

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD



THE LEAST
DEVELOPED COUNTRIES
REPORT 2020

Productive capacities for the new decade



UNITED NATIONS

Rolf Traeger

Chief, LDC Section
UNCTAD

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Issues

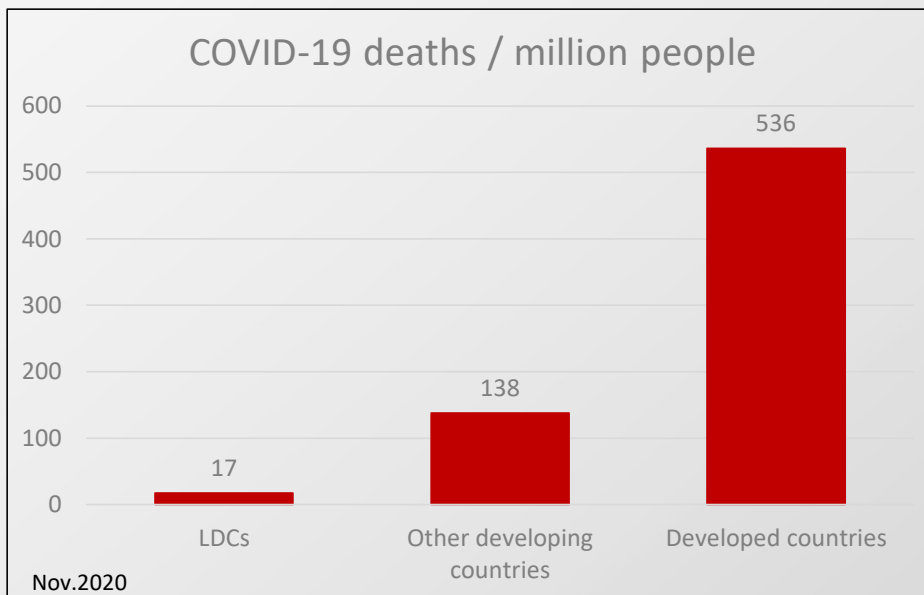
1. The COVID-19 crisis in LDCs
2. Productive capacities and structural transformation
3. Measuring LDCs' productive capacities
4. Transition to the digital economy
5. Policies to develop productive capacities in the new decade



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



LDCs with more developed productive capacities have been better equipped to withstand COVID-19

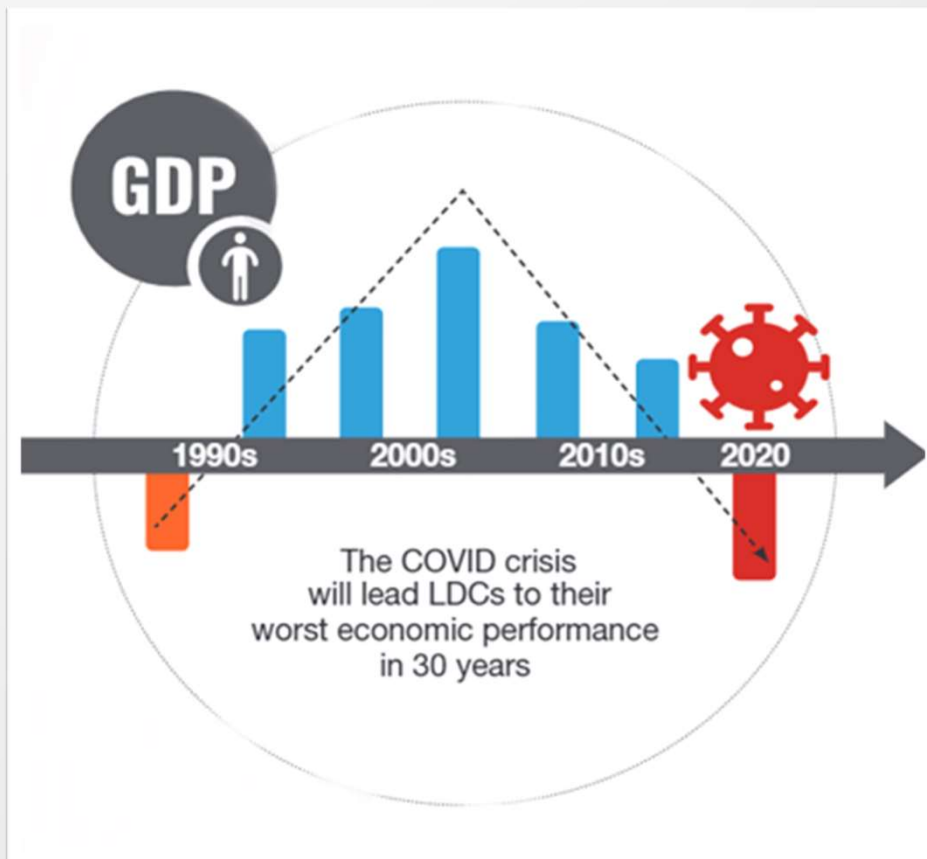
→ innovative production and policy mechanisms in the health sector

