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ROUND TABLE 4

ADDRESSING PERSISTENT AND EMERGING DEVELOPMENT CHALLENGES: AN INTEGRATED APPROACH TO PROMOTING STRUCTURAL TRANSFORMATION

25 APRIL 2012, 9 a.m.–12 noon

BACKGROUND

I. Persistent and emerging challenges

UNCTAD has consistently argued that achieving inclusive and sustainable development in developing countries requires structural change and the development of productive capacities. The emphasis on structural transformation arises from the fact that economic development necessitates a shift of resources from low to high productivity activities. The industrial sector has historically played a key role as an engine of structural transformation. Furthermore, poor countries need high and sustained economic growth in order to make significant progress in employment creation and poverty reduction. Commodity exports can lead to high growth but, as the experience of oil-exporting countries has shown, it is difficult to sustain and does not always lead to job creation. Consequently, if developing countries want to achieve their national development objectives, they have to go through a process of structural transformation involving a decrease in the share of agriculture and an increase in the share of industry and modern services in output. However, the emphasis on structural transformation involving a decrease in the share of agriculture and an emphasis on structural change does not imply that industrialization should be achieved at the expense of agricultural development.

Structural transformation occurs through a complex socio-economic process that is not automatic. The experience of the developed countries and the emerging economies suggest that deliberate government action, and more specifically industrial policy, is required to promote industries and induce structural change. However, it is important to recognize that this approach did not always induce structural transformation in the past, particularly when organized around a top-down process focused on providing support to favoured entrepreneurs without challenging them to perform and without due concern to other social and economic policy goals. Avoiding these mistakes of the past requires a new approach based on the following guiding principles: better consultation between the State and the private sector, effective disciplinary mechanisms for underperforming firms and sectors; greater emphasis on education and skills development, and a credible mechanism for monitoring and evaluating policies. Also it is clear now that without a vibrant export sector, structural transformation is likely to be choked. Moreover, technological learning and upgrading are closely linked to the process of structural transformation, helping to raise productivity and build dynamic trading advantages.

This new approach to development policy must also be adapted to the rapidly changing global environment. Over the past decade, the global economic environment has changed fundamentally in ways that have serious consequences for growth, employment and poverty reduction in developing countries. Rising food and energy prices have become an important feature of the global economy that

policymakers have to contend with. There has also been an increase in the frequency of extreme weather events, due largely to climate change, with policymakers increasingly concerned about how it may affect future growth. The climate change challenge is in turn drawing attention to other types of collateral damage of the development process on the natural environment. Furthermore, the global economic and financial turmoil of 2008–09 has increased macroeconomic instability and eroded some of the gains in economic performance made by developing countries since the beginning of the new millennium. Finally, large developing countries are increasingly playing important roles in trade, investment, finance and global governance, and this presents new challenges and opportunities for both South–South and North–South relations.

II. Key focus areas

All these developments are adding new challenges to the enduring problem of orchestrating a sustained structural transformation. This raises a host of policy issues in the areas of finance, technology, investment and sustainable development. The round table will address policy issues in five areas deemed crucial for promoting structural transformation and engendering development in the new global environment, namely: (a) Agriculture and food security, (b) domestic resource mobilization, (c) fostering scientific and technological innovation; (d) climate-resilient transport infrastructure development and (e) energy supply.

PURPOSE

The event will provide an opportunity for government ministers, senior government officials and other stakeholders to discuss the persistent and emerging development challenges facing developing countries and to identify policy options for tackling these challenges. The central questions to be addressed include:

- (a) How does agriculture fit into the structural transformation process? How self-sufficient do countries need to be to achieve food security?
- (b) What role should domestic resource mobilization play in financing the structural transformation process of developing countries? How can governments boost capacity for domestic resource mobilization?
- (c) What are the constraints to building effective capacity for scientific and technological innovation in developing countries, and what policies are needed to lift these constraints?
- (d) How can developing countries best finance their transport infrastructure needs in order to achieve structural transformation?
- (e) How can countries promote wider energy access and an appropriate and efficient energy mix for structural transformation?
- (f) How can developing countries achieve structural transformation without compromising environmental sustainability?

OUTCOME

The round table is expected to raise awareness and stimulate debate on the persistent and emerging development challenges facing developing countries, with an emphasis on the role of structural transformation in addressing these challenges. A summary of the deliberation and policy recommendations will be prepared and used as a guide in setting UNCTAD's future research programme.

ORGANIZATION

The round table will start with a *tour de table* by invited panellists in which they comment on key emerging and persistent challenges in promoting structural transformation. There will then be a more focused discussion of the priority areas and questions identified in the issues note (TD/458), drawing on the specific expertise and experience of the individual panellists. This should promote open and interactive debate with all participants.

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