National Policy-level Workshop on Fostering Productive Capacities for Industrialization, Export Diversification, and Inclusive Growth in Ethiopia

Mussie Delelegn
Officer-in-Charge, Productive Capacities Branch
Division for Africa, Least Developed Countries and
Special Programmes, UNCTAD
3-4 March 2022, Addis Ababa, Ethiopia

Mussie Delelegn

Outline of the presentation:-

I. Mapping and measuring Productive Capacities

II. What are our key findings (lessons) from the PCI

III. Concluding remarks

IV. Policy implications of the PCI scores

Please visit: http://pci.unctad.org or http://unctadstat.pci.unctad.org

for all the resources and data on the PCI.

❖ For a methodological Approach and Results: Please consult the booklet

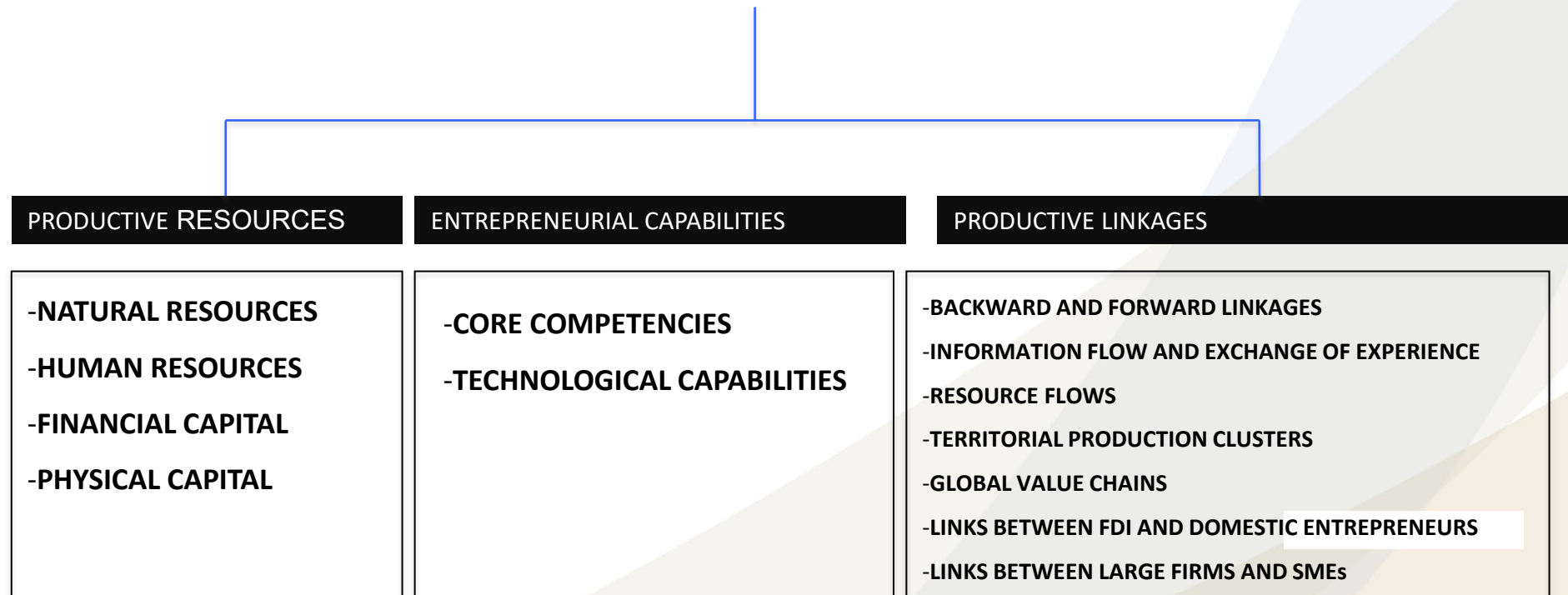**UNCTAD's Productive Capacities Index (PCI) is a new diagnostic tool to inform development policy choices**
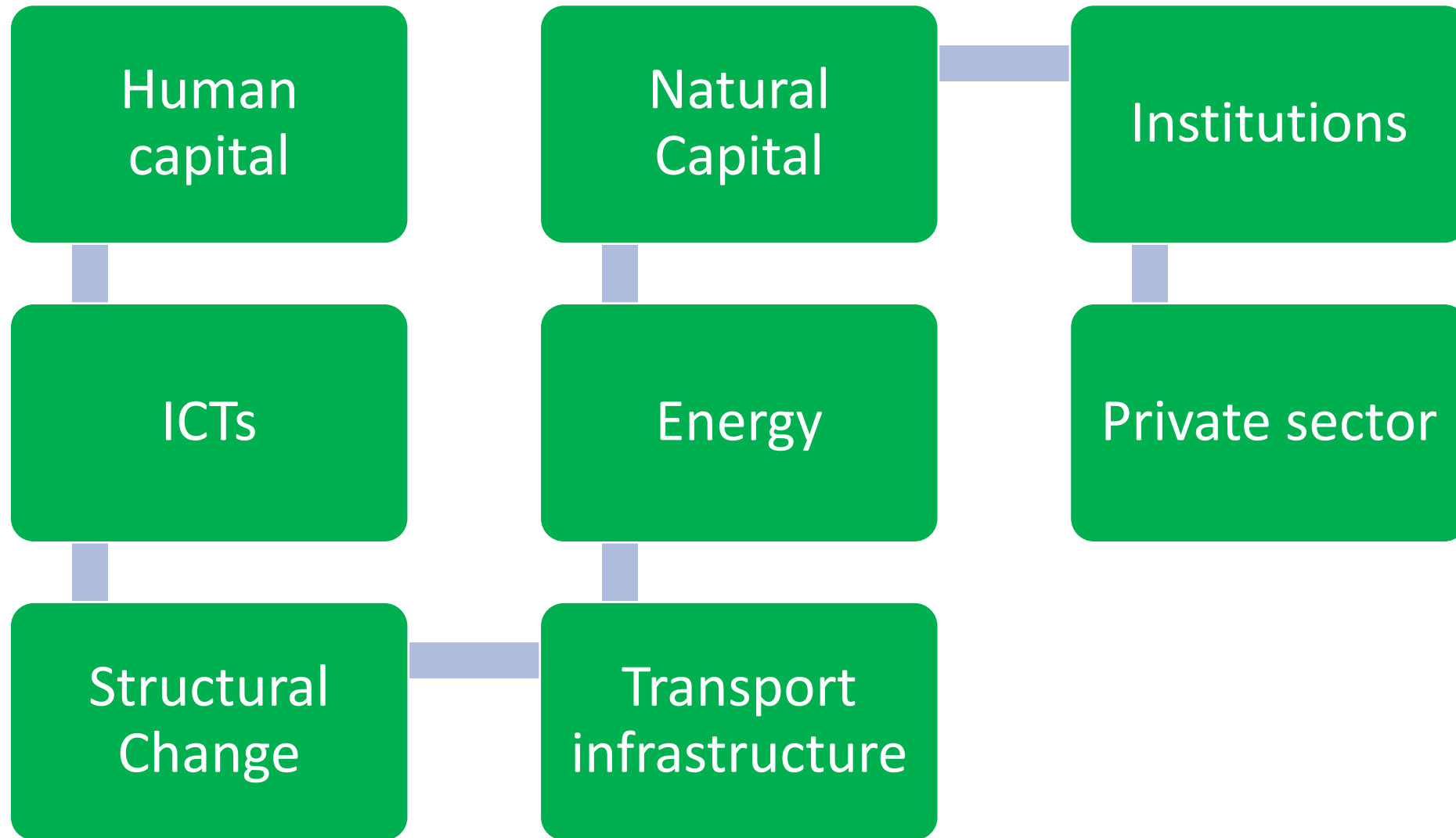
PCI
Productive Capacities Index

