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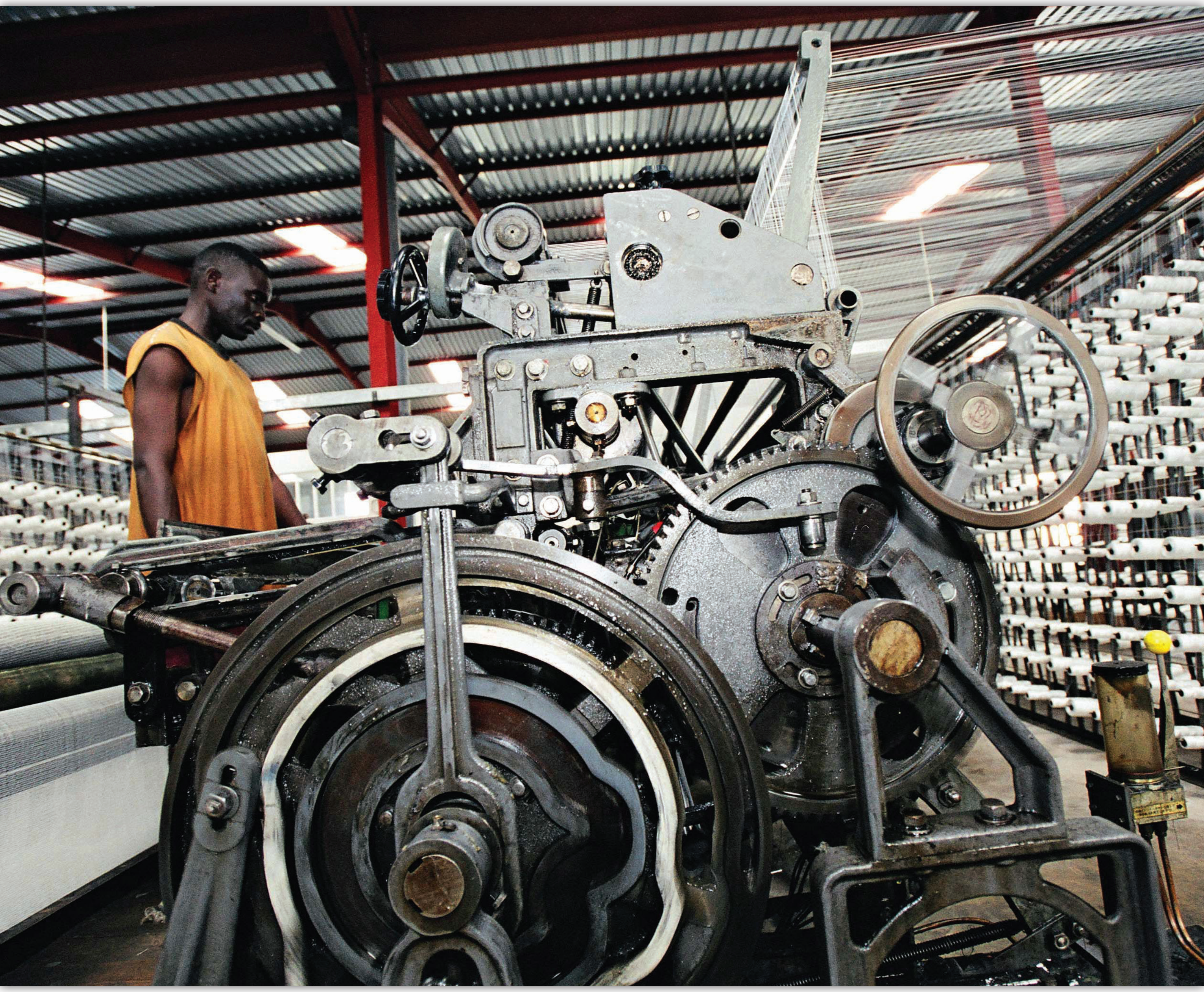
Benchmarking productive capacities in least developed countries



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Benchmarking Productive Capacities in Least Developed Countries

United Nations
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Executive summary

At the thirteenth session of the United Nations Conference on Trade and Development (UNCTAD XIII), which took place in Doha, Qatar, in April 2012, member States requested UNCTAD to develop quantifiable indicators with a view to providing “an operational methodology and policy guidelines on how to mainstream productive capacities in national development policies and strategies in LDCs” (Doha Mandate, para. 65(e)).

