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

Briefing to UNEN on UNCTAD's Productive Capacities Index (PCI)

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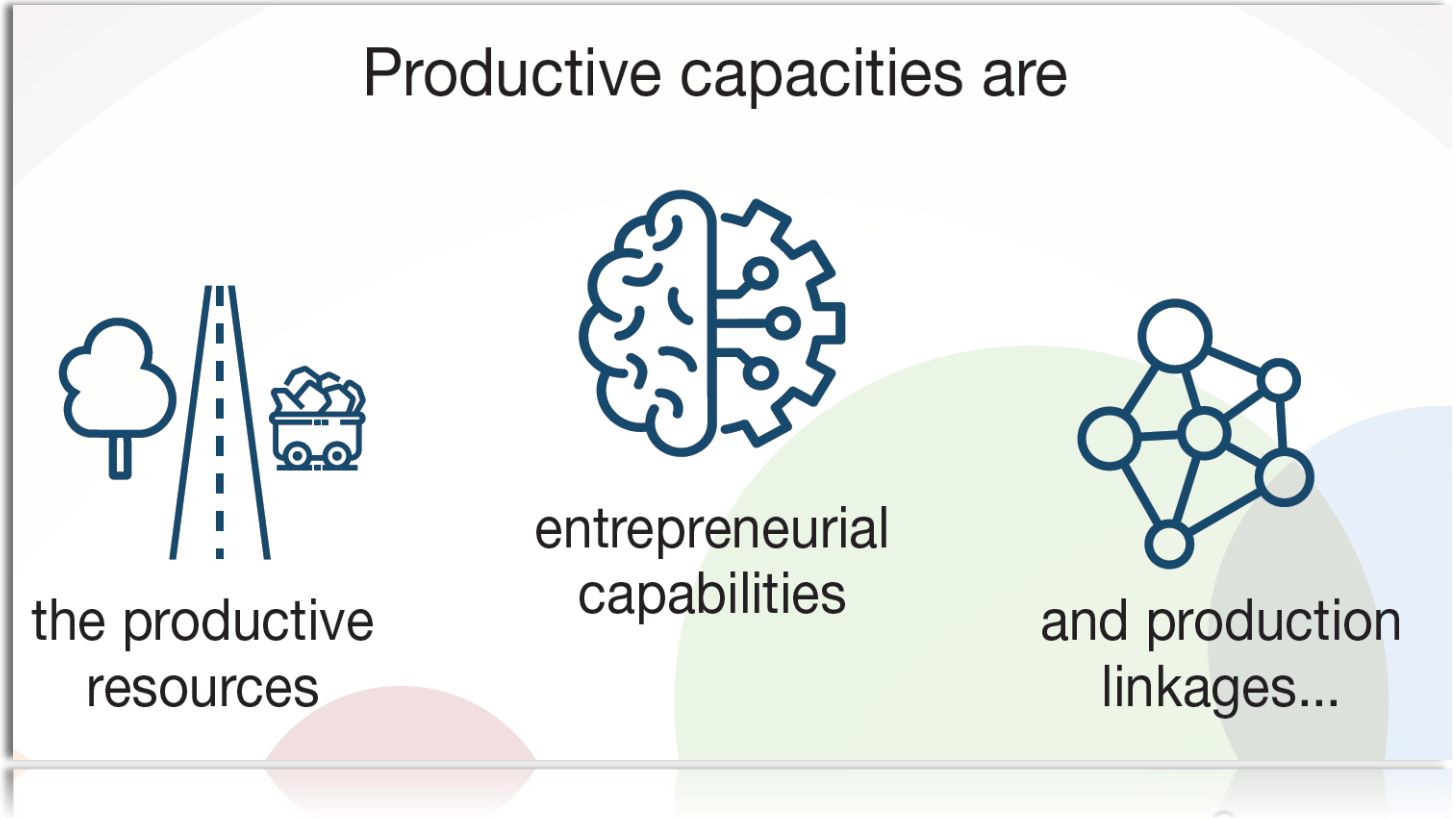
PCI
Productive Capacities Index

Outline of the presentation:-

I. What do we mean by productive capacities?
II. What is the PCI and what does it indicate?
III. PCI categories, results and gaps between country groups
IV. Some findings and key challenges
V. Conclusions with policy implications

Please visit: https://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

PCI
Productive Capacities Index

Building productive capacity can lead to structural transformation and economic diversification, with real knock-on effects on employment, inclusive growth, resource efficiency and environmental sustainability.

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…. What is the PCI and what does it indicate?