UNITED NATIONS
UNCTAD

I. Mapping and Measuring Productive Capacities: Productive Capacities Index

(a country's ability to produce high value-added goods and services efficiently and competitively)

PRODUCTIVE RESOURCES	ENTREPRENEURIAL CAPABILITIES	PRODUCTIVE LINKAGES
-NATURAL RESOURCES -HUMAN RESOURCES -FINANCIAL CAPITAL -PHYSICAL CAPITAL	-CORE COMPETENCIES -TECHNOLOGICAL CAPABILITIES	-BACKWARD AND FORWARD LINKAGES -INFORMATION FLOW AND EXCHANGE OF EXPERIENCE -RESOURCE FLOWS -TERRITORIAL PRODUCTION CLUSTERS -GLOBAL VALUE CHAINS -LINKS BETWEEN FDI AND DOMESTIC ENTREPRENEURS -LINKS BETWEEN LARGE FIRMS AND SMEs

UNITED NATIONS
UNCTAD

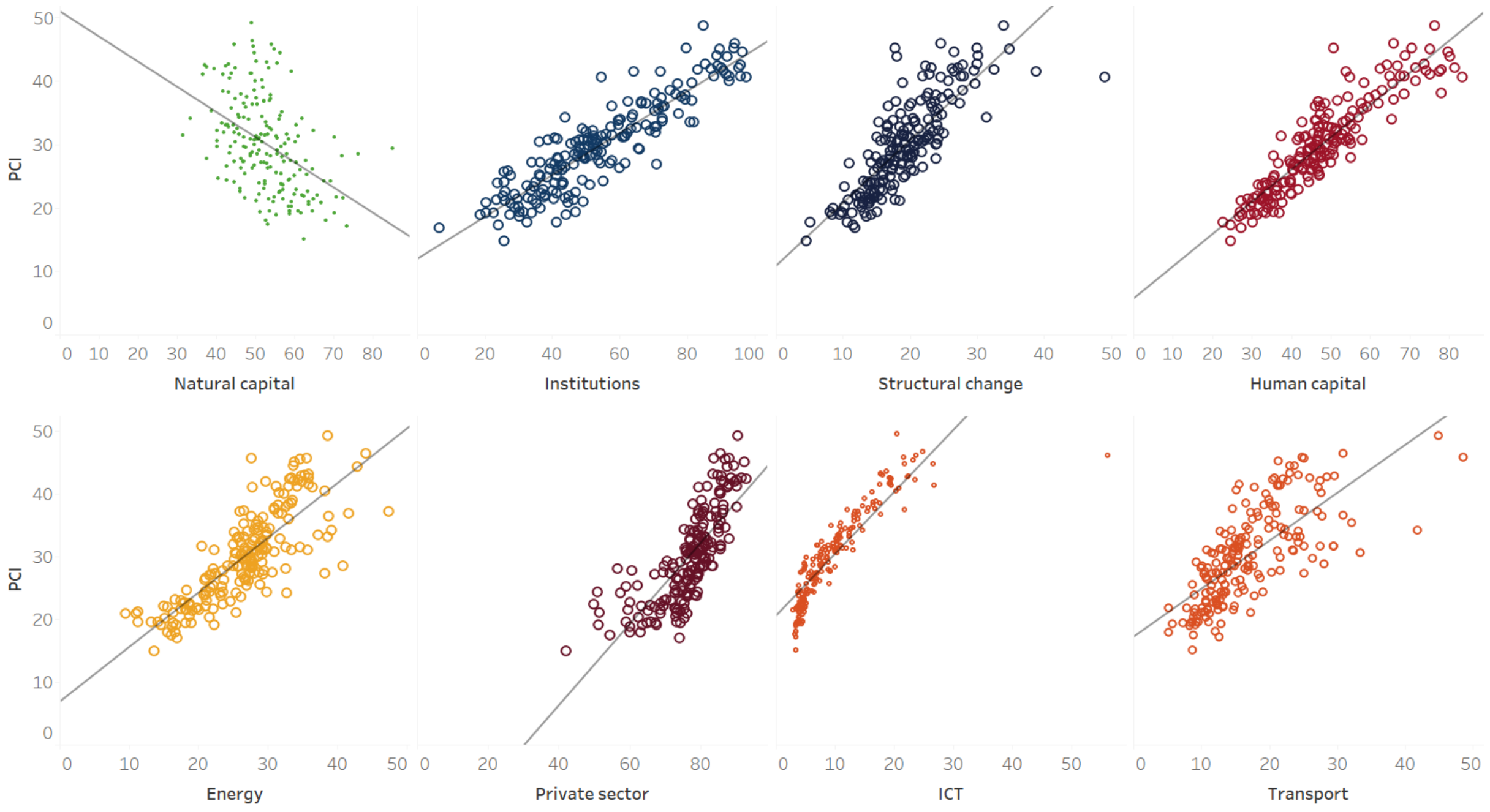# ….. 8 Categories f productive capacities

