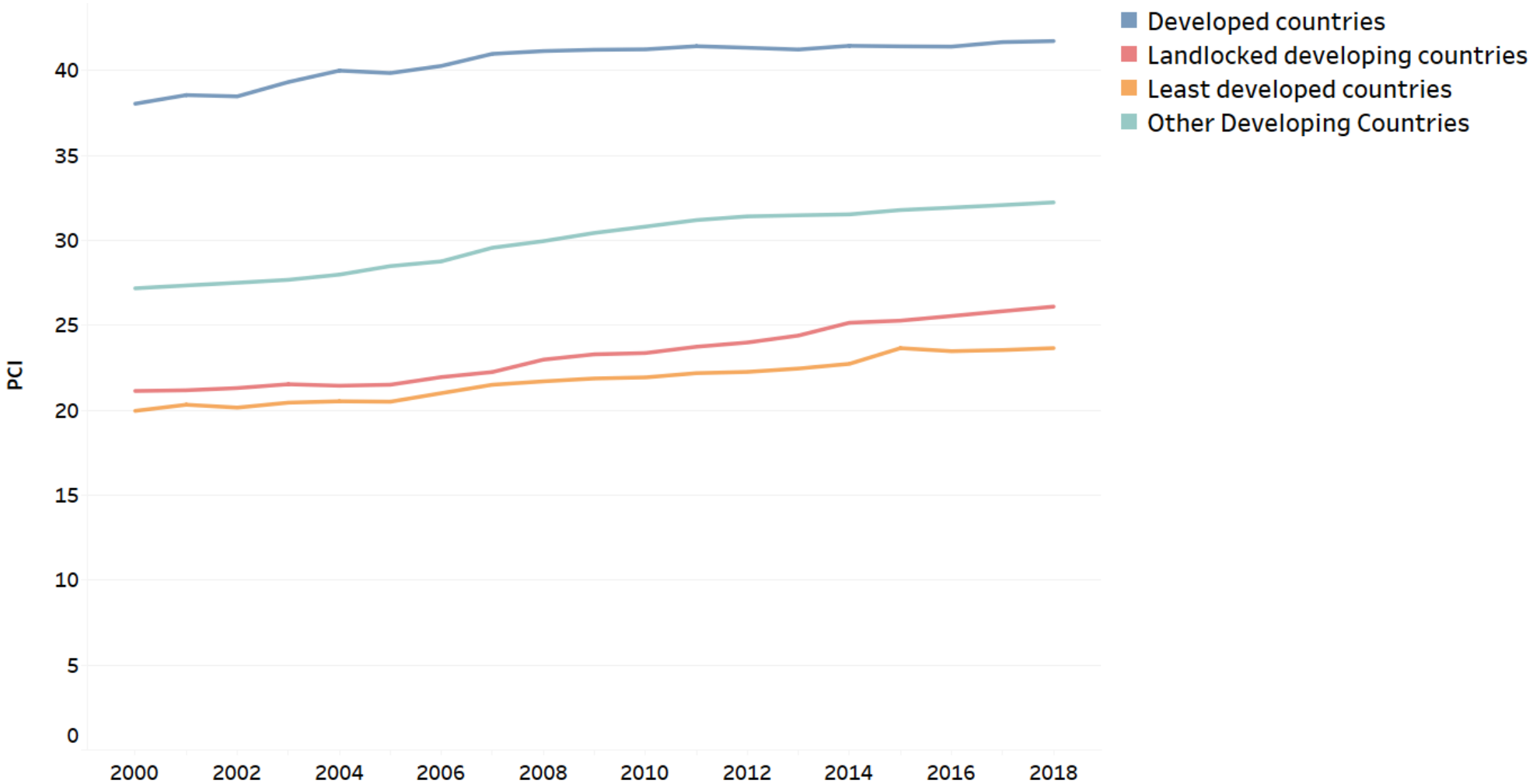


II. PCI categories and performances of country groups:

a. The 8 categories of the PCI and correlation with the composite Index

