THE PRESIDENT
OF THE
GENERAL ASSEMBLY

31 March, 2016

Excellency,

I have the honor to refer to the General Assembly Resolution A/RES/70/191, entitled "Commodities", which requests the President of the General Assembly to organize a one-off one-day informal interactive dialogue on commodity markets during the first half of 2016. The dialogue is an opportunity to review world commodity trends and prospects, particularly in commodity-dependent countries.

In order to act upon this mandate, I am planning to hold an interactive dialogue on commodity markets on 16 May, 2016, at the UN Headquarters in New York. I herewith attach a preliminary Concept Note for consideration and kindly request views, inputs and suggestions from Member States to be sent by 8 April 2016.

I will also request views, inputs and suggestions from all relevant bodies, agencies, funds and programs of the United Nations system and other relevant intergovernmental, global, regional and sub-regional organizations, the United Nations Conference on Trade and Development and all relevant international financial and economic institutions, non-governmental organizations, civil society, private sector and academic institutions, on the main aspects this event should consider to elicit concrete recommendations for supporting the implementation of the 2030 Agenda for Sustainable Development.

A Background Note will summarize the aforementioned inputs and suggestions and contribute with additional details and a provisional program, to be circulated in due time.

Please accept, Excellency, the assurances of my highest consideration.

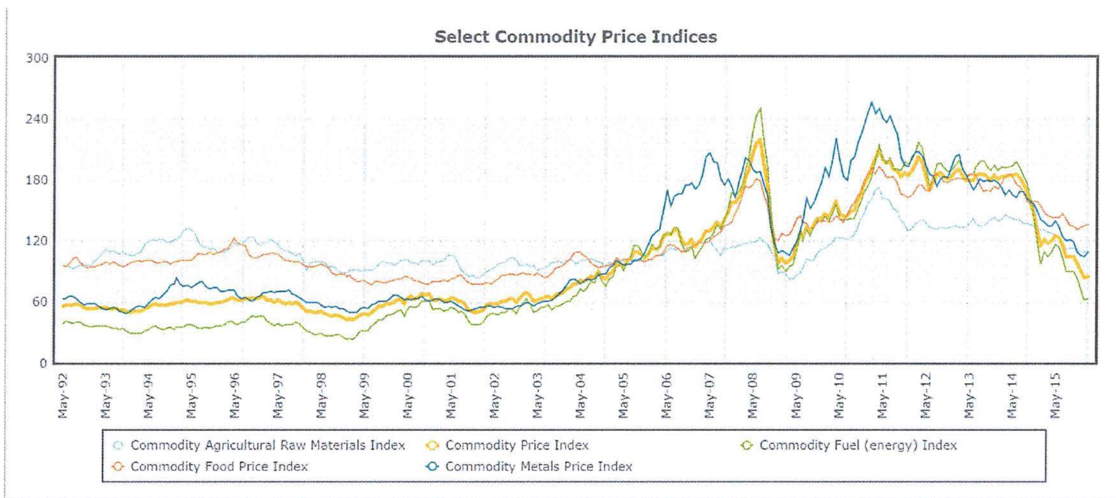
Mogens Lykketoft

To All Permanent Representatives and
Permanent Observers to the United Nations
New York

Concept Note
One-off one-day informal interactive dialogue on commodity markets
New York, 16 May 2016

I. Introduction and background

Between 2002 and 2008 commodity prices were on a rising trend, in some cases very rapidly. Following a sharp dip in 2009, the rise continued at an even faster pace. The recovery came to an end in 2011 and prices have, in general, declined significantly since then, albeit at varying paces across product lines. The upside of the so-called commodity "super cycle" seems to have run its course and the big question now is just how long and how far prices will fall and with what impact?



Source: http://www.indexmundi.com/commodities.

The United Nations *World Economic Situation and Prospects 2016* and the IMF *Fiscal Monitor* highlighted the many challenges and spill-overs of this downward price trend on macroeconomic policy management at the national level but also, more broadly, on the stability of the international economic and financial system[1]. In particular, the link between declining commodity prices and sustainable debt positions is becoming a growing concern for policy makers in both emerging economies and many least developed countries.

In a time when ambitious, transformative and universal goals have been adopted by the international community, namely the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda for Financing for Development and the Paris Climate Agreement, revenues obtained from commodity production and export remain critical for mobilizing the resources many developing countries need to begin implementing such commitments, especially for African countries and those least developed. Given an unlikely reversal in commodity prices, commodity-net export economies are running a serious risk of a deflationary spiral in which declining prices and related capital outflows are accompanied by

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[1] "The Commodities Roller Coaster: A Fiscal Framework for Uncertain Times", Fiscal monitor—Washington, D.C. : International Monetary Fund October 2015.

sharp downward adjustments in the exchange rate, leading to large twin balance of payment and government deficits and raising the danger of a return to an era of sovereign debt crises. Such crises have, in the past, set back development by a decade or more.

The General Assembly traditionally recognizes, as in its latest Resolution adopted on the issue (GA Resolution 70/191), that uncertainty in global commodity markets reinforces the need for both comprehensive approaches and tailor-made solutions regarding the demand for commodities, supply capacities, commodity revenues and investments in commodity-dependent economies. The adoption of the Sustainable Development Goals (SDGs) in September 2015 reinforced such approaches. Effective solutions require building on interlinkages and cross-cutting areas and unlocking synergies stemming from trade, finance, energy, infrastructure, agriculture and food systems for the promotion of a more sustainable development, while taking into account the diversity of countries' specific circumstances and needs.

