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Issues

1. The COVID-19 crisis in LDCs
2. Productive capacities and structural transformation
3. Measuring LDCs’ productive capacities
4. Transition to the digital economy
5. Policies to develop productive capacities in the new decade
1. The COVID-19 crisis in LDCs

Health impact of the COVID-19 pandemic on LDCs:

→ less serious than feared given poor state of their health systems

→ innovative production and policy mechanisms in the health sector

• Senegal → rapid / cheap COVID-19 testing kit
• Bangladesh → PPE production

![COVID-19 deaths / million people chart]

Nov. 2020
1. The COVID-19 crisis in LDCs

Economic & social impacts

Extreme poverty in LDCs will rise to 35% as a result of the COVID crisis

= 377 million people

⇒ Lasting consequence: SDGs become a more distant prospect
2. Productive capacities and structural transformation

Productive capacities are

- the productive resources
- entrepreneurial capabilities
- and production linkages...

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

Productive capacities enable countries to grow and develop
2. Productive capacities 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
2. Productive capacities and structural transformation

Since 2000, only a few LDCs have experienced significant structural transformation

e.g. Bangladesh, Cambodia, Ethiopia, Myanmar, Lao PDR, Nepal, Rwanda

- ↑ industry
- ↑ modern service sectors
- ↑ ↑ labour productivity
2. Productive capacities and structural transformation

Most other LDCs →

traditional agriculture  traditional service sectors

predominate

→ Low productivity holds down living standards
2. Productive capacities and structural transformation

Limited structural transformation

\[\Rightarrow\]

LDCs as a group have been **diverging long-term** from other developing countries
3. Measuring LDCs’ productive capacities

UNCTAD has developed the Productive Capacities Index (PCI) to measure productive capacities.

LDCs’ average PCI level was 40% lower than that of other developing countries in 2011–2018.
3. Measuring LDCs’ productive capacities

Most LDCs have achieved only meager development of productive capacities since 2001
3. Measuring LDCs’ productive capacities

Out of components of PCI

- LDCs only outperform other developing countries in **natural resources**
- LDCs lag behind especially in
  - **Human capital**
  - **Institutions**
  - **ICT**
4. Transition to the digital economy

Digital technologies will strongly influence the development of future productive capacities.
4. Transition to the digital economy

Digital revolution ⇒ hopes of **technological leapfrogging** in LDCs

⇒ has NOT happened!

• Access to mobile phones in LDCs ↗ ↗ rapidly

• **But** uptake of advanced technologies by *producers* is still incipient
4. Transition to the digital economy

Firms / Farms do not adopt digital technologies
– 4th industrial revolution – due to:

• enterprises learning & skills acquisition is costly & sequential
• dearth of accumulated technological capabilities
• insufficient skills
• insufficient infrastructure
  (e.g. electricity, broadband)
5. Policies to develop productive capacities in the new decade

Policy priorities for LDCs

1. **Countercyclical** policies to cushion impact of COVID-19 crisis

2. **Investment** push →
   - redress long-standing infrastructural gaps
   - support employment creation
5. Policies to develop productive capacities in the new decade

Policy priorities for LDCs

3. Forward-looking science, technology and innovation – STI – policies
   ✓ including education & training

4. Bold industrial and sectoral policies →
   ✓ promote domestic value addition
   ✓ deepen productive linkages
5. Policies to develop productive capacities in the new decade

Industrial policies

⇒ solid manufacturing base
  complementary skills

⇒ sustainable industrialization

⇒ meaningful engagement with
  advanced technologies
5. Policies to develop productive capacities in the new decade

Crucial role of the *state* highlighted by COVID-19 crisis
5. Policies to develop productive capacities in the new decade

International support measures (ISMJs)

• So far, modest concrete impacts

• LDCs need new & more effective ISMs
  → specially to strengthen technological capabilities of LDC enterprises

Stronger and more innovative ISMs are needed to prevent a further widening of technological divides.
5. Policies to develop productive capacities in the new decade

Strengthening the global partnership in support of LDCs

- beyond the moral commitment to “leave no one behind” (SDGs)

⇒ investment in systemic resilience

Crucial occasion to show resolve: UNLDC V (January 2022)
Thank you

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