Number of indicators used across 8 categories

1. Energy (6 indicators)
2. Human Capital (6 indicators)
3. ICTs (5 indicators)
4. Institutions (6 indicators)

5. Natural Capital (5 indictors)
6. Private Sector (9 indicators)
7. Structural Change (4 indictors)
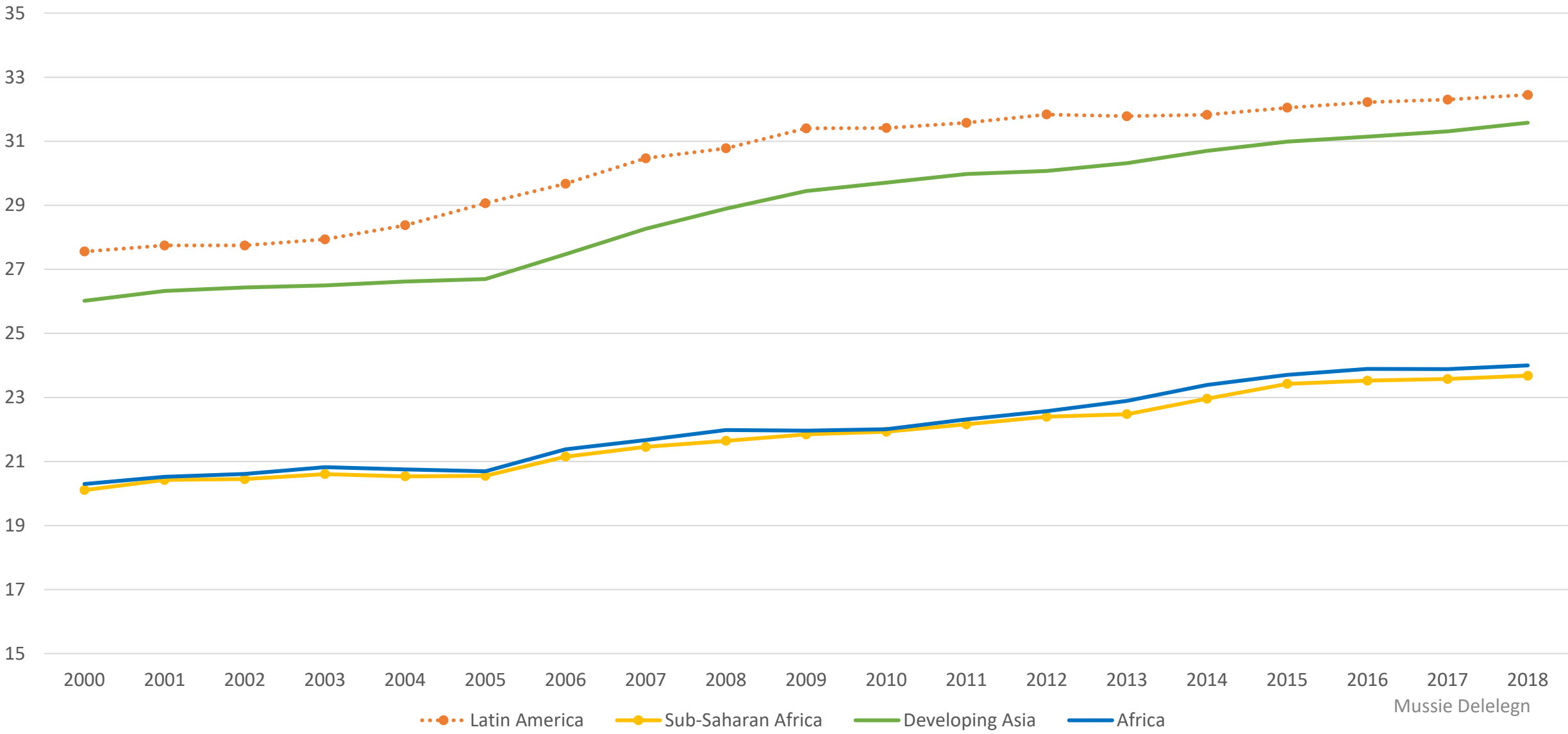8. Transport (5)

Total Indicators used: 46
Economies measured: 193

Mussie Delelegn

Mussie Delelegn

III. What did we find or learn from the PCI?
(6 Key findings)

Where does Africa stand vis-a-vis other developing regions?

