

Expert group meeting  
Lessons learned in building productive capacity in graduated and  
graduating countries  
Geneva, 30 November and 1 December 2016

# Analytical framework

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# Overview

1. Framework from 2016 CDP Plenary
2. Relationship building productive capacity and LDC graduation
3. Three possible pathways

# CDP Framework

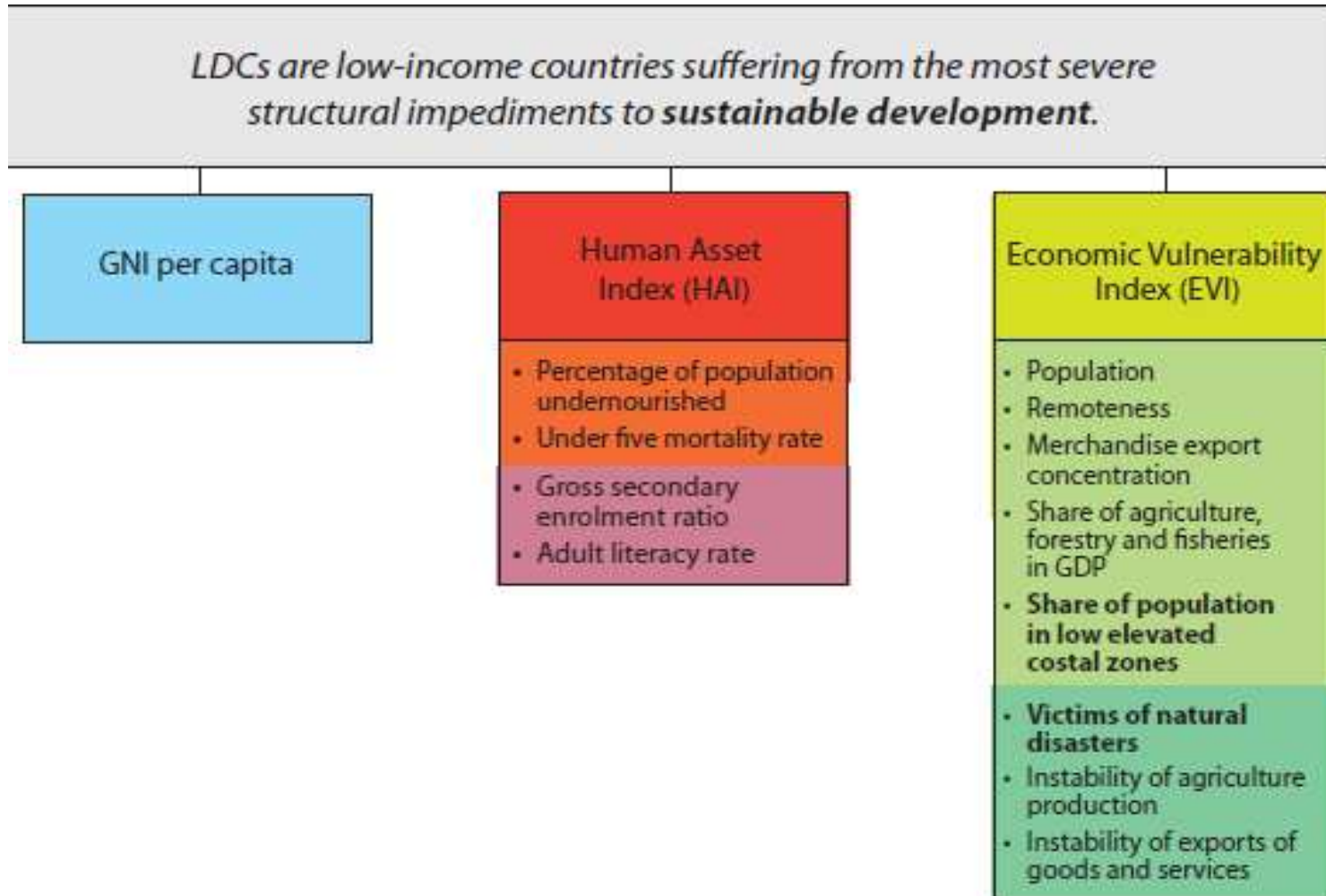
- ◆ Productive capacity
  - Productive resources (natural, human, physical, financial)
  - Entrepreneurial and institutional capabilities
  - Production linkages
- ◆ Expanding productive capacities for achieving sustainable development goals requires an integrated approach
  - Requires more than increasing components of productive capacity
  - Other SDGs need to be considered
    - ◆ Synergies and trade-offs
  - Expanding productive capacity is not a stand-alone goal
  - Integration needed at macro, micro and project level
- ◆ Policies in five areas necessary
  - Development governance
  - Social policies
  - Macroeconomic and financial policies
  - Industrial and sectoral policies
  - International support