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



1. The COVID-19 crisis in LDCs

Economic & social impacts



35%

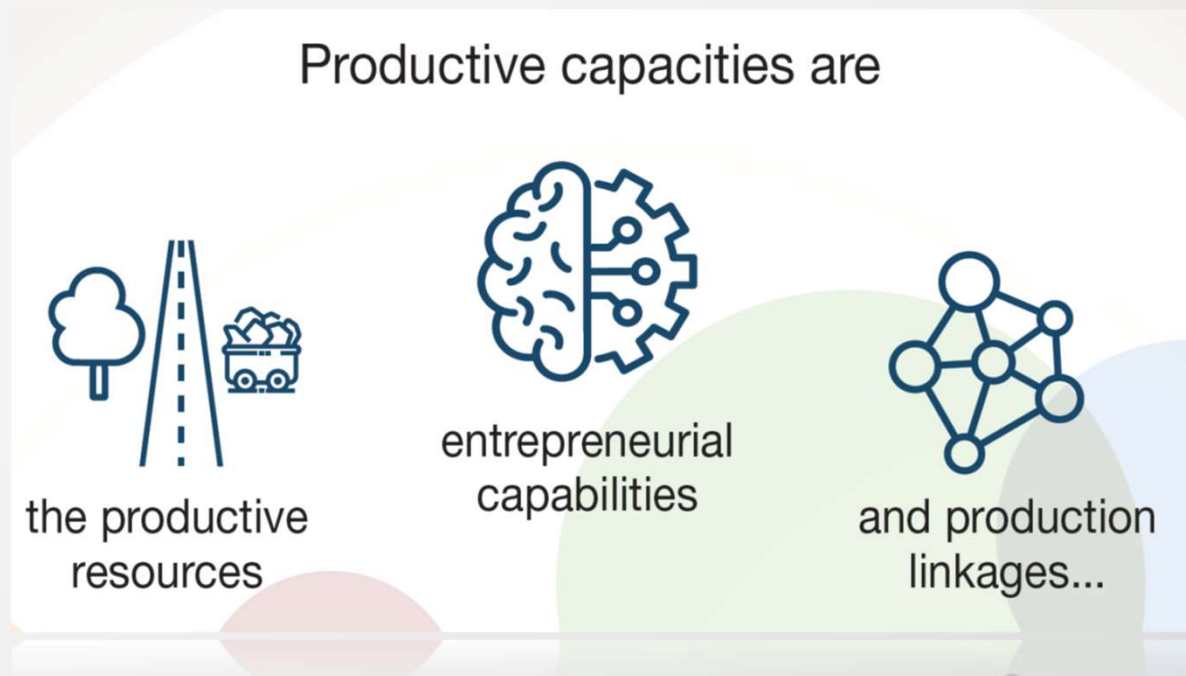
as a result of the COVID crisis

= 377 million people

⇒ Lasting consequence: SDGs become a more distant prospect



2. Productive capacities and structural transformation



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



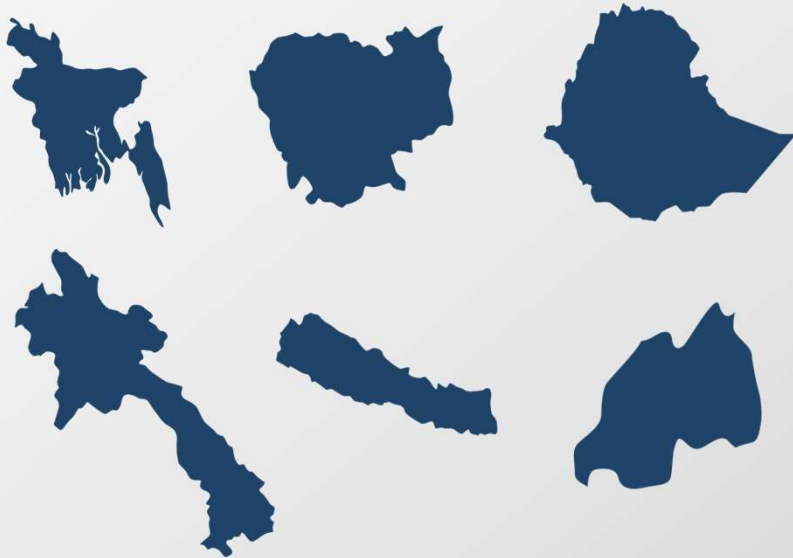