Mussie Delelegn

Legend: • • • Latin America — Sub-Saharan Africa — Developing Asia — Africa
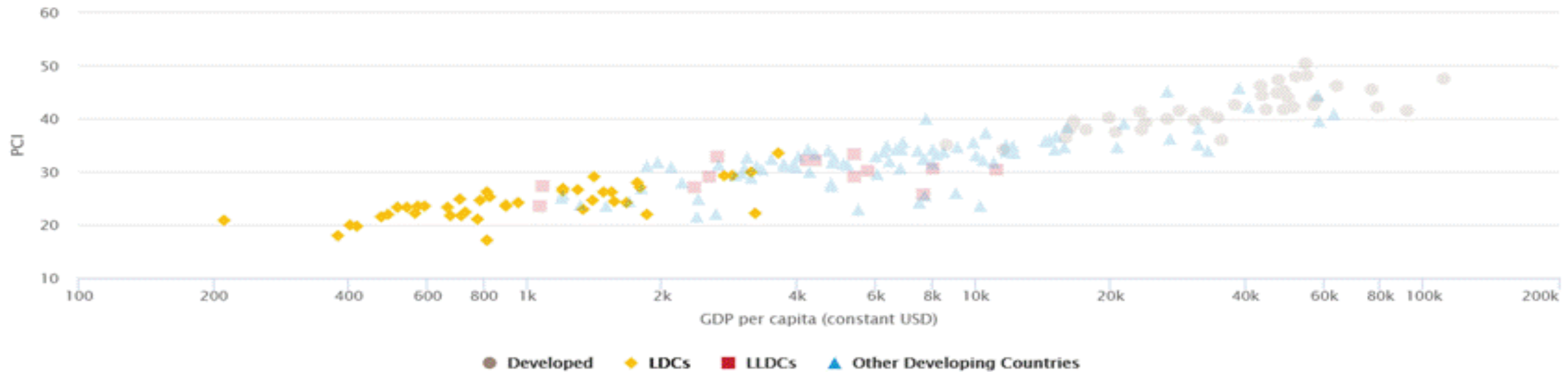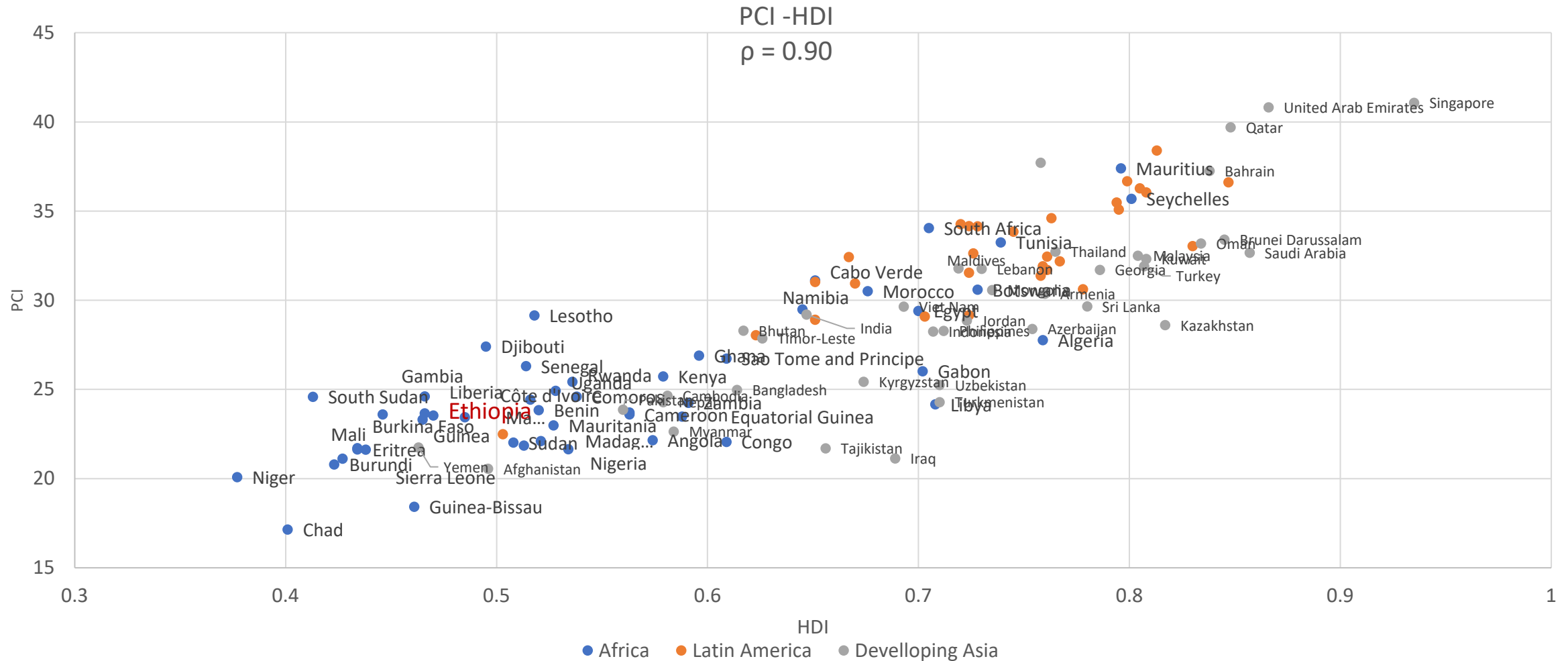
Low Productive capacities means low per capita GDP