# Expanding productive capacities and LDC graduation

- ◆ LDCs: Low income countries with most severe structural impediments to sustainable development
- ◆ Three criteria:
  - GNI per capita
  - Human asset index (HAI)
  - Economic (and environmental) vulnerability index (EVI)
- ◆ LDC must pass threshold in 2 of 3 criteria
  - 'Income only' exception for relatively rich countries
- ◆ Building productive capacity for sustainable development will ultimately lead to graduation
- ◆ Graduation not necessarily a sign of productive capacity for sustainable development

# Indicators of the LDC criteria



# Expanding productive capacities and LDC graduation

## ◆ GNI per capita

- Higher productive capacity → higher production → higher income
- Production can be increased from natural resource exploitation w/o building productive capacities for sustainable development
- Income can be increased w/o production (e.g. fish licenses)

## ◆ HAI

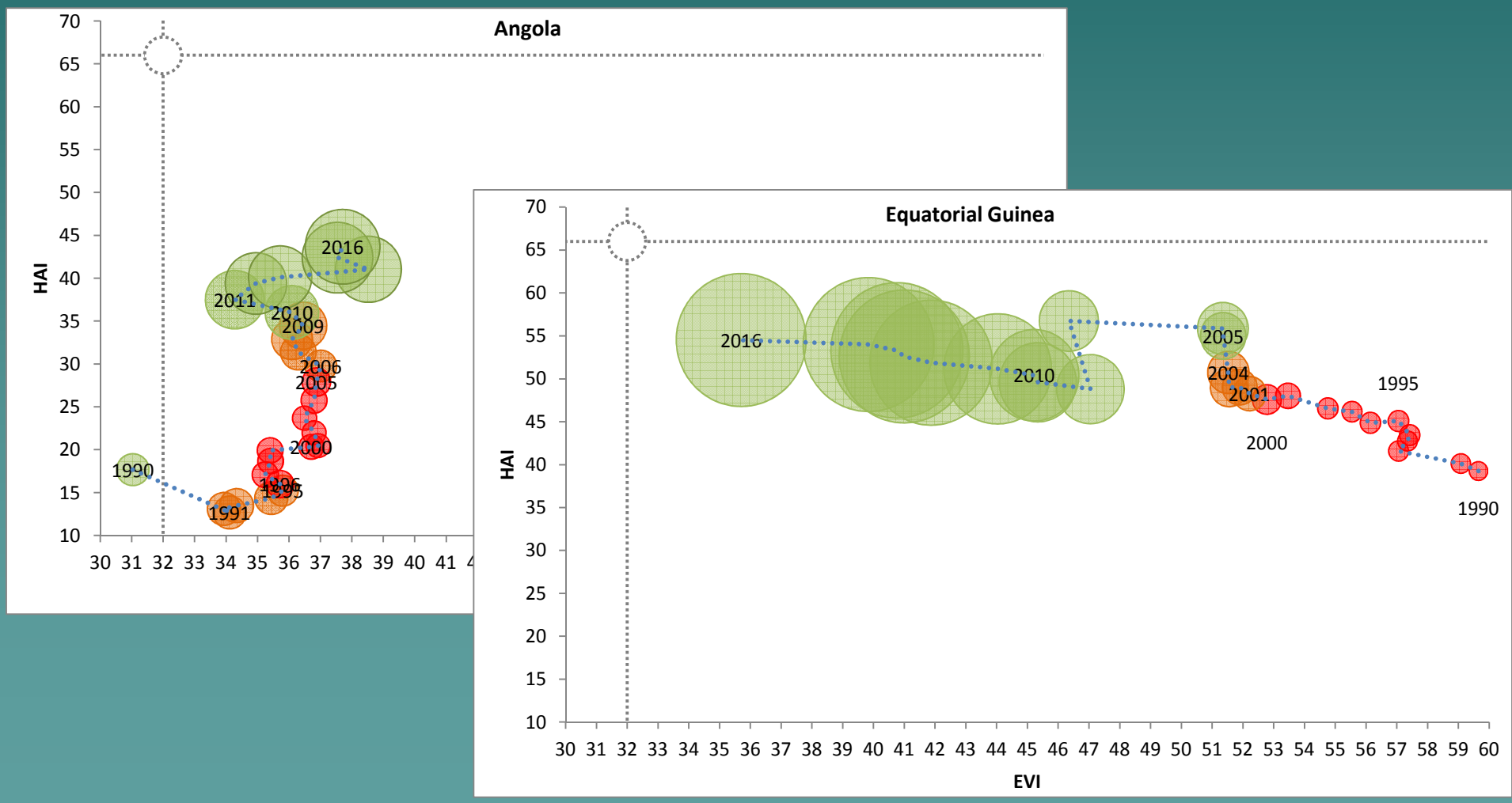
- Investing in quality health and education → HAI ↑
- Human assets may not be harnessed for production
- HAI does not consider inequalities and social protection