The PCI is a multidimensional composite index (8 categories and 46 indicators)

It helps to

- Measure and benchmark economywide productive capacities;
- Assess the degree of structural economic transformation;
- Identify gaps and limitations in each of the 193 economies; and
- Therefore:-

➢ The Index is a tool to guide evidence-based policy formulation and implementation;

➢ It is designed to place productive capacities at the center of domestic policies and global partnerships; and

➢ It enables to track socioeconomic progress or lack thereof.

PCI
Productive Capacities Index

UNCTAD's Productive Capacities Index (PCI) is a new diagnostic tool to inform development policy choices

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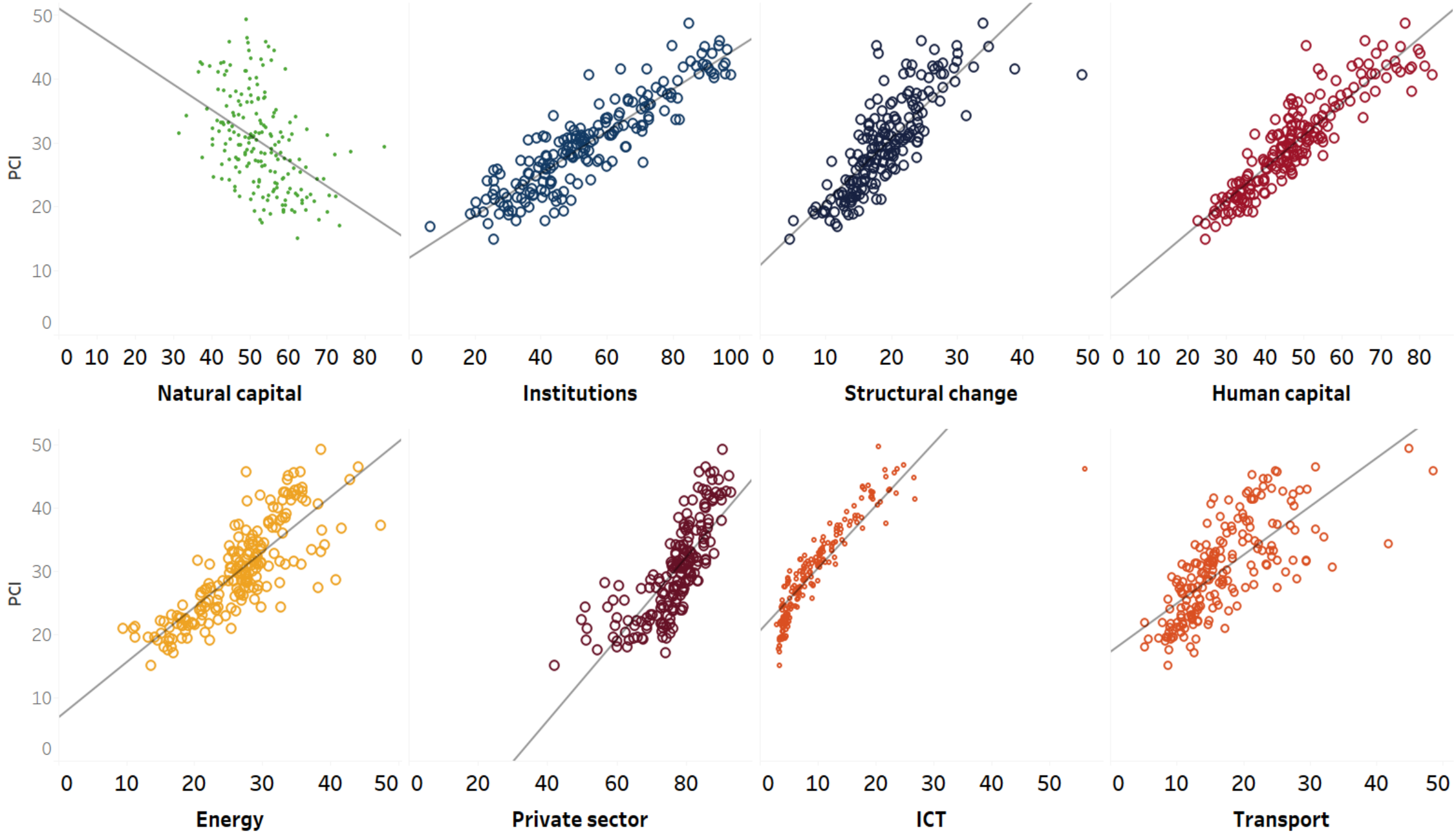
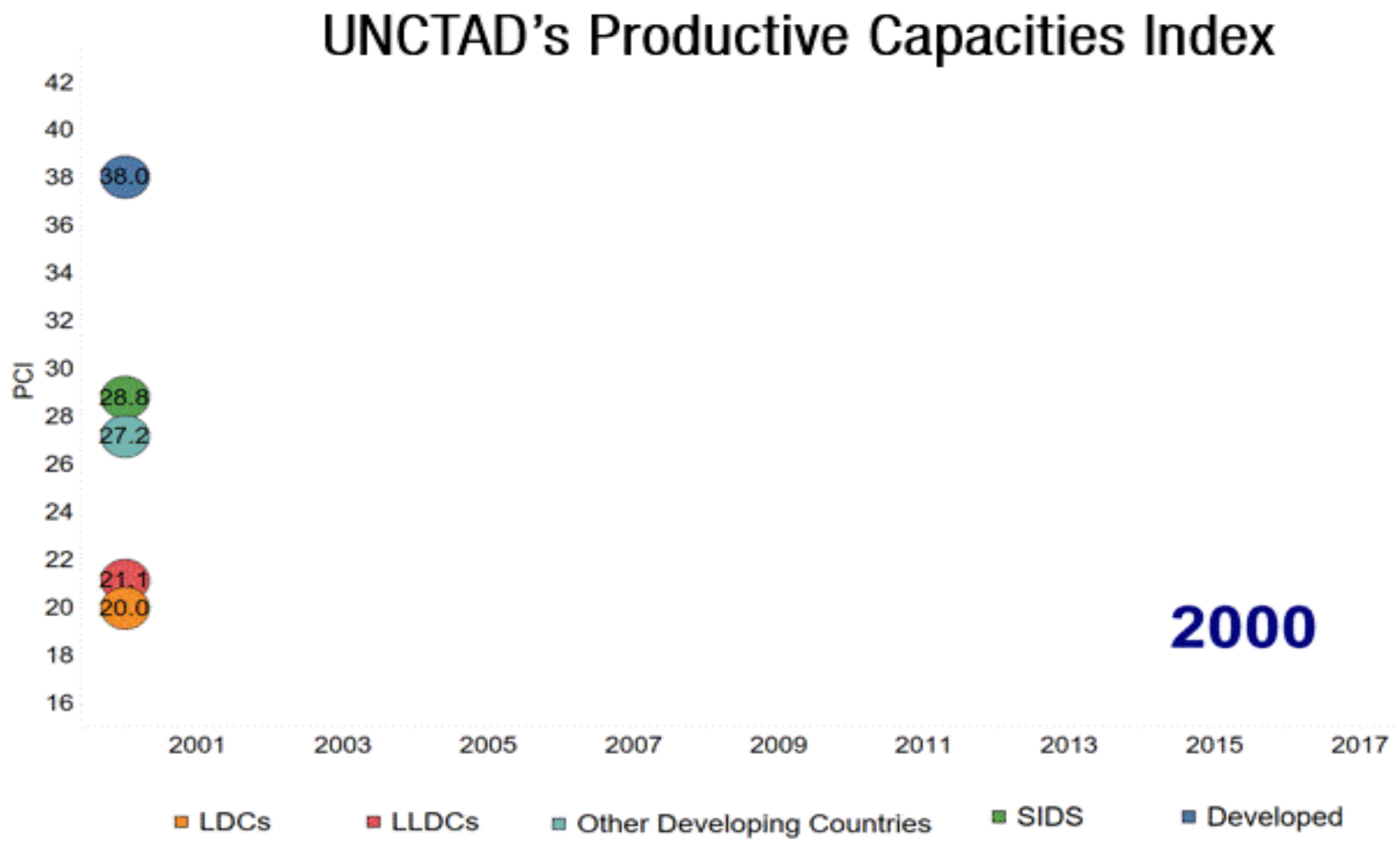
III. PCI Categories, results and gaps between country groups


PCI
0
10
20
30
40
50
0 10 20 30 40 50 60 70 80
Natural capital
0 20 40 60 80 100
Institutions
0 10 20 30 40 50
Structural change
0 10 20 30 40 50 60 70 80
Human capital
PCI
0
10
20
30
40
50
0 10 20 30 40 50
Energy
0 20 40 60 80
Private sector
0 10 20 30 40 50
ICT
0 10 20 30 40 50
Transport