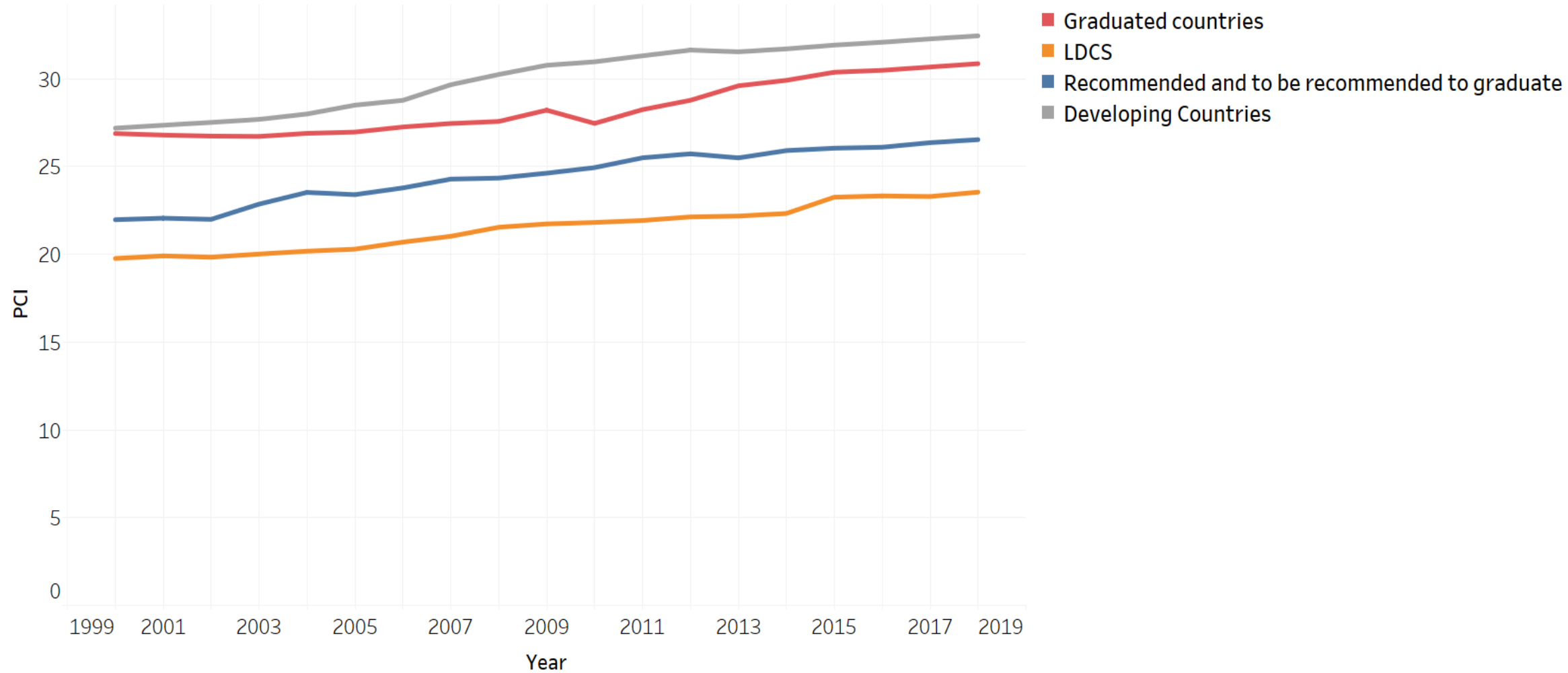


b. Average PCI scores: Developed Countries, Other Developing Countries, LDCs and LLDCs

