UNITED NATIONS

Global Initiative on Commodities Report

Brasilia, 7–11 May 2007

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
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I. Introduction

A conference entitled "Global initiative on commodities: Re-launching the commodities agenda" has been jointly organized by UNCTAD; the Common Fund for Commodities; the African, Caribbean and Pacific Group of States; and the United Nations Development Programme. At the invitation of the Brazilian Ministry of Agriculture, Livestock and Food Supply, the conference took place from 7 to 11 May in Brasilia, Brazil.

The conference deliberated on major issues related to commodity development, including supply-side constraints, value chain issues, financing of diversification and the use of resource rents.

Opening statements were made by Muhammad Haroon Shaukat, Ambassador of Pakistan to Brazil, who delivered a message from Munir Akram, Permanent Representative of Pakistan to the United Nations and Chairman of the Group of 77; Nestor Osorio, Executive Director, International Coffee Organization (on behalf of International Commodity Bodies); Kamal Malhotra, Officer-in-charge, Poverty Group, and Senior Advisor, Inclusive Globalization, United Nations Development Programme; Ambassador Ferdinand Nyabenda, Assistant Secretary-General, Sustainable Economic Development, Secretariat of the African, Caribbean and Pacific Group of States; Supachai Panitchpakdi, Secretary-General, UNCTAD (through video recording); Ambassador Ali Mchumo, Managing Director, Common Fund for Commodities; and Samuel Pinheiro Guimarães, Acting Minister, Secretary-General, Ministry of External Relations of Brazil. The opening ceremony was closed by Reinhold Stephanes, Minister of Agriculture, Livestock and Food Supply of Brazil. The conference was preceded by a workshop organized by the Brazilian Agricultural Research Corporation.

II. Outcome

The year 2007 marks the mid-point for achieving the Millennium Development Goals, including the goal of halving world poverty by 2015. According to current projections, several least developed countries (LDCs), including many commodity-dependent countries, are unlikely to meet this goal. It is impossible to eliminate poverty, achieve sustainable development and attain the targets of the Millennium Development Goals without improving the conditions and prospects of commodity producers. Two and a half billion people make their livings through the production and trade of commodities, including agricultural goods, forestry products and minerals. It is clear that the international community will need to do more collectively, at the national, regional and global levels, and in a much more focused manner.

As many as 38 developing countries are estimated to be dependent on a single commodity for more than 50 per cent of their export income, while 48 countries depend on only two. These countries depend on commodities as a source of livelihood, employment, foreign exchange and public revenue, and the commodity sector provides the principal stimulus for economic growth. Furthermore, the significant land area and human and natural resource base required by commodity production significantly influence natural resource management, biodiversity conservation and social development. Developing countries are also facing the challenge of industrializing and meeting the growing demands of their populations at a time when the constraints on the natural resource base and the environment are more severe than ever.

A new geography of international trade in commodities is emerging. Rapidly rising demand for commodities in developing countries, particularly in Asia, has led to price increases for many commodities in recent years and to an impressive increase in South–South trade in commodities. More than half of the commodity trade of developing countries is now accounted for by trade among these countries, with such trade increasing in all regions. Developing countries also account for most of the growth in world commodity demand. These developments, and new trends such as biofuels production and the growing variety of specialty products and end uses, have opened up new challenges and opportunities for developing countries, especially those with high commodity dependence.

The relatively favourable world market conditions have helped to lift many commodity-dependent countries out of a prolonged period of economic stagnation. However, the price increases do not include all commodities and their magnitude is reduced by exchange rate movements. While markets are likely to remain buoyant in the medium term, the secular trend of declining real prices is likely to eventually reassert itself, since the underlying causes for the volatility and long-term decline of prices have not been addressed. The challenge for these countries is to sustain, even accelerate, the growth momentum over the coming years for economically, environmentally and socially sustainable development.

The time is right for a global initiative on commodities that aims to re-launch the commodities agenda from a poverty reduction and development perspective; raise the profile and understanding of the commodities problématique through sensitization of the international community; and identify an international strategy for commodities based on coherence, governance and solidarity at all levels.