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



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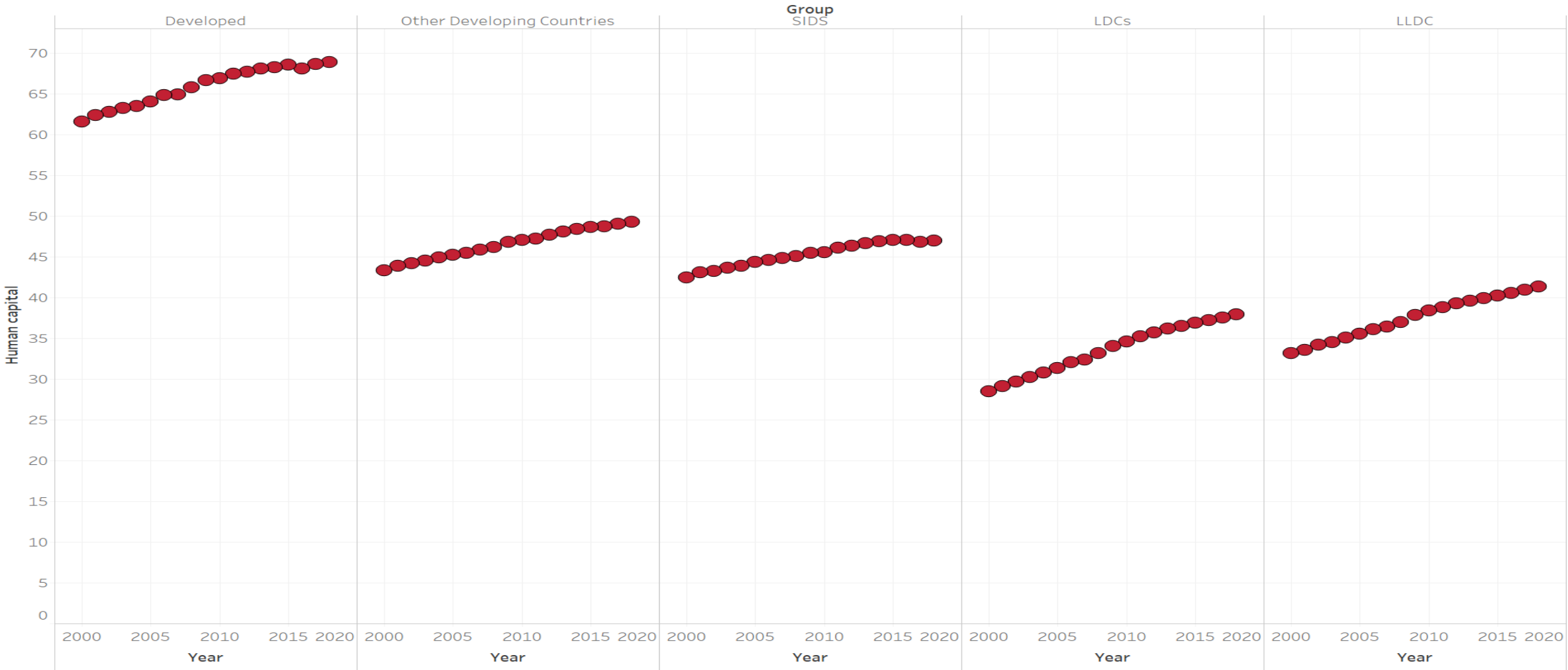
PCI
Productive Capacities Index

