



# **Productive Capacities for Poverty Eradication in Africa: Issues, Challenges and Lessons Learned**

DESA Expert Group Meeting, 16-18 May 2022

Patrick Osakwe  
Chief, Trade and Poverty Branch  
UNCTAD, Geneva

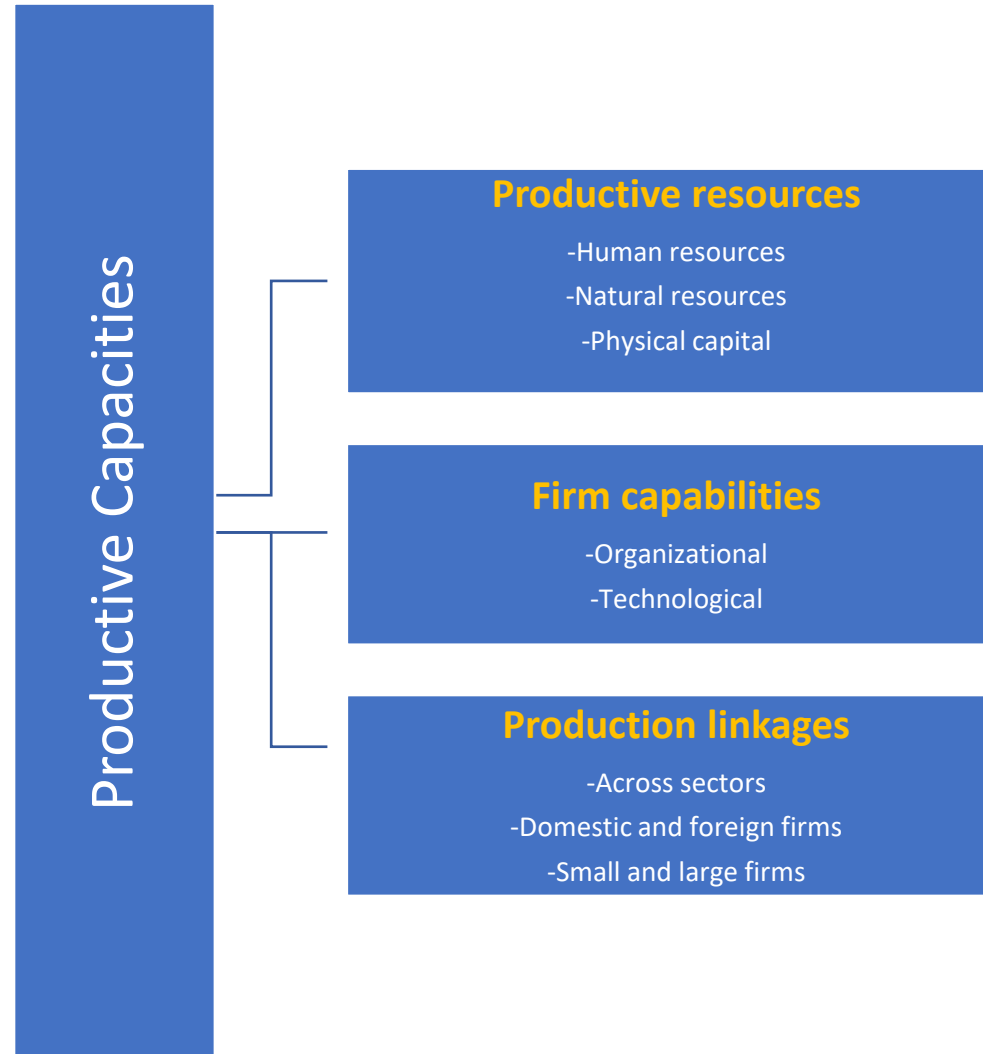
# Outline of Presentation

- I. Context
- II. What are Productive Capacities?
- III. Why Productive Capacities are Important for Poverty Reduction?
- IV. Issues to Consider in Developing Productive Capacities
- V. Key Policy Instruments for Developing Productive Capacities
- VI. Lessons Learned