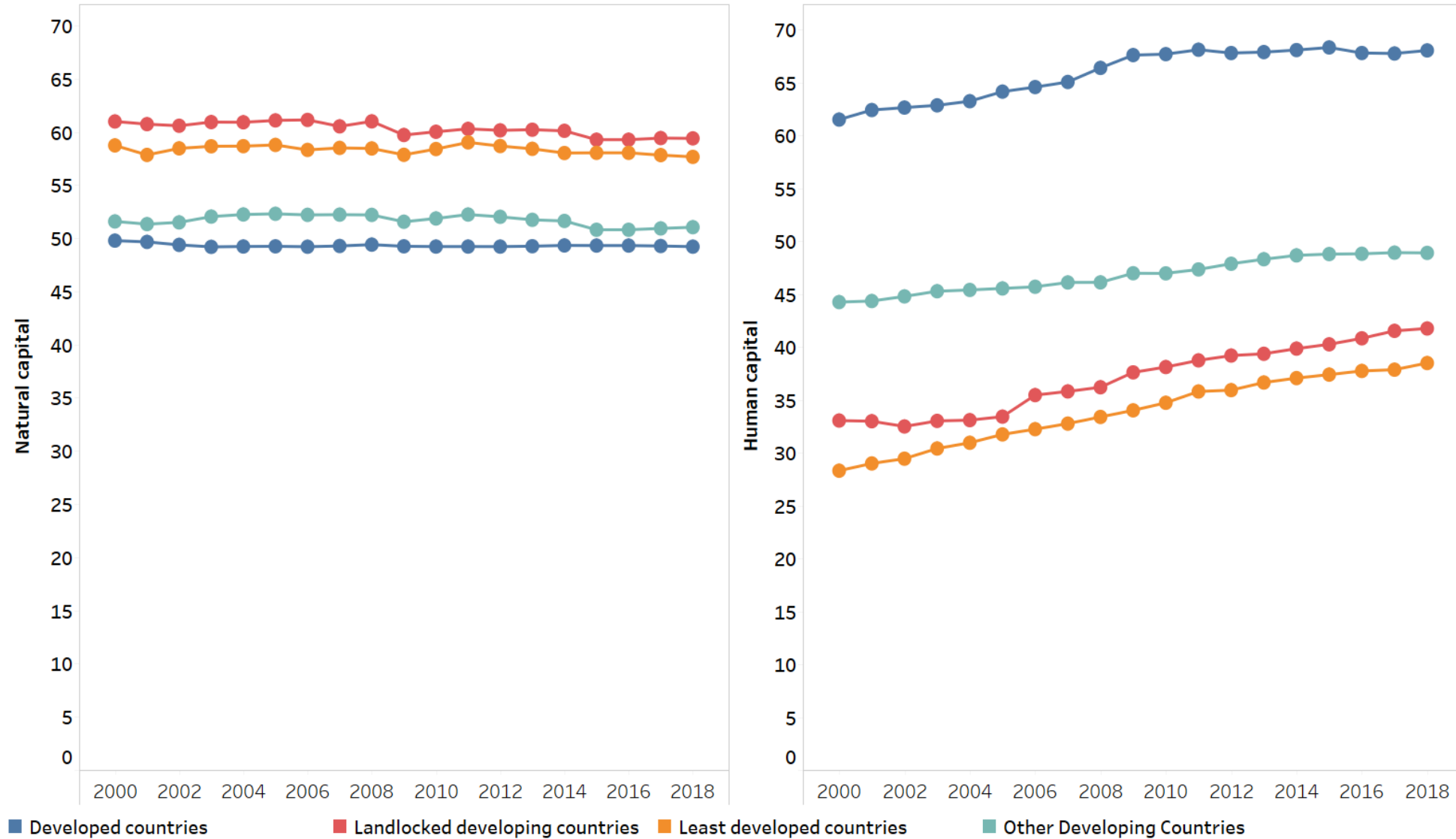


C. Comparison of graduated LDCs, recommended LDCs, LDCs and ODCs