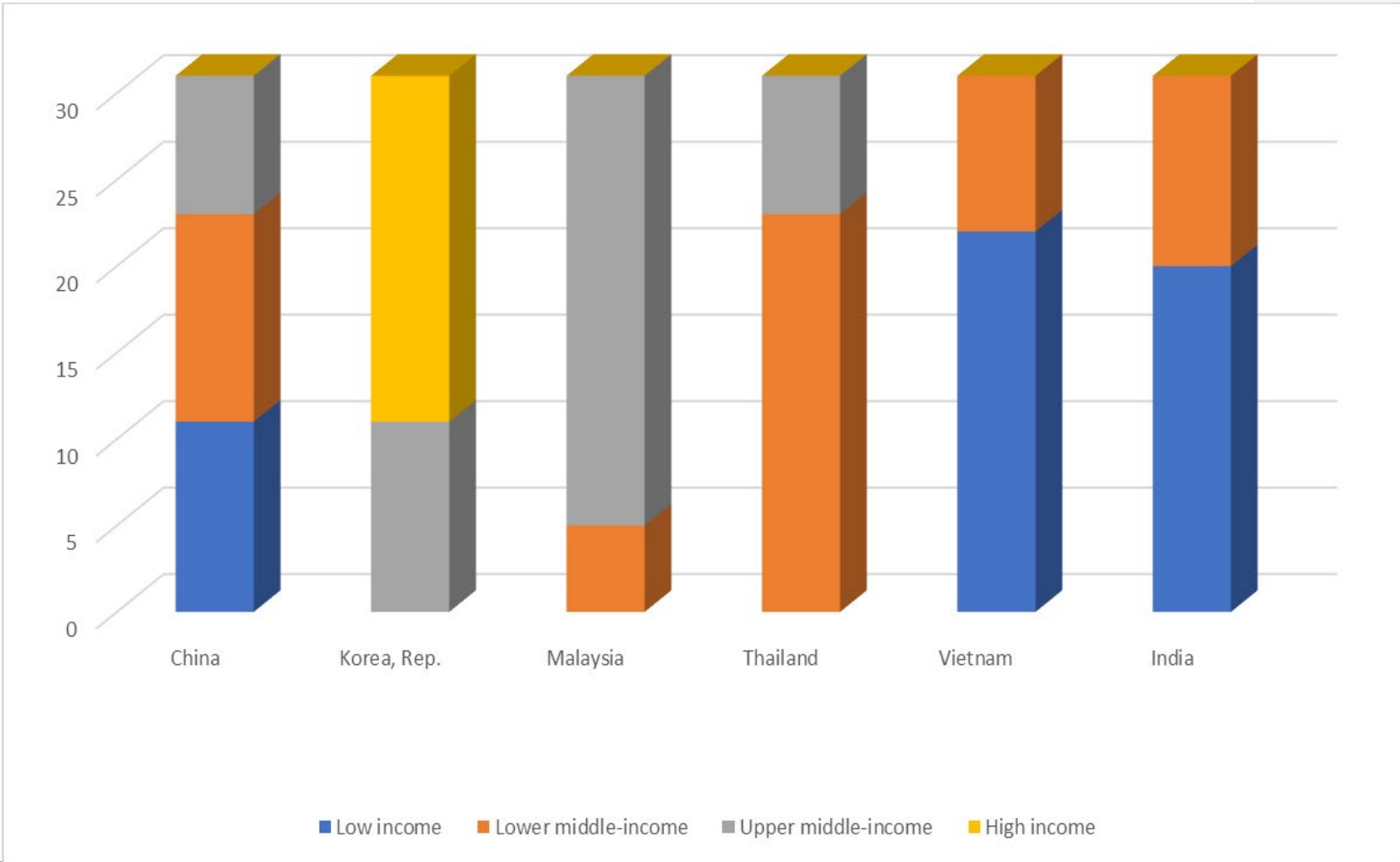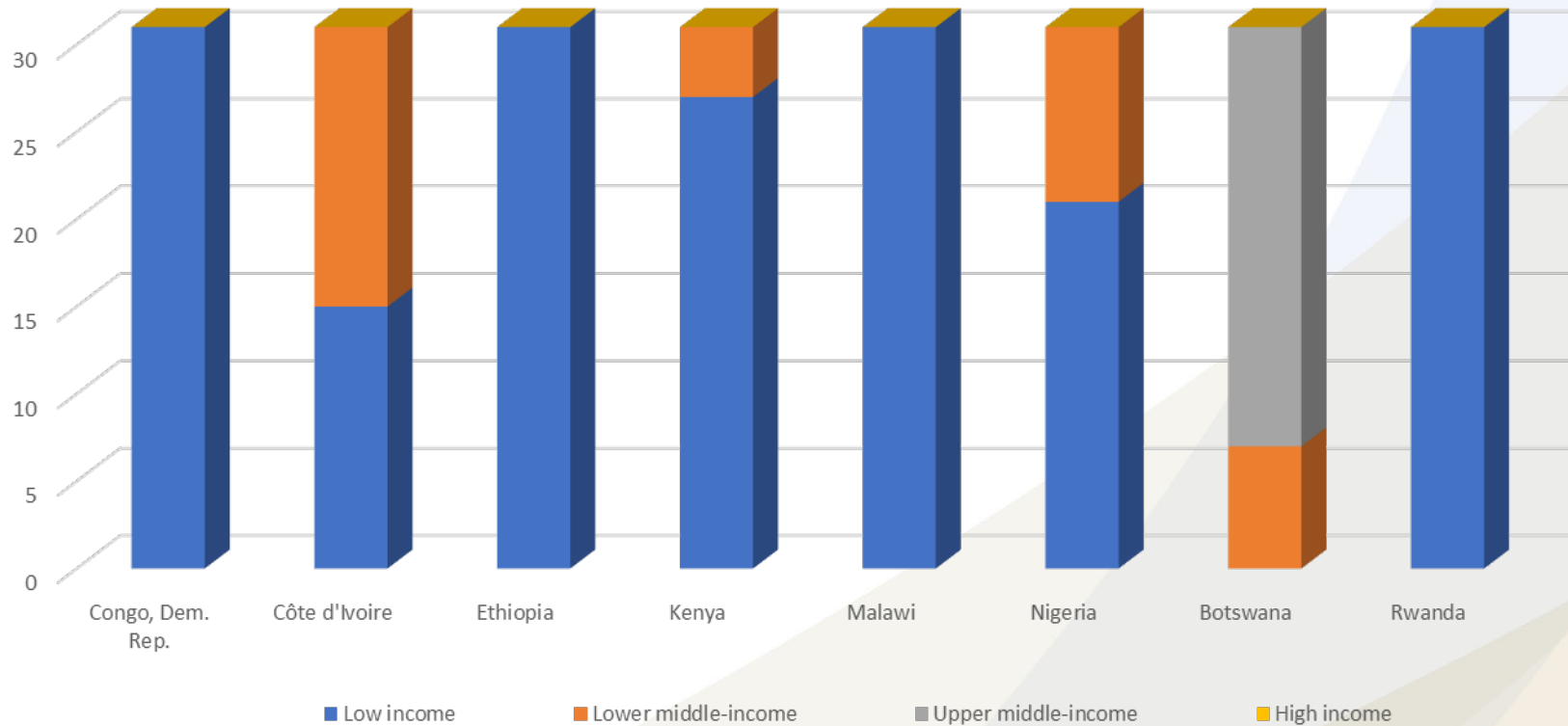Correlation between the Productive Capacities Index and Gross Domestic Product per Capita, 2018