## ◆ EVI

- Better integration in world economy and economic diversification → export instability and concentration ↓ → EVI ↓
- Higher agricultural productivity → agricultural instability ↓ → EVI ↓
- 'Overshooting' possible, EVI might first rise before falling
- Role of policy invariant factors (population, remoteness, LECZ)
- Disaster risk reduction part of productive capacity ?

# 3 Pathways to graduation

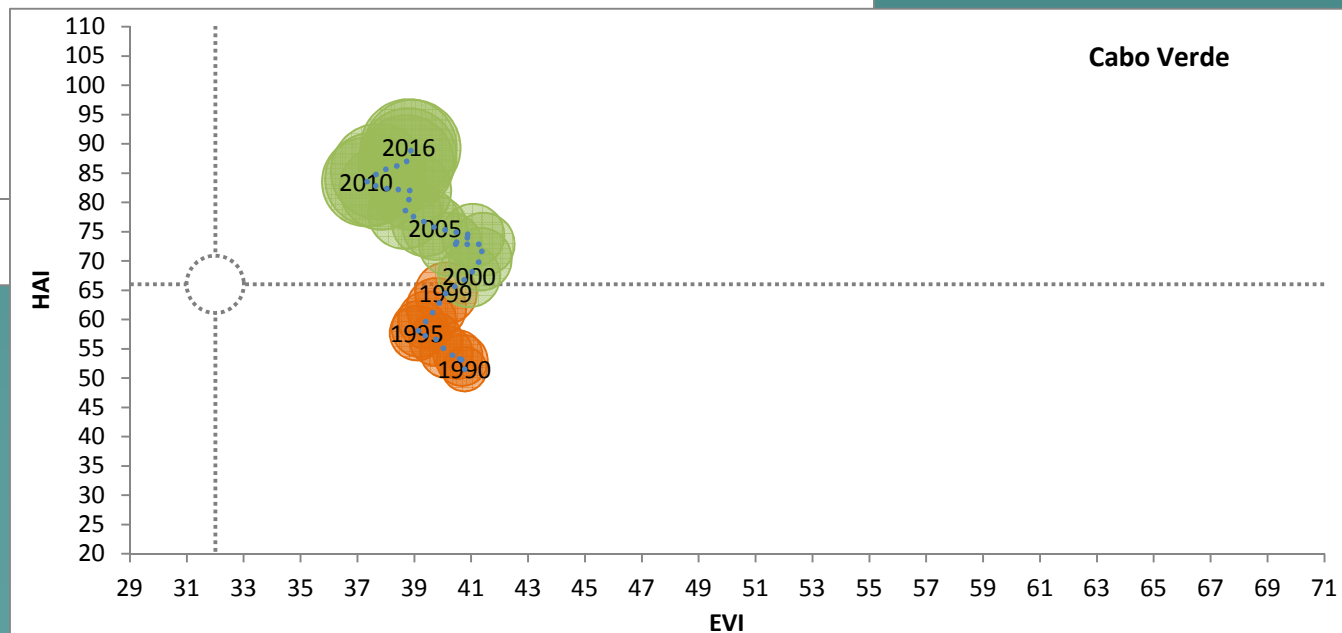
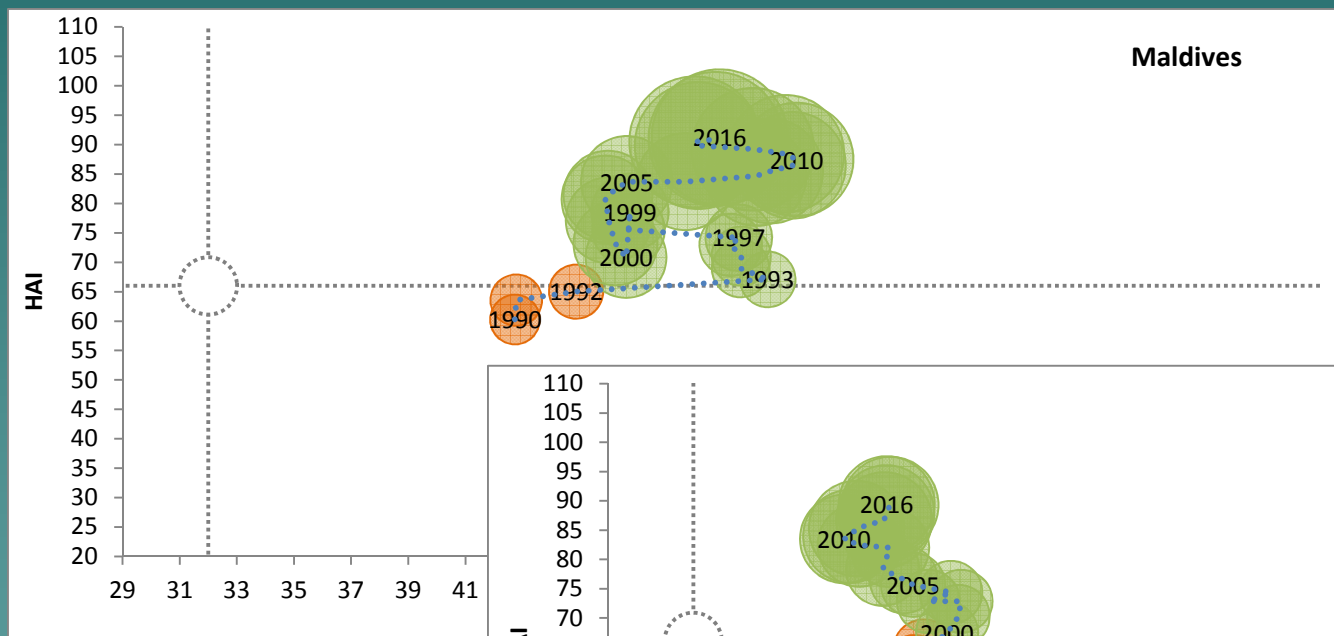
- ◆ Rapid growth through natural resource exploitation
- ◆ GNI per capita ↑↑, HAI low and ↑, EVI high and ↑↓