As indicated in the Secretary General´s report entitled "World Commodities trend and prospects" (A/70/184), issued in July 2015, promoting sustainable development in commodity producing economies requires an international enabling environment, coupled with regulatory measures, at both the national and international levels, to ensure the requisite degree of market predictability. This is proving to be an exceptionally challenging task, especially for developing countries.

These challenges were also addressed in the Addis Ababa Action Agenda, adopted at the Third International Conference on Financing for Development in July 2015. Member States noted that countries relying on natural resource exports face particular challenges and reaffirmed that every State has and shall freely exercise full permanent sovereignty over all its wealth, natural resources and economic activity. At the same time, countries agreed to four policy responses to challenges surrounding natural resources: 1) investment in value addition and processing of natural resources and productive diversification; 2) addressing excessive tax incentives related to investments in extractive industries; 3) stressing the importance of corporate transparency and accountability, and encouraging countries to implement measures to ensure transparency 4) capacity development, including sharing best practices and promote peer learning and capacity-building for contract negotiations for fair and transparent concession, revenue and royalty agreements, and for monitoring the implementation of contracts.

In addition Addis Ababa Action Agenda stressed the importance of domestic resource mobilization, with an agreement to strengthen international tax cooperation and increased efforts to fight illicit financial flows, as well as to enhance ODA for capacity building in developing countries. Finally, both the SDGs and the Addis Agenda included commitments to adopt measures to ensure the proper functioning of food commodity markets and their derivatives, and called for relevant regulatory bodies to adopt measures to facilitate timely, accurate and transparent access to market information in an effort to ensure that commodity markets appropriately, in order to help limit extreme food price volatility.

Capacity development and strengthened regulatory frameworks at all levels, especially those aimed at promoting adequate and more transparent functioning of commodity markets, will be key elements to enable further mobilization of domestic and international resources for developing countries to achieve the SDGs.

In such circumstances, international cooperation should play a critical role to create an enabling environment for further and better mobilization of resources but also for managing the downside risks. Cooperation should focus on enhancing national capacity of commodity-dependent developing countries to collect fiscal revenues from their exports, as well as combat trade mispricing and related illicit financial flows, so as domestic sources can be mobilized to support sustainable development, especially through inclusive economic growth, industrialization, decent work and market diversification. But it should also ensure that appropriate financial support, on non-onerous terms, is available to prevent a deflationary spiral taking hold and for managing the consequences in a fair and efficient manner if it does.

National experiences in managing fiscal revenue collected from commodities vary considerably, including how to measure success and progress in this respect. Tracking the activities and resource flows of large international corporations who continue to shape outcomes in many commodity markets will also be important in this context. It is fair to say, however, that success will not happen unless resource-rich countries devote a great deal of attention to upgrading their fiscal policies, regulatory frameworks and institutions. In the last decade, many countries were successful in saving a larger share of their resource revenue windfall, while also scaling up public investment and social spending. Countries have as a result grown more conscious of the trade-offs involved between how much to consume of their non-renewable resource wealth and how much to save in the form of financial savings and other assets, such as public infrastructure.

For LDCs, there is extensive literature supporting the advantages and risks of using natural resource wealth to help kick-start national development plans. Challenges lie though on ensuring that public infrastructure investment and social spending are made in synergy with countermeasures aimed at withstanding cyclical adverse shocks from commodity markets. Since commodity-based revenues are both volatile and exhaustible, it is important that resource-rich countries diversify their sources of revenues, ensuring that the tax base includes the non-resource economy. Financial buffers should also be built, so as to better manage uncertainty in commodity-exporting countries particularly prone to it. Stabilization buffers allow for countercyclical fiscal policies and get countries better prepared to manage sharp falls in commodity prices, as those witnessed since 2012.

II. Objective

The event should stimulate a much needed debate aimed at providing inputs for a wide-ranging assessment of the current stage of the commodity cycle, as well as consolidating the United Nations as a platform for sharing best practices, policy recommendations and successful experiences regarding commodity wealth management. As most developing countries are to some extent dependent on commodity exports, commodity wealth management becomes a strategic element in their national planning and strategies, especially if we take into consideration the amount of resources required to finance a much more complex and broad-ranging agenda as the 2030 Agenda for Sustainable Development, including the SDGs.

Drawing on commodity-based revenues represents an opportunity to kick-start the implementation of the SDGs in producing economies, but it also poses a challenge for those countries to overcome their commodity dependency and the related constraints this can pose on sustained and inclusive growth. Mandated by General Assembly Resolution 70/191, the one-off one day event intends to provide a space to discuss policy options, at both the national and international levels, share experiences and analyze hard evidence and data on how to best navigate the end of the commodity super cycle, as well as explore possible cushions against the adverse impacts of current commodity trends on global sustainable development efforts. The interactive debate will also aim at building common ground and at providing concrete policy recommendation and tools on how best deal with high price volatility in commodity prices, including through international cooperation.

III. Format

The one-off one-day interactive debate will consist of an opening session, two interactive panels and a closing plenary. The panel discussion will be made up of a group of renowned experts, high government authorities and representatives from the private sector, the IMF, the World Bank and other international financial institutions, UNCTAD, WTO and UN/DESA, to be followed by an interactive dialogue and a summing-up of the main ideas and policies discussed.

IV. Participation

Participation of Member States will take place in accordance with the rules of procedure of the General Assembly. Representatives of the UN agencies and entities, international financial institutions, regional development banks, private sector, civil society and other stakeholders will also be invited to attend at the highest level.

V. Outcome

The outcome will be a President´s summary, to be circulated to all Members States, the UN System and other stakeholders.