# I. Context

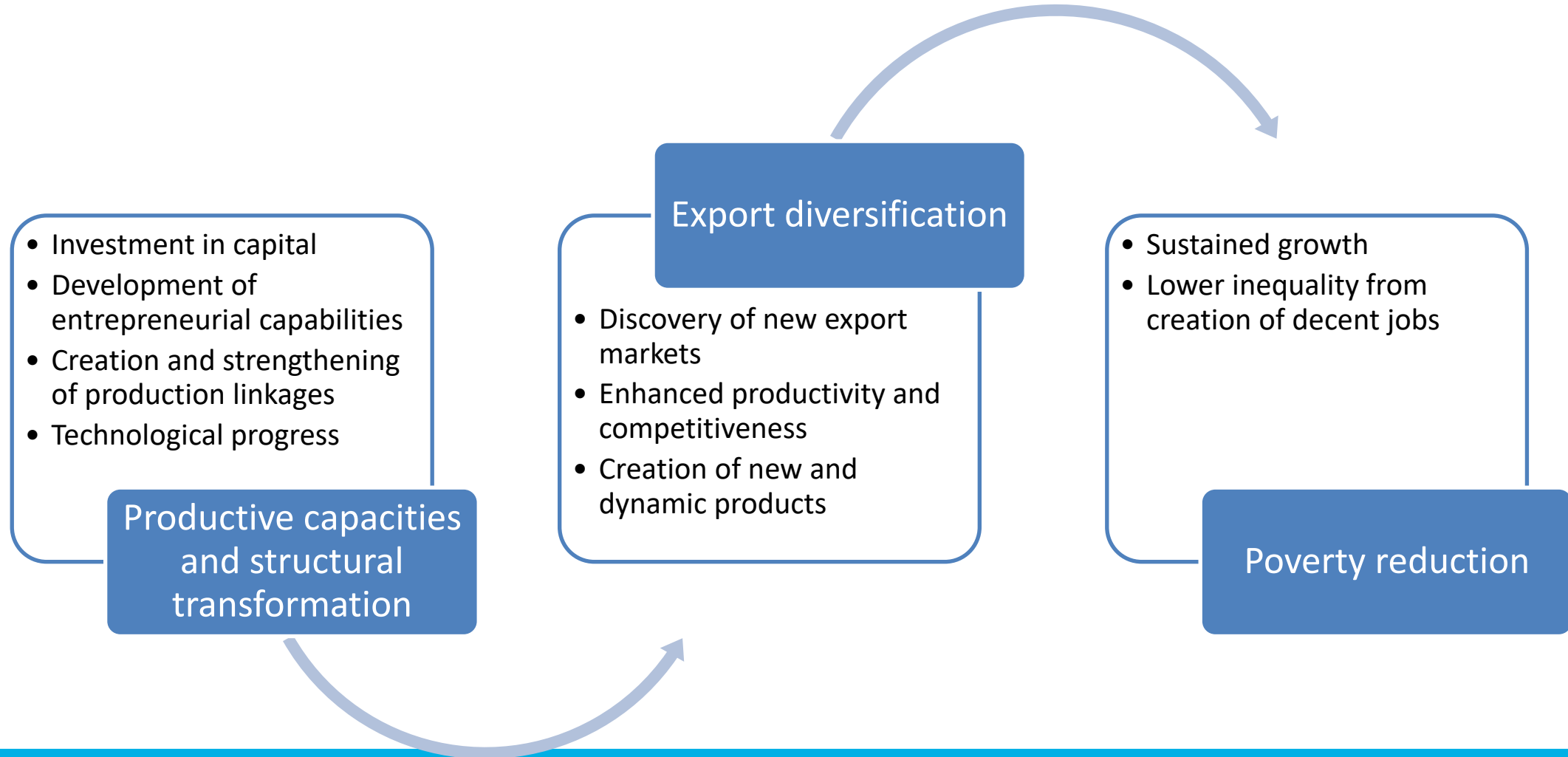
- Globally, significant progress has been made in reducing poverty over the past few decades.
  - The poverty rate fell from 16% in 2010 to 9% in 2021, and the number of people in poverty fell from 1.1 billion to 740 million.
  - Despite these achievements, it is unlikely that we will achieve the SDG target of eradicating poverty by 2030.
    - Number of poor in SSA rose from 417 million in 2010 to 458 million in 2021
    - SSA share of global poverty rose from 37% in 2010 to 66% in 2021
- **Key message:** If we are to meet SDG1 we have to address the challenge of poverty reduction in Africa. And this requires the development of productive capacities.

## II. What are Productive Capacities?



### III. Why productive capacities are important for poverty reduction?

- Development results from building **productive capacities** and **structural change**: two processes necessary to create decent jobs and reduce poverty in Africa



## IV. Issues to Consider in Developing Productive Capacities

*There are two ways to enhance productive capacities*

- Increase output of existing products
- Produce new and more sophisticated products (diversification)