The Brasilia conference built on recent efforts to address the commodity issues[1] and was a first step towards taking concerted action to achieve these aims.[2]

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1 Most notable are the report of the Group of Eminent Persons on Commodity Issues established by UNCTAD (2003), the UNCTAD XI São Paulo Consensus (2004), which included an important initiative on commodities, the Arusha Declaration and Plan of Action on African Commodities (2005), and various

It is fitting that the conference was also the first preparatory event for the twelfth session of the United Nations Conference on Trade and Development (UNCTAD XII). The importance of commodities to development and the dynamism of the current world commodity economy illustrate well the relevance of the theme and sub-themes selected for UNCTAD XII: *Addressing the opportunities and challenges of globalization for development;* e*nhancing coherence at all levels for sustainable economic development and poverty reduction in global policy making…; key trade and development issues and the new realities in the geography of the world economy*; and *enhancing the enabling environment at all levels to strengthen productive capacity, trade and investment: mobilizing resources and harnessing knowledge for development.*

In re-launching the commodity agenda, four aspects of commodity markets have a direct bearing on commodity producers' incomes and well-being, as well as opportunities for economic growth and sustainable development of commodity-dependent developing countries, particularly LDCs and other small and vulnerable economies: (a) the supply capacity limitations under which commodity producers operate; (b) effective participation in the value chain; (c) lack of diversification of their production and export base; and (d) an international enabling environment. The conference focused on these issues and looked at ways in which policies and initiatives could be addressed at national and international levels by commodity-producing developing

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United Nations General Assembly resolutions specifically addressing the commodity issues (most recently in 2006). The European Union Action Plan on Commodities, adopted in 2004, also deserves mention.

[2] The conference gathered 164 participants from 57 developing countries; eight developed countries; 20 representatives of non-governmental organizations, research institutes and farmers' organizations; six companies dealing with commodities; and 10 international organizations.

countries themselves, their developed country partners, the enterprise sector, civil society and international organizations.

A. Policy actions and measures

Two sets of actions were identified: (a) global governance, coherence and solidarity issues; and (b) issues having to do with the supply side, the value chain and finance for diversification and use of resource rents.

1. Global governance, coherence and solidarity

Recognizing that effective commodity policies at the national level are constrained by – and their success depends on – effective global governance, policy coherence and enhanced solidarity, the following policy areas need to be addressed:

(a) Significant improvements are required in the quantity, quality, predictability and effectiveness of development assistance targeting the commodity sector.

(b) To reverse recent declines in official development assistance support for agricultural development in developing countries, concerted efforts need to be made to provide aid for raising agricultural productivity, technological development and access to credit for farmers.

(c) Financial assistance needs to be provided to commodity-dependent developing countries in order to build and upgrade physical infrastructure such as roads, ports, storage facilities and irrigation, and to eliminate supply bottlenecks.

(d) The Aid for Trade initiative should assess the needs of commodity-dependent developing countries and support their diversification efforts, including by supporting introduction of appropriate technology; setting up infrastructure related to effective sanitary and phytosanitary and technical barriers to trade, in order to meet standards and other market requirements, and achieving sustainable production and processing systems; meeting adjustment costs of trade reform and preference erosion; and developing capacity and trade-related technical assistance.

(e) Debt sustainability frameworks consistent with the Millennium Development Goals for commodity-dependent countries require that export earnings shortfalls be taken into account when designing debt relief measures.

(f) International financial and monetary policies, especially exchange and interest rate policies of developed countries, should be more sensitive to the particular circumstances and needs of commodity-dependent developing countries.

(g) A successful conclusion of the Doha Round of World Trade Organization (WTO) negotiations should effectively address the concerns of commodity-producing developing countries, including as highlighted by the African Group initiative of WTO. With regard to market access, these concerns include reducing tariffs, tariff escalation and tariff peaks, as well as greater transparency in the application of technical barriers to trade and sanitary and phytosanitary rules in developed countries. With respect to world agricultural trade reform, they include the timely elimination of export subsidies and significant reduction in trade-distorting domestic support, with a view to their elimination. Finally, with regard to policy space, commodity-dependent developing countries need to be provided sufficient flexibility in undertaking commitments concerning agricultural and non-agricultural trade liberalization. They should be enabled to protect food security and rural livelihoods, promote rural development, and provide adequate support for the building of productive capacity and export competitiveness.

(h) Initiatives are required that aim at dealing with negative effects of instability of commodity prices and earning from commodity exports, including through consideration, where appropriate, of supply management schemes in the context of international commodity agreements. This can be done through price risk management and establishment of viable safety nets for small producers, and through compensatory finance schemes. Such schemes should be timely, easy to access, include no conditionalities (it should be sufficient that the country itself carry no evident blame for the specific commodity-linked loss that it suffers), and should include pass-through mechanisms that take into account the interests of producers and consumers.

(i) The International Task Force on Commodities should be made operational and be provided sufficient resources.

(j) Regional economic communities play an important role in supporting the establishment of economic linkages between commodity sectors in neighbouring countries, and their efforts to facilitate trade in commodities and developing regional aspects of commodity policies should be encouraged.

(k) Civil society initiatives to convert the efforts of the Global Initiative on Commodities into a popular campaign should be encouraged, especially those aimed at improving the sustainability of commodity trade and improving governance in commodity value chains.