ρ = 0.91

PCI vs GDP per capita (constant USD)

Legend: Developed, LDCs, LLDCs, Other Developing Countries

….Weak productive capacities and human capital….

Breaking the low-middle-income traps: Asian countries

…. Africa countries (1987-2017)

Legend: ■ Low income ■ Lower middle-income ■ Upper middle-income ■ High income

Categories: Congo, Dem. Rep., Côte d'Ivoire, Ethiopia, Kenya, Malawi, Nigeria, Botswana, Rwanda

UNITED NATIONS
UNCTAD

Higher PCI scores imply higher manufacturing value added

Manufacturing, value added (current US$)

Africa

Sub-Saharian-Africa

Other Developing Countries

Mussie Delelegn
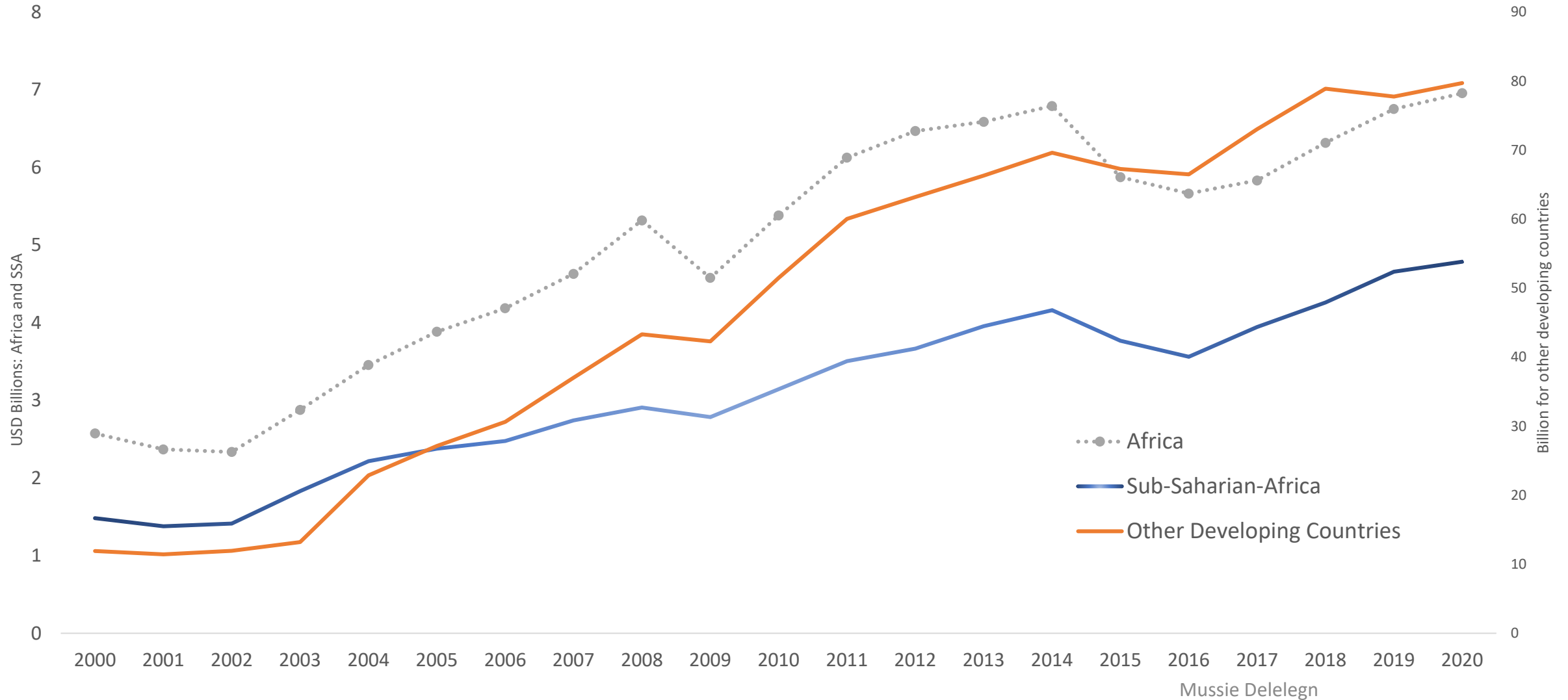
Low PCI score means low share of manufacturing value add in GDP (%)

