



## United Nations Conference on Trade and Development

Distr.: Limited  
21 July 2016

Original: English

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### Fourteenth session

Nairobi

17–22 July 2016

Item 8 of the agenda

**From decision to action: Moving towards an inclusive and equitable  
global economic environment for trade and development**

## Draft negotiating text\*

### Sub-theme 3

**Advancing economic structural transformation and cooperation to  
build economic resilience and address trade and development  
challenges and opportunities, at all levels, within the UNCTAD  
mandate**

#### Policy analysis

61. The global economy faces a series of persistent and emerging challenges to ensuring stable economic growth as well as achieving inclusive and sustainable development. These challenges include slow economic growth, challenges of climate change and response to growing energy demands. To this end, increasing resilience to these shocks is critical to achieving inclusive sustainable development. Key elements of such resilience are structural transformation, the development of productive capacities, economic diversification and industrialization, which all need an enabling environment at all levels. Poverty eradication and development efforts focused on stimulating sustainable long-term economic productivity and competitiveness can also play a role by generating domestic revenues to help build resilience, including through investment in physical and human infrastructure.

62. Economic structural transformation through diversification into more modern sustainable and technologically advanced activities and the production of higher value products is very important for resilience-building and sustainable long-term growth. However, structural transformation has proved challenging, partly reflecting limited technological development, poor infrastructure, in particular access to electricity, weak skills bases, domestic supply-side constraints and challenging global economic environment, in particular uncertainty in global financial and commodity markets. Those

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\* Paragraphs from text agreed as of 20 July 2016.



challenges have affected the required mobilization of resources from both domestic and external sources to finance the investment essential to promote economic structural transformation. It will also require sound social, environmental and economic policies, including countercyclical fiscal policies, adequate fiscal space, good governance and democratic and transparent institutions at all levels.

63. Closely connected to structural transformation, and central to inclusive and sustainable development, is the development of productive capacities. Building productive capacities requires holistic and integrated approaches to exploit the nexus between trade and development and interrelated issues in the areas of finance, technology and investment, to promote and upgrade domestic competitive production, which will enable developing countries to better integrate into and maximize the benefits of participation in regional and global value chains.

65. Successful diversification requires an international enabling environment, including a trading regime, conducive to the achievement of inclusive and sustainable development and sustained growth. A stable international financial and monetary system also contributes to that end. An international economic environment that fails to support diversification risks jeopardizing all efforts to meet the needs of the 2030 Agenda for Sustainable Development in particular in developing countries.

66. Industrialization is an important source of growth, job creation and value addition, as well as a significant source of inputs for the rural economy and a basis for the development of high-value services. Its sustainability should be promoted, including through the provision of appropriate means of implementation for developing countries. This has been an important subject of the analytical and policy-oriented work of UNCTAD, and is now incorporated as an objective in the Sustainable Development Goals, together with related targets in the fields of industrial diversification, entrepreneurial and technological upgrading and progress.

67. Industrialization, structural transformation, development of productive capacities and diversification are all dependent on investment, which is also central to inclusive and sustainable development, employment and innovation, and harnessing trade successfully for growth and poverty eradication.

68. Though not Sustainable Development Goals in themselves, entrepreneurial activity, related educational curricula, support for professional training, research and development, and related innovation should be promoted as they can help to generate sustainable economic growth. Supporting the creation of inclusive businesses, particularly those owned by women, and individuals from economically disadvantaged groups can contribute to social inclusion, by generating income as well as offering goods and services to that part of the population. Governments can play an important role in this regard, including by promoting investment in microenterprises, small and medium-sized enterprises and improving their access to finance, technologies and services, as well as through supporting the enabling environment at all levels. A particular challenge is posed by very large and growing informal sectors in many developing countries, partly reflecting a combination of complex socioeconomic transformation processes, and a rate of industrialization insufficient for surplus labour to be absorbed into formal markets.

70. Each country needs to adopt measures tailored to its own particular circumstances and priorities. There is thus no single universal policy blueprint for inclusive and sustainable development. In exercising their right and fulfilling their responsibility to advance their economic and social development and improve the welfare of their people, countries must select from the different approaches, visions and tools available, in accordance with local capabilities conditions and needs and a country's history and evolving role in the global economy while bearing in mind relevant international agreements and outcomes.

74. Fair, sound and robust national competition and consumer protection laws and policies are also important, as is international cooperation, information exchange and capacity-building in these areas, particularly in light of the expansion of global markets, the increasing role of transnational companies, the need for enhanced transparency and accountability, the information and communications technology revolution and emergence of e-commerce.