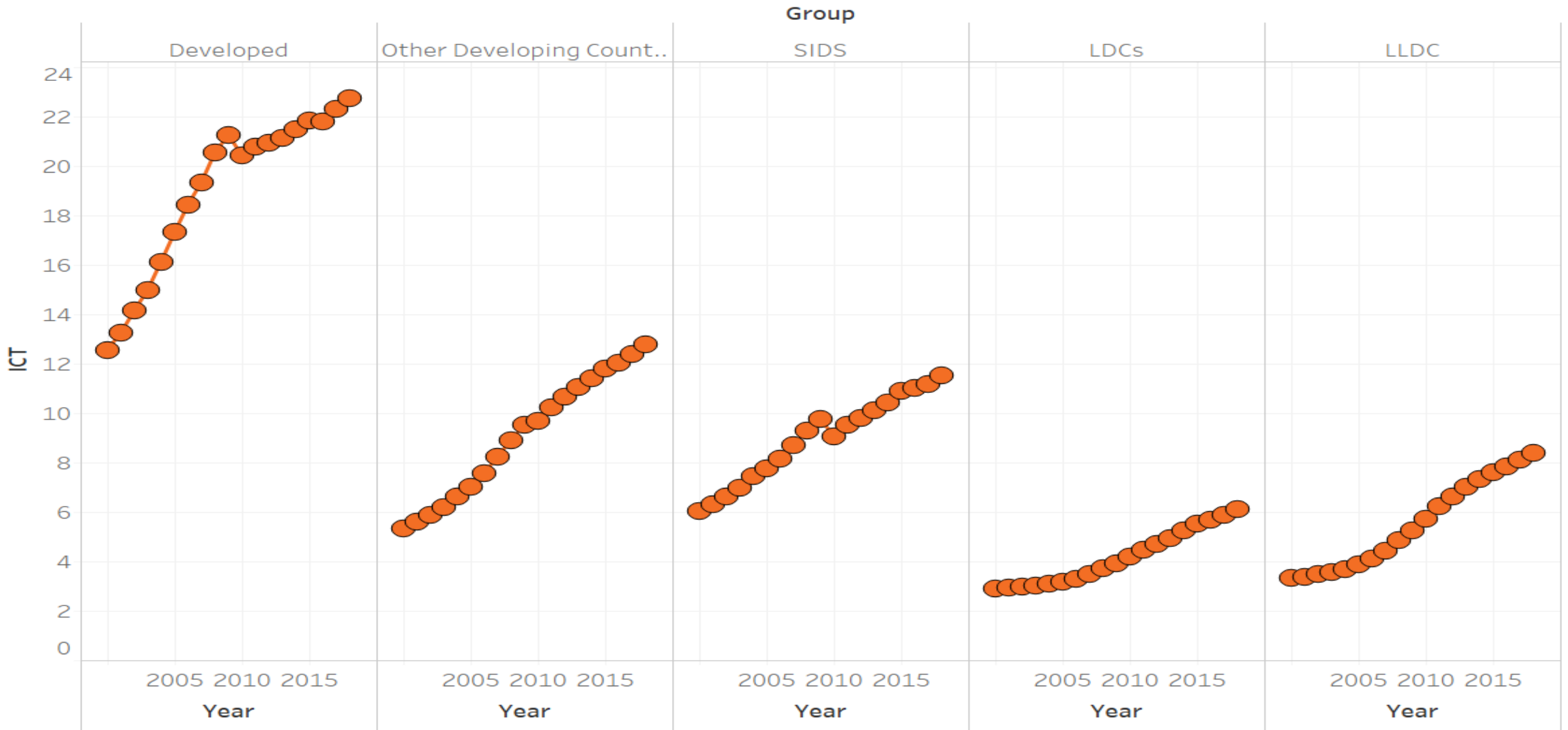
Human Capital

(b) Gaps between county groups in human capital