(l) International commodity bodies should be strengthened in their role of providing expertise and assistance to specific commodity sectors in commodity-dependent developing countries.

(m) Recognizing the important role played by global enterprises in all aspects of commodity production and trade, these enterprises need to increase their contribution to sustainable development, good working conditions, remunerative employment and poverty reduction.

(n) In addition to the foregoing policy issues and actions, the conference focused on specific policy areas within the commodity problématique. In particular, it was recognized that developing country government policies should aim at sustainable outcomes in commodity production, processing and trade, and that Governments need to draw up national commodity strategies that should be integrated into national development strategies. In this context, strong public–private partnerships, as well as active civil society participation, are critical to addressing commodity-related development problems.

2. Supply-side issues

There is a need to improve productivity and international competitiveness of developing country commodity producers. This requires that:

(a) Developing country Governments, drawing on increased financial support from the international community and acting in partnership with the private sector where appropriate, take steps to improve infrastructure – notably, communications technology, energy, irrigation, roads and transportation, and storage facilities – to improve yields, reduce transaction costs and mitigate environmental and health impacts, and reduce losses on products in transit. It also requires that developing country Governments work towards and take proactive measures, both directly and by creating and enhancing an enabling environment, including access to land, to extend and improve support services such as provision of seeds, fertilizer and other inputs, advice and extension services, logistics services, quality control and verification procedures, which were traditionally provided by Governments and were weakened by regulatory reforms in recent years. Ways and means of supporting associations of small producers should be sought. Regional approaches to production and marketing to achieve necessary economies of scale should also be explored. Developing country Governments, research organizations and the enterprise sector should build up capacity and capabilities for research and development, and tap and adapt new technologies to meet local requirements, build competitiveness and increase productivity; and

(b) Developing country Governments, supported by the international community, act to improve the capacity of commodity producers and processors to meet product and process standards, whether mandatory or voluntary, and ensure that information about standards reaches producers, particularly smallholders, including through early warning systems, and also to ensure their active participation in standard-setting bodies. Moreover, standard-setting bodies, whether official or private, should act to ensure that, in setting standards, the interests of developing countries' commodity producers are taken into account.

B. Value chain issues

There is a need to improve the effective participation of developing country commodity producers, especially small producers, in value chains, and to design viable strategies for horizontal and vertical diversification that acts to reduce the impact of asymmetries in power relations and in access to information. This requires that:

(a) Developing country Governments, supported by the international community, work to strengthen producers' associations, incentives and laws relating to anti-competitive behaviour, and improve producer capabilities in order to make it possible for developing country producers to enter the world supply chain on equitable terms;

(b) Developing country Governments and the private sector identify areas for value added and processing of primary products that are internationally competitive, and that importing countries remove barriers to trade in processed products;

(c) Governments of developing countries and regional economic communities support, in cooperation with the private sector, the creation of effectively functioning domestic and regional commodities markets, including through removing infrastructural bottlenecks as well as tariff and non-tariff barriers to regional trade and South–South trade. This can be done by, among other things, strengthening the Global System of Trade Preferences (GSTP), and through the conclusion of the third (São Paulo) round of the GSTP negotiations. The increase in South–South trade should be accompanied by the participation of less advanced developing countries in value chains;

(d) The international community and developing country Governments support the efforts of developing country producers to exploit the opportunities offered by new and dynamic sectors, including special and niche products, such as geographical appellations, fair trade and organic labels; and

(e) The international community, developing country Governments and the private sector act to improve commodity producers' access to market information.

C. Finance for diversification, competitiveness and use of resource rents

Lack of finance for investment, working capital, and trade-related infrastructure are major obstacles to diversification, competitiveness and growth in agricultural economies. There is a need to design polices that effectively mobilize capital necessary for financing diversification programmes. Addressing this issue requires that:

(a) The international community support the establishment of an export diversification and productivity improvement fund and scale up the financial resources available to the Second Account of the Common Fund for Commodities;

(b) Developing country Governments create regulatory environments enabling national stakeholders to use modern finance and risk management instruments;

(c) Developing country Governments, supported by the international community, strengthen the capacity of developing country financial institutions to provide credit to small producers and support to small and medium-sized enterprises, including through microfinance and new forms of collateral;

(d) The international community, developing country Governments and the enterprise sector support the establishment of effectively functioning commodity exchanges in developing countries to reduce transaction costs, improve price discovery mechanisms and support the development of domestic and regional markets;

(e) The international community encourage the development of South–South trade financial institutions and mechanisms; and

(f) The international community design and set up an appropriate mechanism to deal with loss of revenues that African cotton producers face as a result of declines in cotton prices.