high-productivity
activities



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



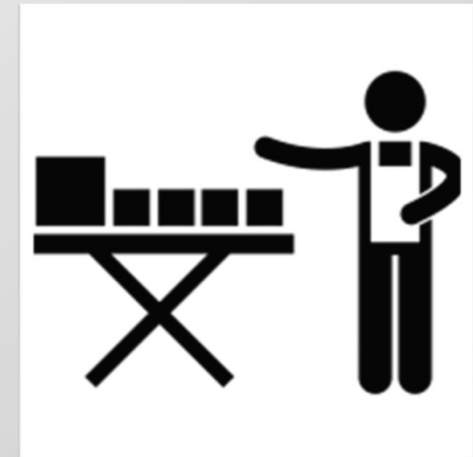
2. Productive capacities and structural transformation

Most other LDCs →

traditional agriculture

traditional service sectors

predominate



→ Low productivity holds down living standards



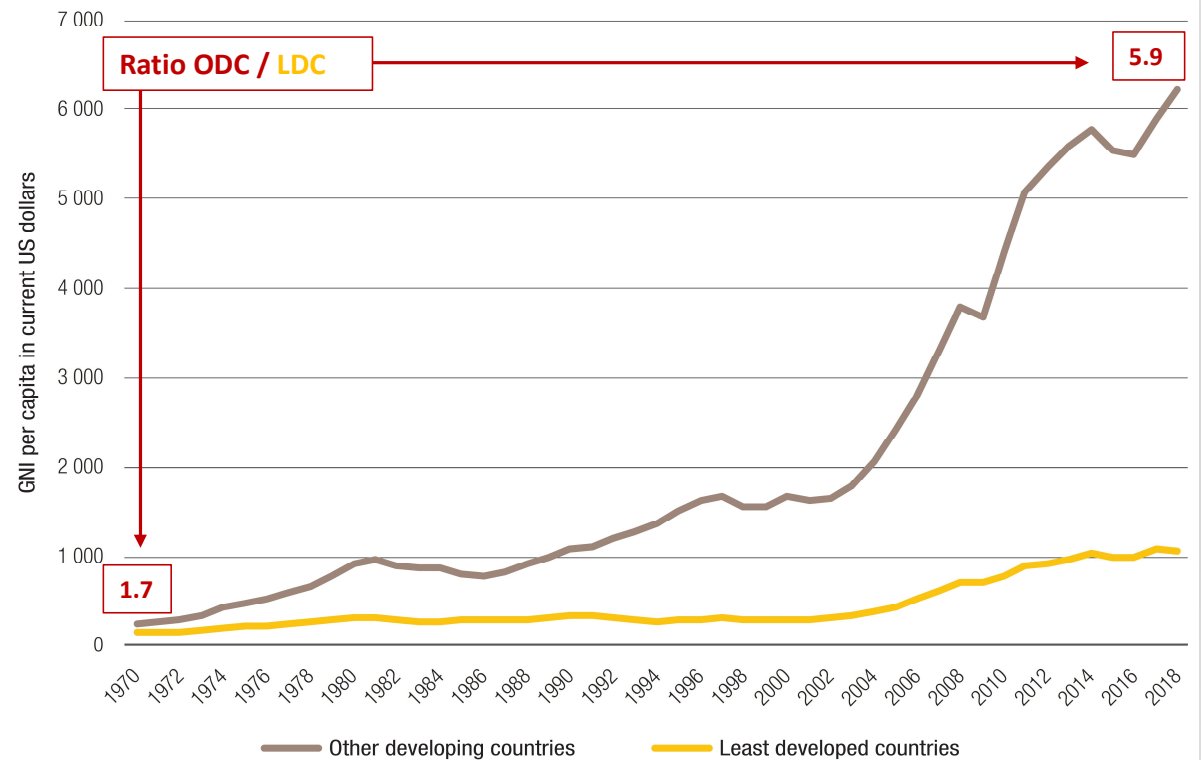
2. Productive capacities and structural transformation