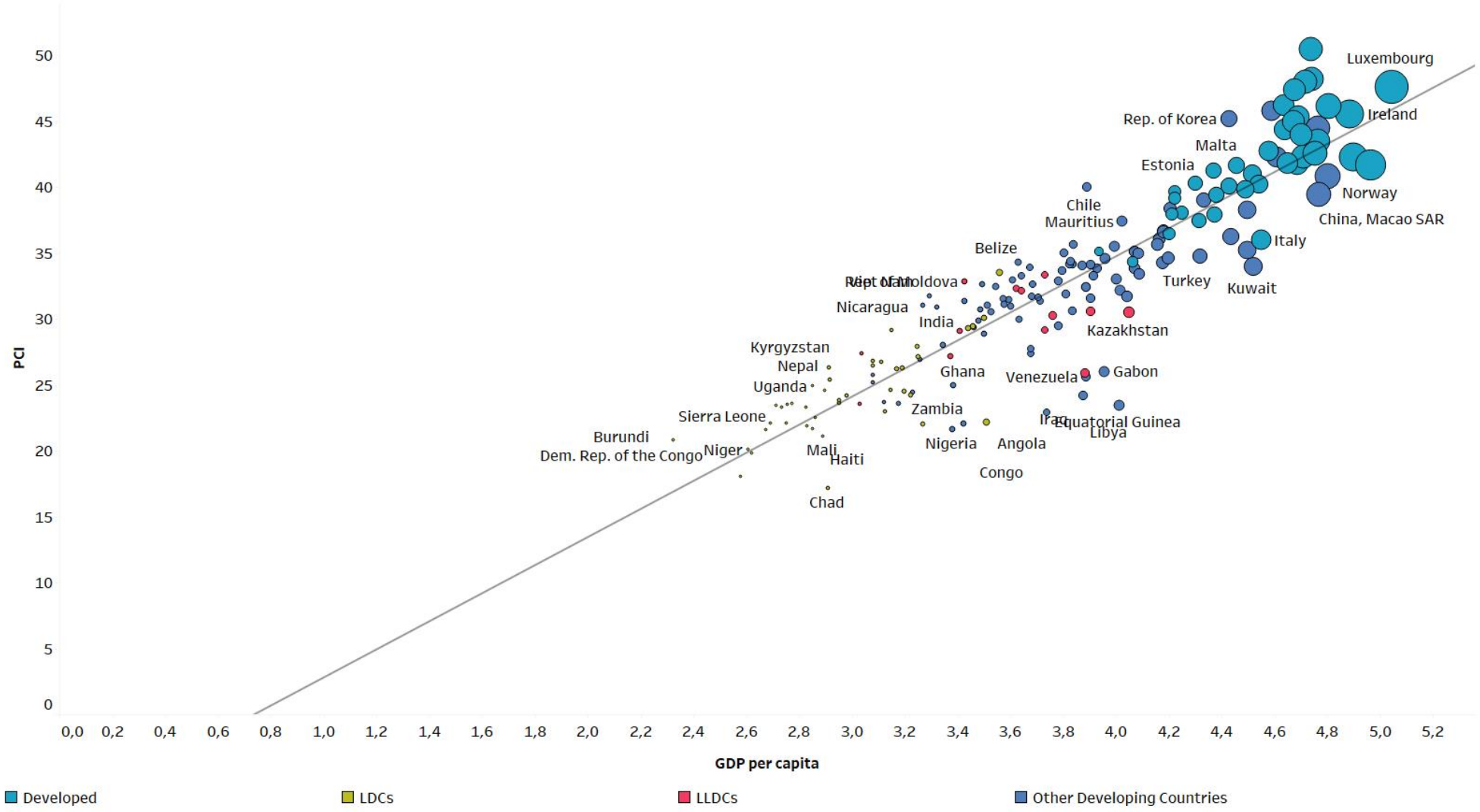
(d) Gaps in ICT: Access and infrastructure