76. Sound investments in human and institutional capacity-building, education, training, health and nutrition are also important to structural transformation, the development of productive capacities and sustainable and inclusive development, through the development of a diverse, skilled and qualified workforce that meets the demands of the economy and society.

80. Youth unemployment is a particular concern, as it stifles the transformative potential of young people in sustainable development. Investment, especially in education, training and technology, is needed to empower young people and foster active citizenship. So too is a nurturing environment for the full realization of their rights and capabilities. This includes education to increase literacy, numeracy and skills relevant to decent work, entrepreneurship and the needs of the private sector.

81. Integrating environmental considerations into national trade and development strategies where appropriate is equally essential to the long-term sustainability and success of these strategies. Such considerations should be viewed as part of an approach encompassing all three pillars of sustainable development, taking into account the relationship between trade and competitiveness, and activities oriented to environmental concerns.

### **The role of UNCTAD**

82. -

(a) Provide statistics, analytical work and technical assistance to developing countries in the areas of trade, economic diversification, industrial policies and the effective mobilization of financial resources for structural transformation, to enhance growth and development and to integrate beneficially into the global economy, including through development of sectors and activities that generate greater value addition and effective exploitation of trade opportunities offered by multilateral and regional initiatives;

(b) Continue efforts to promote strategies for the structural transformation of developing countries and countries with economies in transition, working closely with other United Nations agencies, relevant international organizations, and other stakeholders, also matching needs with relevant support mechanisms, and promoting dialogue among countries on their transformational efforts towards the achievement of the Sustainable Development Goals;

(c) Develop statistics and conduct research on emerging and long-standing development challenges to least developed countries and analyse national and international policy strategies and programmes aimed at their graduation and sustainable development to provide practical solutions and policy options, including through promotion of investment and entrepreneurship and building productive capacities;

(d) Continue and strengthen technical cooperation activities in least developed countries through training and capacity-building in accordance with the Istanbul Programme of Action;

(e) Continue and further address the needs of landlocked developing countries in formulating and implementing policies and strategies centred on fostering productive capacities and structural economic transformation, in accordance with the Vienna Programme of Action;

- (f) Continue to assist small island developing States in their efforts to address their physical and economic vulnerabilities, promote structural economic transformation build resilience and productive capacities in accordance with the SAMOA Pathway;
- (g) Continue activities to disseminate research findings and policy analysis on least developed countries and enhance policy dialogue with least developed country policymakers;
- (i) Continue to assist structurally weak and vulnerable small economies in their efforts to promote investment and build productive capacity and report on the results of this work;
- (j) Continue its support to address the special concerns and needs of Africa including through provision of policy advice and analysis;
- (l) Assist least developed countries to progress towards and prepare for graduation from the least developed country category, including strategies for facilitating a smooth transition, a clear understanding of the post-graduation environment and challenges and of the need to build productive capacities, and promote structural transformation necessary for post-graduation sustainable development;
- (m) Support developing countries and countries with economies in transition in diversifying production and exports including in new sustainable growth areas such as sustainable agriculture, including organic agriculture, and creative industries;
- (n) Devise approaches to stimulating economic diversification and promoting higher value added production, including through trade, investment and entrepreneurship, with a view to providing equal economic opportunity for all, in developing countries especially in least developed countries;
- (o) Strengthen the capacity of commodity-dependent and net food importing developing countries to reduce short-term negative effects of price volatility through instruments for market risk management;
- (q) Conduct policy analysis and identify policy options aimed at strengthening domestic and international resource mobilization for developing countries and countries with economies in transition;
- (r) Assist developing countries, in particular least developed countries, in assessing progress towards structural transformation, resilience-building, resource mobilization, economic diversification and competitiveness in support of their national development strategies, including through the analysis of policy best practices;
- (s) Continue and further enhance its work on infrastructure services and support developing countries in the establishment of policy, regulatory and institutional frameworks that contribute to infrastructure development;
- (t) Assist developing countries including least developed countries in building a macroeconomic and business environment that stimulates enterprise development and competitiveness and maximizes sustainable investment opportunities;
- (u) Develop and disseminate further its Entrepreneurship Policy Framework and assist developing countries in building a competitive microenterprise, small and medium-sized enterprise sector, as well as better integrate into global value chains, including through its Empretec programme, including for the promotion of youth and women's entrepreneurship, and smallholder farmers;