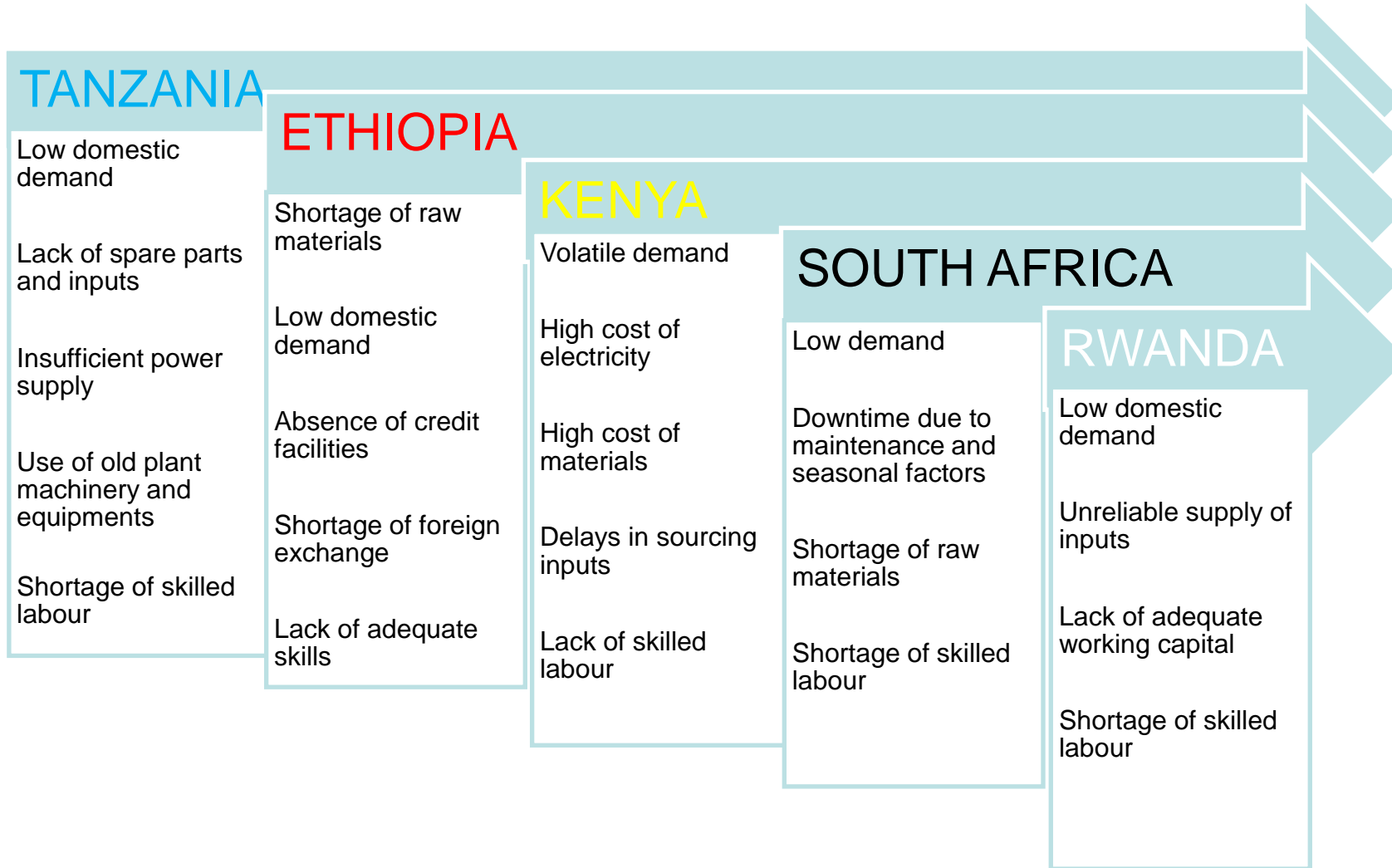
*Avoid false dichotomies (be pragmatic)*

- Agriculture versus Industrial development;
- Resource versus Technology-based strategies;
- State versus Markets etc

*A holistic approach to developing productive capacities is needed*

- build new capacities BUT also make better use of existing capacities.
- low capacity-utilization is a problem in manufacturing

# Reasons for low manufacturing capacity utilization



# V. Policy instruments for Building Productive Capacities

## ■ **Macro Level:**

- Development finance and macroeconomic policies
  - Interest rates and exchange rates

## ■ **Meso Level:**

- Investment promotion and FDI
- Industrial parks and SEZs
- Trade policy and strategic market development

## ■ **Micro Level:**

- Technical and vocational skills development
- Local content policy



## VI. Lessons learned

- Building productive capacities requires ***lifting core binding constraints***
  - Infrastructure, reliable access to inputs, credit constraints, etc
- ***Macroeconomic policies must be consistent*** with the objective of production transformation
- Need a ***strategic approach to FDI*** and it should not be promoted at the expense of domestic investment.
- Promote the adoption, adaptation and ***use of technologies***
- ***Align education and training programmes*** with private sector demand

- **Regional cooperation** can play a vital role in developing infrastructure needed for productive transformation.
- Development of productive capacities is not a **responsibility of the government** and private sector alone.
  - **Consumer behavior** is also important in achieving the goal of developing productive capacities
  - The **consumption patterns** and tastes of consumers **have an impact on the types of goods that can be profitably produced** and traded by domestic firms.
    - **Local demand** responsible for success of Wine industry in Switzerland
    - Same for Food and Beer industries in West Africa