ICT

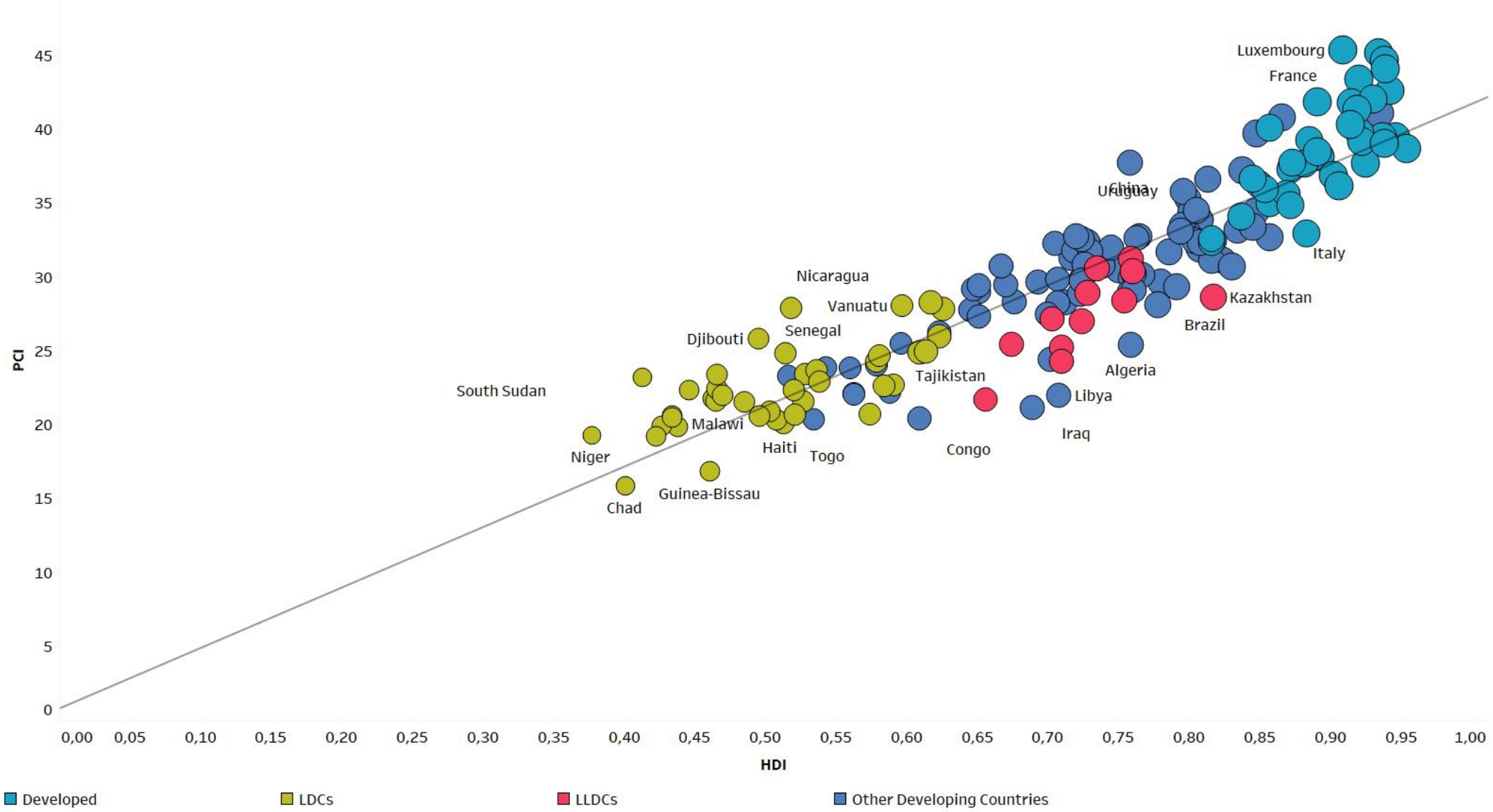


....What are the key findings....?
PCI is a barometer of socioeconomic progress....

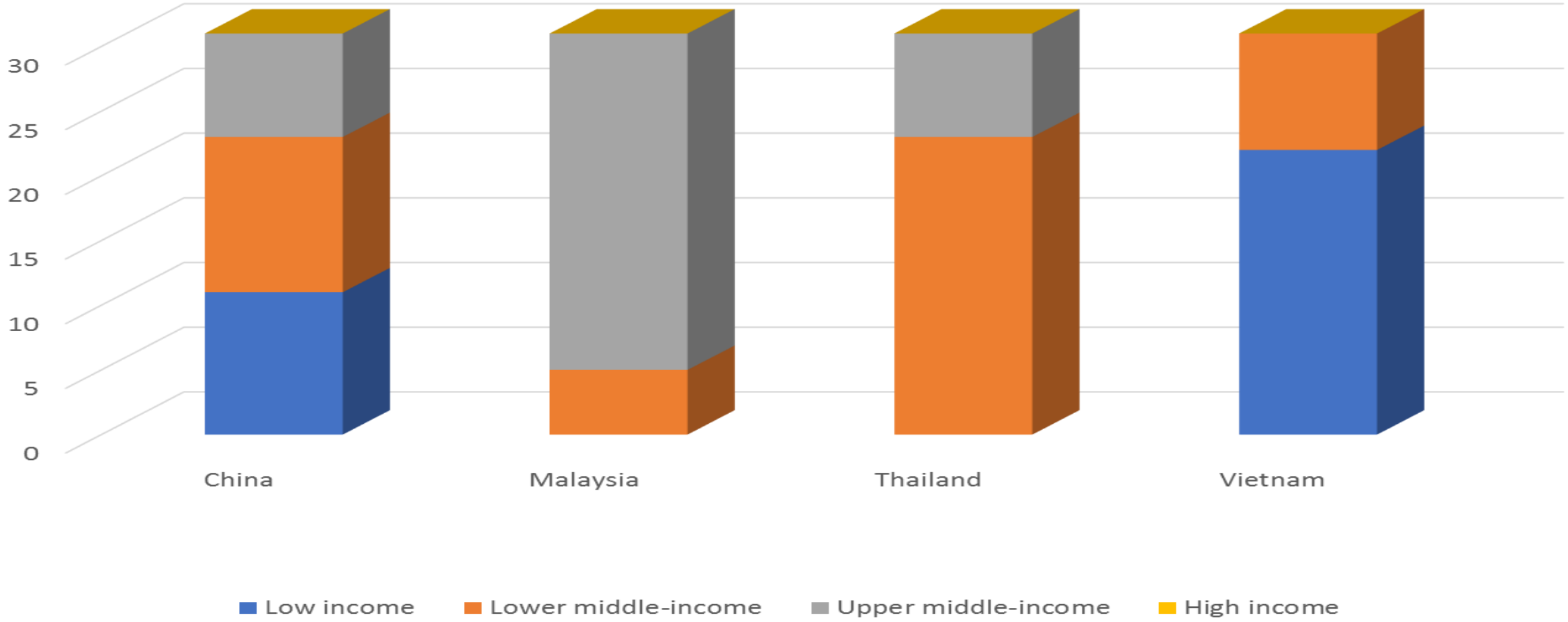
a. Very strong positive correlation between PCI and GDP per capita *(R=0.91)*