Limited structural transformation



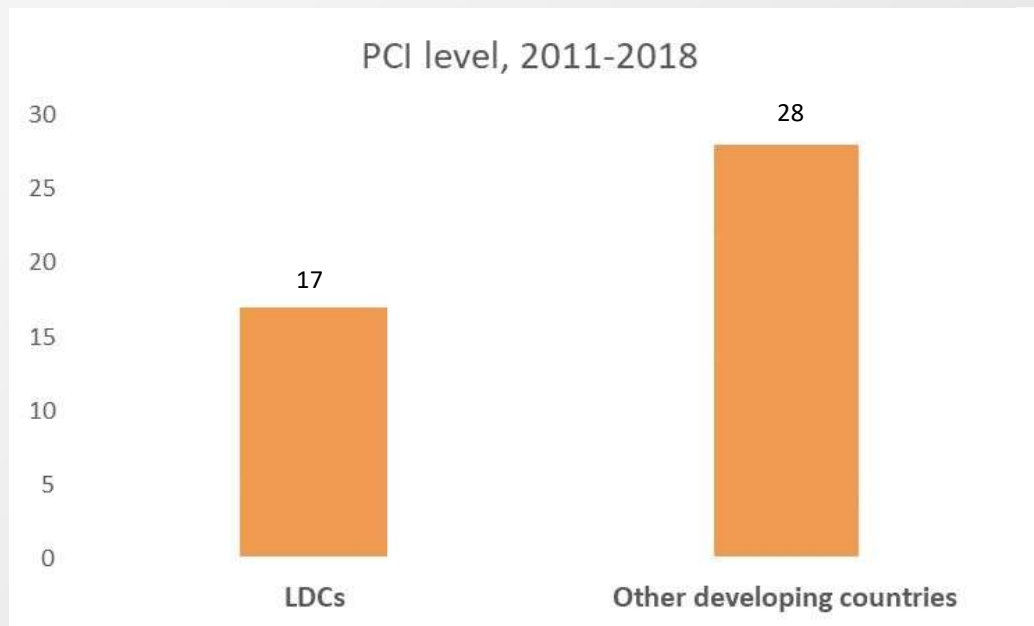
LDCs as a group have been **diverging long-term** from other developing countries

GNI per capita gap of least developed countries in comparison to other developing countries, average in current US dollars



