

April 2018

Lessons Learned in Developing Productive Capacity: Fourteen Case Studies

Committee for Development Policy (CDP) secretariat

ABSTRACT

Least developed countries (LDCs) are characterized by limited productive capacities, which constrains their efforts towards structural transformation and sustainable development. At the same time, the actual policy choices countries that have graduated or have made significant progress towards graduation from the LDC category provide a wide range of lessons other LDCs and the international community can learn from. Whereas countries can be on different pathways towards graduation, a diverse set of social, macroeconomic, financial, agricultural and industrial policies can be effective. However, good development governance is the key factor for successfully expanding productive capacity.

Keywords: Least developed countries, productive capacity, development governance, Angola, Bangladesh, Bhutan, Botswana, Cabo Verde, Equatorial Guinea, Ethiopia, Ghana, Maldives, Rwanda, Samoa, Solomon Islands, Vanuatu, Viet Nam

JEL Classification: F63, O1, O2, O57

CONTENTS

I. Introduction.....	1
II. Case Studies	2
A. Pathway : Rapid growth through natural resource exploitation (Angola and Equatorial Guinea) 2	
1. Introduction	2
2. Development governance	3
3. Macroeconomic and financial policies.....	4
4. Social policy	5
5. Industrial and sectoral policies	6
6. International support measures.....	6
B. Pathway : Economic specialization and investment in human capital (Botswana, Bhutan, Cabo Verde, Maldives, Samoa, Vanuatu and Solomon Islands)	7
1. Introduction	7
2. Development governance	10
3. Social policy	13
4. Macroeconomic and financial policies.....	16
5. Industrial and sectoral policies	21
6. International support measures.....	26
C. Pathway : Graduation through economic diversification, structural transformation and the development of human capital (Bangladesh, Ethiopia and Rwanda)	28
1. Introduction	28
2. Development governance	29
3. Social policy	32
4. Macroeconomic and financial policies.....	34
5. Industrial and sectoral policies	36
6. International support measures.....	38
D. Productive Capacity Building and Structural Transformation in Non- DC Developing Countries (Vietnam and Ghana): Potential Lessons for DCs	39
1. Introduction	39
2. Development Governance	40
3. Social Policy	41
4. Macroeconomic and Financial Policies	42
5. Industrial and Sectoral Policies	43
III. Conclusion.....	44
References.....	45

CDP Background Papers are available at <https://www.un.org/development/desa/dpad/cdp-background-papers/>. The views and opinions expressed herein are those of the author and do not necessarily reflect those of the United Nations Secretariat. The designations and terminology employed may not conform to United Nations practice and do not imply the expression of any opinion whatsoever on the part of the Organization.

Typesetter: *Nancy Settecasti*

UNITED NATIONS
Committee for Development Policy
United Nations Secretariat, 405 East 42nd Street
New York, N.Y. 10017, USA
e-mail: cdp@un.org
<http://cdp.un.org>

I Introduction

II Case Studies

A. Pa a l: Ra d a a e ce e a
(A a a d E a a G ea)

1. Introduction



B. Pa a ll: Ec c ec a a a d e e a ca a
(B a a, B a , Cab Ve de, Ma d e , Sa a, Va a a d
S a l a d)

1. *Introduction*

Bhutan

Samoa

2. *Development governance*

-

-

Cabo Verde

Botswana

-

Bhutan - Avoiding instabilities caused by extreme but predictable volatility

Solomon Islands - Pitfalls of austerity

C. Part III: Gender equality, social justice and
a fair and equitable environment (Bamade, E
and Rada)

1. Introduction

3. Social policy

Bangladesh

Rwanda

5. Industrial and sectoral policies

Bangladesh

6. *International support measures*

20

21

22

²⁰ Data is from United Nations Comtrade, downloaded 20/11/2016. Clothing is understood as covering HS codes 61 and 62.

²¹ Most of the following observations are also based on Rahman (2014).

²² The notable exception is the US, where garments are excluded from LDC preferences and where many non-LDCs have access to other preferential rates.



References

