

Statement by

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**Second UN Conference on Landlocked
Developing Countries**

General Debate

Vienna, Austria, 4 November 2014



Mr. Chairman,

Excellencies,

Ladies and Gentlemen,

Today, we are meeting here to discuss long term policies and practical steps to help landlocked developing countries find their path towards sustainable development. The Common Fund for Commodities participated in the preparations for this review of the Almaty Programme of Action, and supported preparation of studies and policy analysis focusing on the development potential of the commodity sector in LLDCs. Some of the results of this analysis and its resulting policy recommendations have been reflected in the presentations made at the side event during the Ministerial Preparatory Conference in New York a few weeks earlier. We ~~hope that the contribution made so far by the Common Fund had been positive and~~ we look forward to providing further support to the conceptual work on the role of commodities in solving the development challenges facing LLDCs.

The origins of the Common Fund for Commodities go back to the 1980s drawing from the "Integrated Programme for Commodities", and generally, expressing the desire of international community to integrate the developing countries in the global economic system with equitable benefits to both producers and consumers of commodities. The Common Fund had the task of implementing a comprehensive set of instruments to maximize the positive development benefits from commodity production and trade. Today the Common Fund possesses rich experience of practical action in pursuing sustainable development gains through actions in the commodity sector.

Mr. Chairman,

is a general agreement
There ~~seems not to be much disagreement~~ in the international community that commodity dependence is a development problem. We note with great concern that 24 out of 32 countries in LLDC group are facing a severe degree of commodity dependence, thus compounding the challenges created by "landlockedness". We may note here that during the recent years some

LLDCs witnessed a period of sustained growth due to rising commodity prices, which, however, came to an end with the onset of the financial and economic crisis. The commodities boom of 2003 to 2008 was unprecedented and the decline and subsequent market volatility seen since then were equally astonishing. However, while LLDCs can do little if anything to influence the markets, we can look for measures to mitigate the high degree of reliance by LLDCs on a few commodities for their participation in the global trading system which becomes a major factor of economic vulnerability of LLDCs.

We in the Common Fund are convinced that commodities are and will remain the main vehicle of development of LLDCs in the foreseeable future. Enhancing agricultural productivity and making efficient use of productive resources, enabling integration of commodity producers as equal partners in global value-chains, better governance and use of revenues from mineral resources, as well as the volatility of commodity prices, all stand prominently amongst the economic policy challenges facing LLDCs.

Mr. Chairman,

Today the policy responses and international instruments available for dealing with different aspects of commodity dependence go beyond supply management and include, among others, the following measures:

- risk mitigation by risk transfer and risk management;
- horizontal and vertical diversification of commodity sector;
- value chain transparency and efficiency improvement;
- income support measures;
- revenue management, etc.

As practitioners we can only acknowledge the fact that the international consensus required for global supply management to have any practical effect has not progressed much beyond the IPC over 20 years of CFC operations. It is universally recognized that the traditional instruments of international development assistance in the commodity sector have not yielded the much needed impetus to growth and development of economies of LLDCs and led to waning enthusiasm for commodity driven development in the national governments and international community. Indeed, commodities and agriculture have suffered much from the continued neglect since the 80s at both national and international level.

Mr. Chairman,

We believe that the international community is facing a fundamental challenge today in finding a modern new framework for collective action to support commodity dependent developing countries and, particularly, LLDCs and other vulnerable groups. ~~Our contribution to the preparatory process in this conference is, essentially, a step in this direction.~~ As discussed in the pre-conference Ministerial Meeting of LDCs, overcoming the economic vulnerability resulting from commodity dependence and integrating export commodity sectors to become sustainable part of the broader national economy becomes an inescapable challenge for many LLDCs in achieving sustained economic development.

Mr. Chairman,
Excellencies,
Ladies and Gentlemen,

We enter the CFC arena

The CFC is a practical institution and we know, from practical experience, that context-specific and targeted actions can unlock market driven replication of success leading to self reinforcing cycle of economic growth in commodity sectors. Such opportunities can be found and developed by taking the operations as close as possible to the primary producers while keeping the door open for the private sector and, particularly, to the financiers to come in at the earliest.

Over the past few years the Members of the Common Fund were working hard to reform the organization so that it could fulfil its mission within the new realities of international development paradigm. I am pleased to inform this meeting that the Governing Council of the CFC in its forthcoming meeting in December 2014 will consider a comprehensive reform package, recommended for adoption by the Executive Board. The package envisions greater accessibility of CFC resources in support of private sector innovation in the commodity sector, seeking sustainable development gains in all dimensions of sustainability. Today, the CFC is already operating under a transitional framework, which contains many of the elements seen in the reform package. One important part of this framework is that greater accessibility of CFC funds comes with market based accountability for the results, by means of traditional instruments, such as loans and equity finance, as well as innovative development focussed instruments, such as development impact bonds and impact investment funds. Another element of the reform of the CFC envisions greater adaptability of the organization, where our instruments will be subject to regular review and amendment to keep the Fund attuned to the needs of CDDCs, including commodity dependent LLDCs.

Mr. Chairman,
Excellencies,
Ladies and Gentlemen,

We see the persistence of commodity dependence as an indication of adverse effects of countries economic vulnerability. Finding new ways to take these countries out of the circle of commodity dependence requires practical innovation and replication of success.

We would like to hope that this Conference will articulate the need for an open and flexible strategy for the new role of commodities which could guide the development community to be wise about commodities as a pillar of sustainable global growth and development.

I thank you for your kind attention.

