Statement by
Ambassador Ali Mchumo,
Managing Director,
the Common Fund for Commodities

Fourth UN Conference on the LDCs, Istanbul, Turkey, 9-13 May 2011

Excellencies,
Distinguished Participants,

As you may be aware, the Common Fund for Commodities was established with the objective of improving the terms of trade of commodity dependent developing countries and in order to assist these countries towards expanding and diversifying their productive capacity and trade, and increasing their export earnings through commodity development measures, mainly implemented by providing project financing in the form of grants, concessional loans and technical assistance. The Common Fund for Commodities has been supporting interventions in the Least Developed Countries in line with the Brussels Plan of Action especially Commitment 1: Fostering a people-centred policy framework, Commitment 4: Building productive capacities to
make globalization work for LDCs, and  Commitment 5: Enhancing the role of trade in development.

I would like to inform this august gathering that during the period 2001 to 2010, the Common Fund for Commodities, within its modest resources, has approved 62 regular projects and 65 smaller projects with a total cost of USD 188,813,042 covering commodities of economic interest to LDCs. These projects aim at enhancing incomes of small-holder producers through increases in production and productivity, horizontal and vertical diversification, value-addition, increasing access to markets, capacity building and risk management. I would like to underline that the main benefits of pilot projects supported by the CFC come not from "flooding a problem with money" but from making strategic interventions through modest expenditure to put together effective measures to address particular problems affecting commodity production and marketing, and in this way be able to create new opportunities for income generation and wealth creation in Developing, and, particularly, Least Developed Countries. These interventions not only need to be continued but further deepened and widened.

Mr. Chairman,
Excellencies,
Distinguished Participants,
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 challenges to economic growth and social stability of the LDCs. During the last decade, due to higher commodity prices, the LDCs witnessed a period of sustained growth till the onset of the financial and economic crisis. The commodities boom of 2003 to 2008 was unprecedented and the decline witnessed since then equally astonishing. We in the Common Fund are convinced that commodities are and will remain the main vehicle of development of LDCs in the foreseeable future. However, while this remains a fact, we have to work to reduce the high dependency and concentration by LDCs on a few commodities since commodity dependence is a major factor of economic vulnerability of LDCs. There seems not to be much disagreement in the international community that commodity dependence is a development problem. 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 CDDCs 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. It is now heartening to note that more attention is now being focussed on commodity issues.

Excellencies,
Distinguished Participants,

Despite the large commitment of resources being announced in the context of some manifestations of commodity sector fragility (e.g. food security, fiscal imbalances, high costs of inputs), commodity sector stakeholders still require consistent and predictable financial support, responding to the opportunities in commodity sector, to make their economies viable and self sustaining. It is for this reason that it is important for all commodity dependent LDCs to use the occasion of the UN LDC IV Conference to secure sustained commitments to international cooperation leveraging the inherent power of commodity sector for development.

One issue that appears prominently on the current agenda of the international community is the volatility of global markets. As the global economic environment may be changing in the coming decade, the programme of action should reflect our knowledge and understanding of the situation, allowing for creation of new instruments so that our actions and policies remain effective and efficient. Initiatives are
required that aim at mitigating the negative effects of instability of commodity prices and earning from commodity exports, including through price risk management and establishment of viable safety nets for small producers, and through compensatory finance schemes.

Mr. Chairman
Excellencies,
Distinguished Participants,

In conclusion, let me emphasize that recognizing that problems of commodity dependence, volatility, and other complicating features of commodity markets also create development opportunities for LDCs should, in our view, remain part of the next decennial Programme of Action for LDCs. To support the process, the Common Fund for Commodities and UNCTAD hosted a side event on commodities, which was held in the afternoon on Sunday, 8 May, the day before the official opening of the meeting. The outcomes of the Side Event, I am sure, will contribute to the measures and actions that will characterize the Programme of Action for the LDCs for the next decade that will be adopted by this august Conference.

I thank you for your kind attention.