Enhancing productive capacity and achieving sustained economic growth

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Growth remains well below target in the majority of LDCs
Progress towards diversification is slow.
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Some persistent barriers to more rapid progress:

- Infrastructure gaps, including institutional infrastructure and gaps in public services
- Exposure to external shocks, including climate-related shocks and commodity prices
- Scarce financial resources
- Lack of transparency in public and private sectors
- In some cases, political instability or conflict situations
What has worked? Example of economic diversification in Costa Rica.
What worked in Costa Rica?

- Government took steps to diversify both vertically and horizontally
  - Provided financial incentives to develop non-traditional agricultural exports
  - Created export processing zones
  - Proactive FDI policies carefully managed to prevent development of “enclave projects” with little return to the broader economy
    - Transparent contract law
  - Supported development of high-tech manufacturing industries, alongside education
  - Promoted domestic service sector, especially tourism
Strong institutional framework is needed