3. Measuring LDCs' productive capacities

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

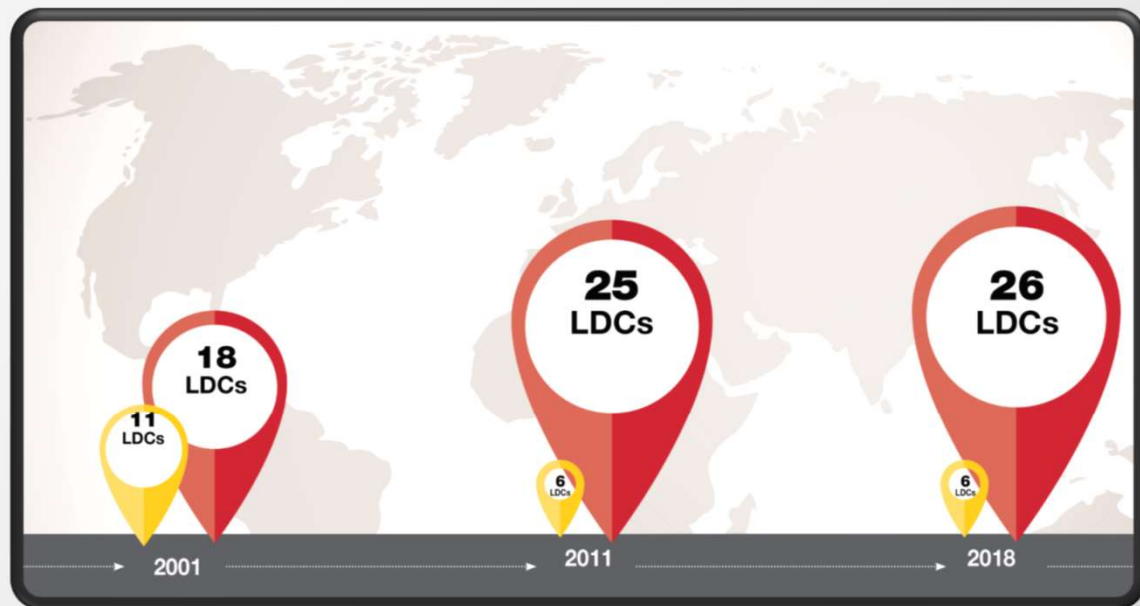


LDCs' average PCI level was 40% lower than that of other developing countries in 2011–2018



3. Measuring LDCs' productive capacities

Most LDCs have achieved only **meager development** of productive capacities since 2001



The number of LDCs with low productive capacities has increased over time

The number of LDCs with high productive capacities has decreased over time



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 \Rightarrow hopes of **technological leapfrogging** in LDCs

\Rightarrow has NOT happened!

- Access to mobile phones in LDCs $\nearrow \nearrow$ 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)

With limited industrialization,
LDCs struggle to leverage
the digital 4th industrial revolution



PLEASE WAIT...

Loading 2nd and 3rd industrial revolution



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 (ISMs)

- 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



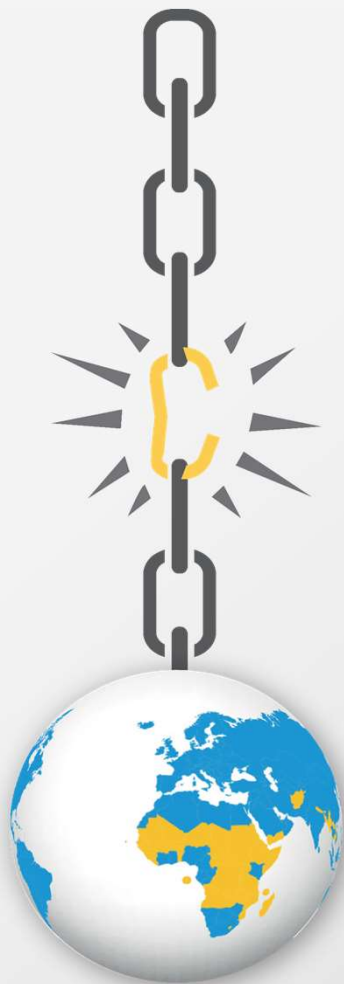
5. Policies to develop productive capacities in the new decade

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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