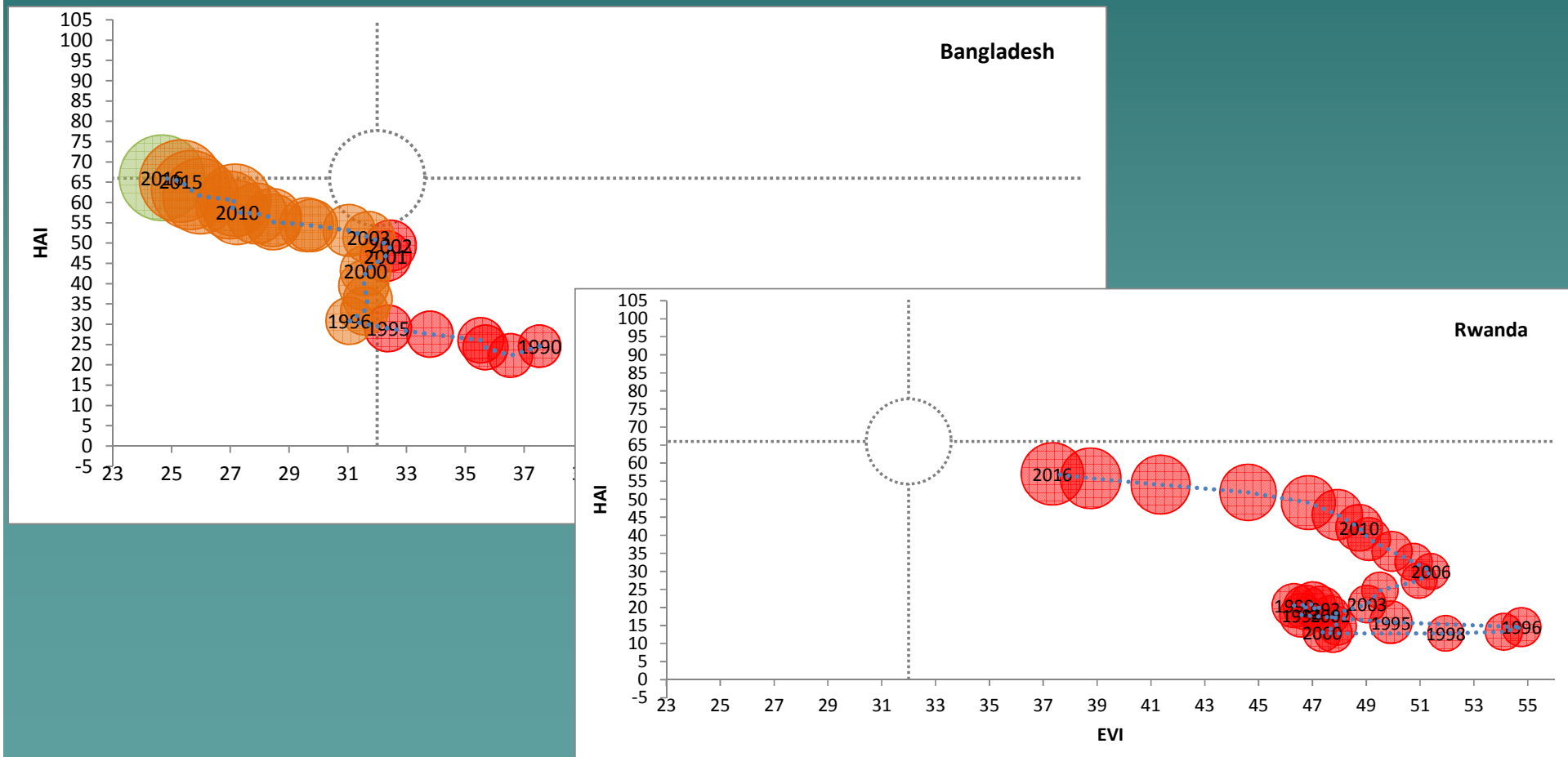
# 3 Pathways to graduation

- ◆ Economic specialization and investing in human capital
- ◆ GNI per capita ↑, HAI high and ↑, EVI high and ↑↓



# 3 Pathways to graduation

- ◆ Investing in human capital and economic diversification
- ◆ Investment in agricultural productivity first priority
- ◆ GNI per capita low but  $\uparrow$ , HAI  $\uparrow$ , EVI  $\downarrow$



# Thank You

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