Evolution of PCI by group



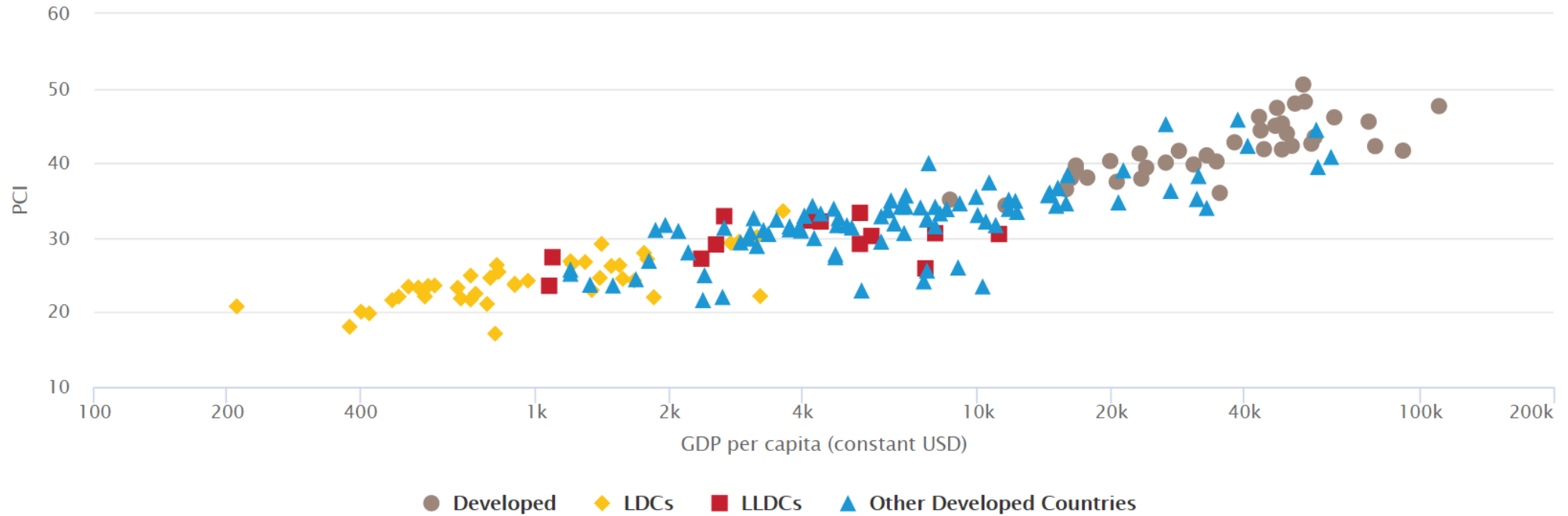
d. Contrast between natural and human capital