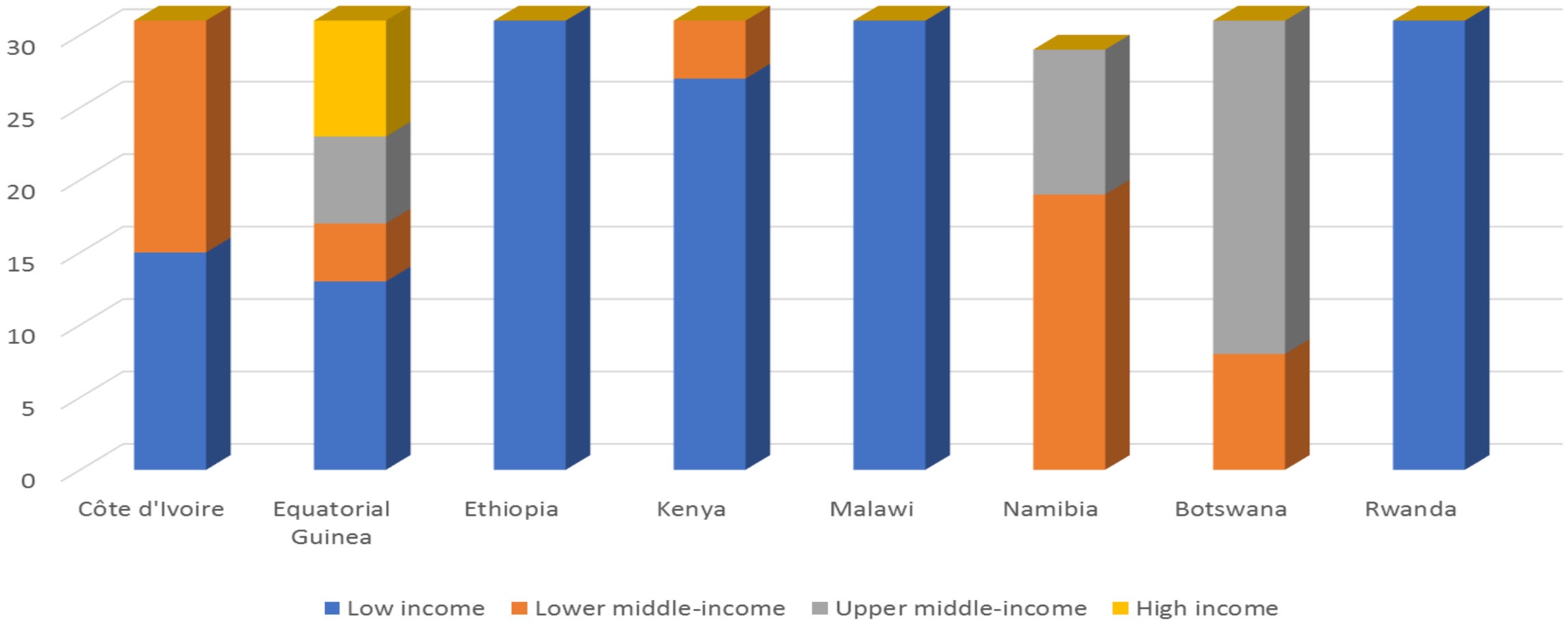
b. Very strong positive correlation between the PCI and HDI *(R=0.92)*



c. 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)



.....Some challenges in developing the PCI

- **Data related challenges**…..

✓Paucity, reliability or accuracy of data

✓Data inconsistency: When data is available it is not consistent overtime or internationally comparable;

✓What we observed (in weaker economies) can be described as "statistical tragedy";

- **Time and financial resources**

✓4 years and reviews need resources

- **Indicators-related challenges**

✓A choice of a given indicator over another: Why is a particular indicator used? Is that the only indicator available?

- **Heterogeneity of countries and variation in key binding constraints**

✓The PCI shows the level of country-specific capabilities, but it does not provide a blueprint on how to foster such capabilities.

V. Concluding remarks

The PCI is:

- ✓ **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 must **be placed at the center** of domestic and global development policies as well as partnerships.