Mussie Delelegn
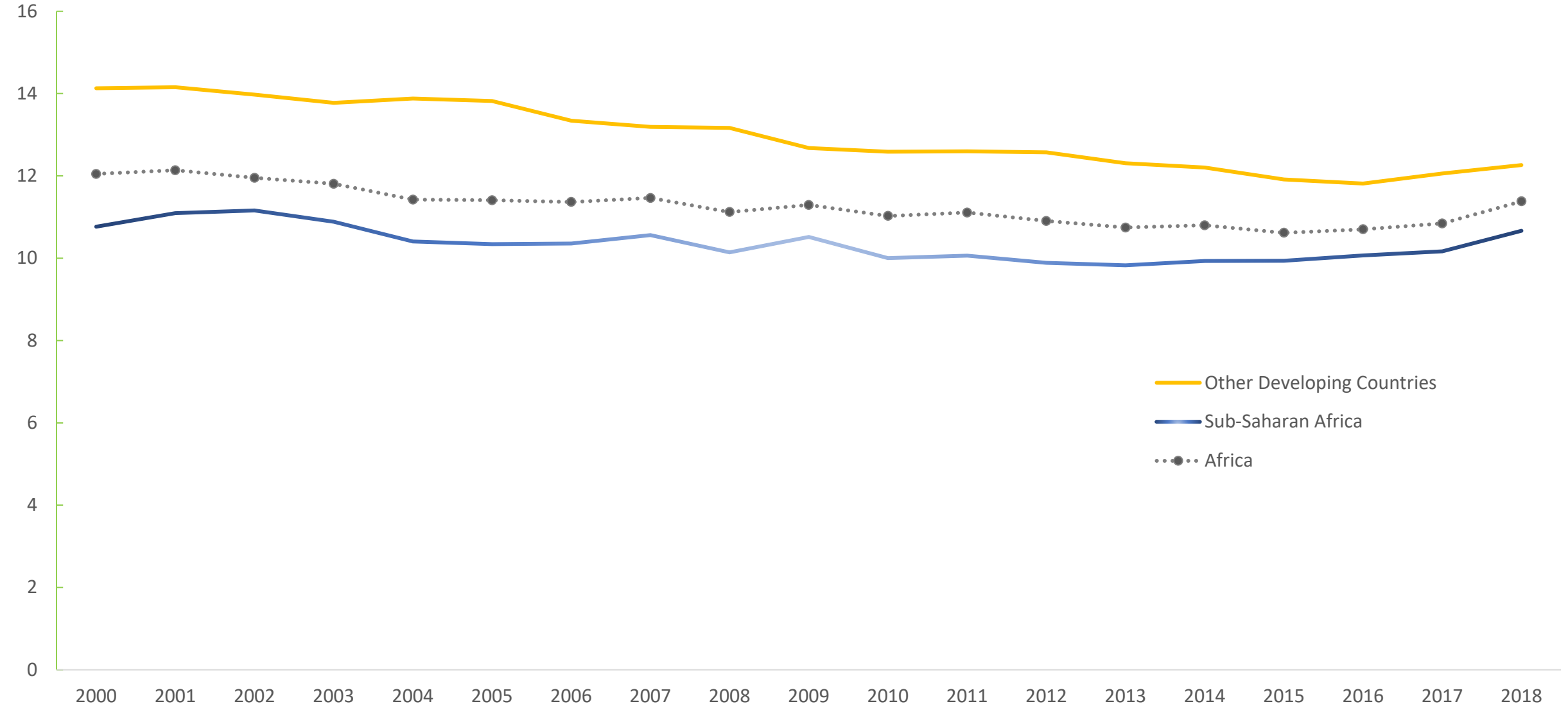
IV. Concluding remarks

The PCI is:

- ✓ **a multidimensional, capturing** key drivers and enablers of development;

- ✓ an **interconnected puzzle** (improvements in one category positively influence in others);

- ✓ **consistent with empirical and historical conclusions**: "No nation has ever developed without fostering productive capacities and structural economic transformation";

- ✓ shows **gaps and limitations** in productive capacities within and between economies;

- ✓ a tool to place productive capacities at the center of policies and strategies;

- ➢ springboard for "**new generation policies**" b/c existing **development model** failed to deliver promises of inclusive and sustainable growth.

V. Main policy implications of the PCI......

- By using the PCI, UNCTAD has developed diagnostic tool-NPCG.

- NPCGA is tailored to specific development needs of countries.

- It is designed to:

✓undertake an in-depth assessment of socioeconomic performances;

✓identify comparative advantages & binding constraints;

✓provide concrete & data-driven recommendations;

✓assist to formulate and implement evidence-based policies;

✓enhance the application of 8 categories of the PCI; and

✓re-orient domestic policies towards achieving "quality" growth