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



$\rho = 0.91$



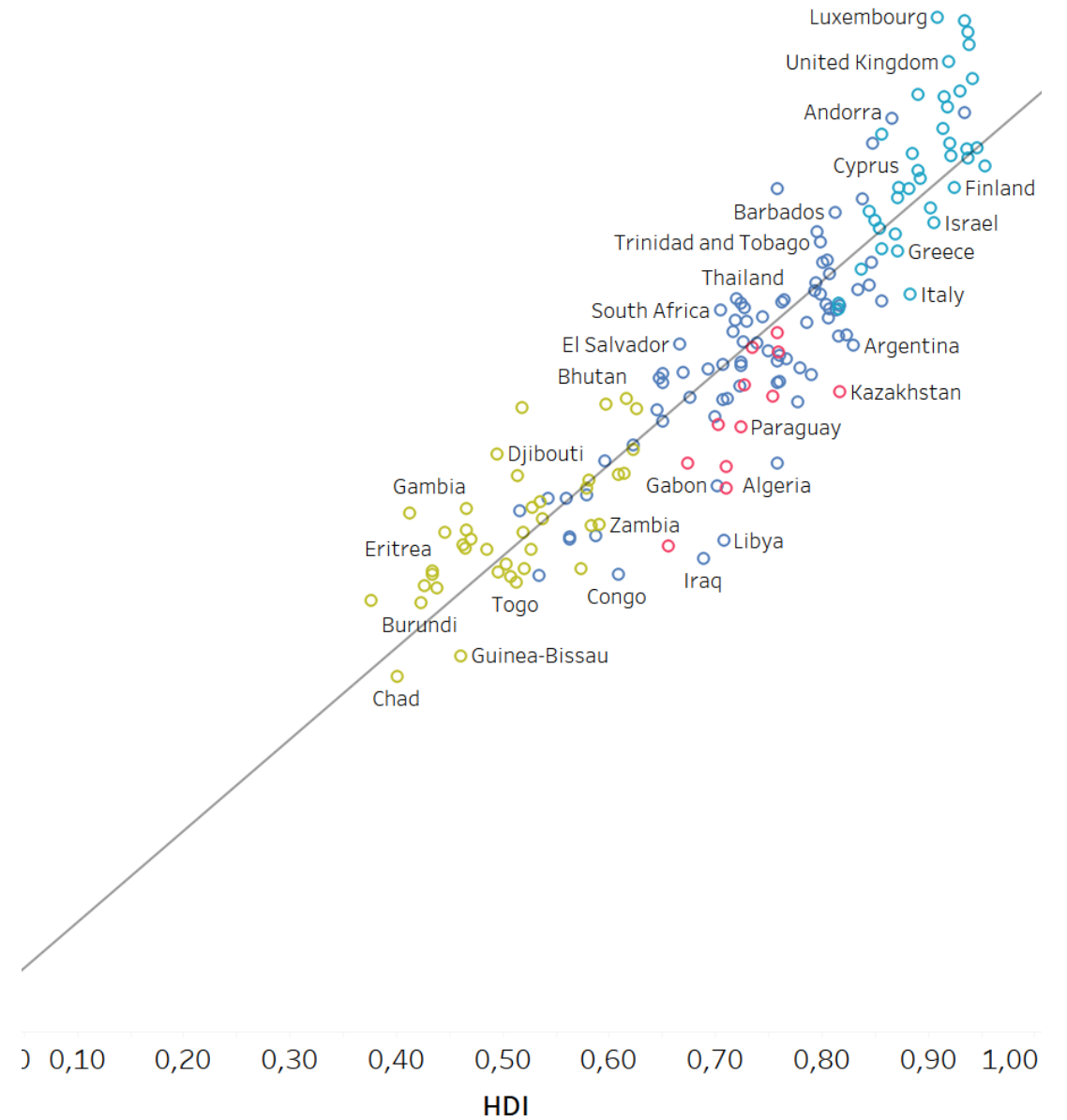
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Key regression results

e. PCI and GDP per capita (log)

$\rho = 0.91$

f. PCI and HDI
 $\rho=0.92$



Conclusions & policy implications for LDCs..

- ✓ LDCs continue to lag far behind other developing countries in 7/8 categories. The gap is significant in human capital, infrastructure (such as energy and transport), ICT, structural change and institutions;
- ✓ Graduated LDCs have made steady progress, but they have not yet reached the aggregate level attained by other developing countries;
- ✓ Fostering productive capacities can take a longer timeframe than (e.g.) meeting the graduation criteria;
- ✓ Low PCI scores of LDCs calls for a new generation of policies and strategies, as well as scaling-up of International Support Measures (ISMs).

.....(continued) policy implications

- Productive capacities must **be placed at the center** of domestic and global development policies including in the context of LDC-5.
- No nation has ever developed without fostering productive capacities and structural economic transformation.
- The lag of LDCs on PCI means that (a) their economies are weak and vulnerable to shocks; (b) material extraction or commodity-driven growth failed to deliver promises;
- Business as usual approach is no longer an option.
- “**New generation policies**” are urgently needed b/c an existing **growth model** failed to deliver promises.