The present report, which is part of ongoing work by the secretariat and a response to the above-mentioned request, focuses on measuring and benchmarking productive capacities in least developed countries (LDCs): their current levels; how LDCs have performed in the recent past; and how the productive capacities in LDCs compare with the internationally agreed goals and targets and with other developing countries. It is found that LDCs generally lag behind other developing countries with respect to most indicators, although there is considerable heterogeneity in both groups of countries. The overall impression of the LDC group as a whole is that the development of productive capacities in these countries is advancing, but that the progress is slow and that the challenge of meeting the objectives of the Istanbul Programme of Action (IPoA) by 2020 is daunting.

Although specific policy recommendations must be done on a case-by-case basis, general themes that recur in LDCs include the need to improve data collection and data management, to build national statistical and database management capacities, to continually undertake reforms and to support and promote additional investment in and financing of productive capacities. The development partners of LDCs have important roles to play, including by rebalancing the sectoral distribution of official development assistance (ODA), by improving market access and by channelling resources from the Aid for Trade initiative to augment productive and supply capacities of LDCs.

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Abbreviations

CPIA	country policy and institutional assessment
GDP	gross domestic product
GFCF	gross fixed capital formation
GNI	gross national income
GSP	Generalized System of Preferences
ICT	information and communications technology
IPoA	Istanbul Programme of Action
LDC	least developed country
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
PCI	productive capacities index
SMEs	small and medium-sized enterprises
STI	science, technology and innovation
TPES	total primary energy supply
UNCTAD	United Nations Conference on Trade and Development
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
WTO	World Trade Organization

I. Introduction

When the least developed country (LDC) category was created in 1971, the General Assembly of the United Nations formally endorsed an original list comprising 25 countries. The newly created group soon expanded and in the 40-odd years that followed saw a net increase of 24 countries. Thus, when South Sudan was added to the list in 2012, the total number of LDCs was brought to the current 49 countries. The expansion of the LDC list over the past four decades can in part be attributed to some countries gaining independence during the period, but in other cases it has been due to the socioeconomic conditions of some countries deteriorating to such an extent that they have been found eligible for inclusion. Meanwhile, there have only been three instances of the opposite scenario, that is, of countries that have managed to graduate from their LDC status and hence be removed from the list. The four ex-LDCs to date are Botswana, Cabo Verde Maldives, and Samoa.

The ambition of LDCs and their international development partners is to reverse the trend of a growing LDC category and enable half of them to graduate by 2020. As in the preceding decades, they adopted a programme of action, the Programme of Action for the Least Developed Countries for the Decade 2011–2020 (Istanbul Programme of Action (IPoA)), which sets out a host of concrete goals and targets across eight priority areas. These serve as the means to the proclaimed overarching end: “to overcome the structural challenges faced by the least developed countries in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the least developed country category” (para. 27).

One of the priority areas identified in the IPoA is productive capacities, which are regarded as an indispensable element for LDC development. LDC economies may well expand due to windfall gains from natural resource discoveries, tariff preferences or other income sources that are only weakly related to any actual competitiveness. Yet for LDCs to overcome supply constraints and spur structural transformation, boosting their productive capacities is a sine qua non. It is only by improving their infrastructure; energy production; science, technology and innovation; and private sector development that they may be able to follow a path towards long-term growth that is sustainable and inclusive. To be sure, other ingredients are needed as well – as reflected in the other priority areas of the IPoA – and building productive capacities should thus be seen as a necessary but insufficient condition for LDC development.