Recent large price increases for mineral commodities have drawn attention to the issue of the distribution of natural resource rents and the long-term development implications of mining, underlining the need for:

(a) Governments of resource-rich developing countries to minimize the negative effects of large resource inflows on domestic inflation and relative prices;

(b) Developing country Governments to ensure a balance between the objective of attracting foreign direct investment and that of maximizing government revenues through appropriate taxation and regulatory policies;

(c) Developing country Governments, in cooperation with the enterprise sector and civil society, to strengthen the linkages between the mineral sector and the local/regional economy with a view to foster diversification; and

(d) Developing country Governments to use resource rents to ensure long-term sustainability by replacing depleting natural resource capital by investment in material and human capital.

D. Next steps

The conference in Brasilia on the global initiative on commodities was not a one-off event. It was acknowledged to be the starting point for a sustained initiative aimed at achieving a global consensus on addressing the critical issues for commodity development in developing countries. In this regard, encouragement will also be given to commodity-related initiatives undertaken by non-governmental actors, including those conducted in cooperation with the private sector, international commodity bodies and intergovernmental organizations. The initiative will be elaborated further at UNCTAD XII in Accra, Ghana, in April 2008, and at the review of the Monterey Conference on Finance for

Development, also in 2008, and will be on the agenda of the United Nations General Assembly 63rd session. The organizing agencies undertake that further elaboration and concretization of the initiative will take place in an inclusive process involving all stakeholders.

Annex I

Report of the working group on supply-side issues

There is a need to improve productivity and international competitiveness of developing country commodity producers, taking into account the special needs of small economies and LDCs. This requires that:

(a) Developing country Governments, drawing on increased financial support from the international community and acting in partnership with the private sector, where appropriate, and within a conducive regulatory framework, take steps to improve infrastructure – notably, information and communication technologies, energy, irrigation, roads and transportation and storage facilities – to improve yields, reduce transaction costs and mitigate environmental and health impact and reduce losses on products in transit;

(b) Developing country Governments take proactive measures – both directly and by creating and enhancing an enabling environment, including through ensuring property rights and securing access to land – to extend and provide support services such as provision of seeds, fertilizer and other inputs, advice and extension services, logistics services and quality control, which were traditionally provided by Governments and were weakened by regulatory reforms in recent years. A regional approach in production and marketing to achieve the necessary economies of scales should also be explored;

(c) Developing country Governments, research organizations and the enterprise sector build up capacity and capabilities for research and development, including in biotechnology, and tap and adapt new technologies to meet local requirements, build competitiveness and increase productivity. Ways and means to support small producers associations should also be sought; and

(d) Developing country Governments, supported by the international community, act to improve the capacity of commodity producers and processors, not only to meet product and process standards, whether mandatory or voluntary, but also to ensure their active participation in standard setting. On the other side, standard setting bodies, whether official or private, should act to ensure that, in setting standards, the interests of consumers and developing countries' commodity producers are taken into account.

Annex II

Report of the working group on commodity value chain issues

A. Market entry

The chief executive officer of the Ghana Cocoa Board gave a presentation concentrating on Ghana's experience in the competitive cocoa sector. During the discussion in the break-out group, it was emphasized that the experience with agricultural commodity value chains shows that the higher returns tend to take place at the strongest upward links in the chains, while the smaller returns are usually located in the weakest links in the chains, i.e. the primary commodity producers operating in the chain. In most commodity-dependent countries, the commodity producers are typically smallholders with limited access to the more lucrative segments of the value chains. Therefore, the working group would like to state by way of a general recommendation that the value chain issues need to be tackled from the point of view of the poor commodity producers.

Market entry for small-, medium- and large-scale export producers in commodity-dependent countries is often difficult in major export markets because of complex standards (quality, health, social, environment, traceability and labour) set by the public sector (government authorities, the United States, European Commission, etc.) and the private sector (supermarkets, organic trade organizations, non-governmental organizations, etc.) for the produce of exporting developing countries. The developing countries, in particular African countries, often interpret these stringent and complex standards as non-tariff barriers. While this assessment is sometimes correct for state-sponsored standards, it is also true that many standards are imposed by the private buyers and complied with on a voluntary basis by the producers and suppliers. It was noted that under WTO regulations, it was possible to challenge voluntary standards, but that the procedure has not been tested yet by developing countries, probably because this type of WTO litigation is very expensive for the complainant. After protracted discussion, it was agreed that standard setting by private or public organs was unavoidable and that it was in the interest of all commodity export producers to comply with these standards.

It was also pointed out that for poorer producers, government and/or donor support in terms of capacity-building is urgently needed to familiarize commodity producers, in particular the smallholders, with the international standard-setting systems. In addition, the setting up of information dissemination systems (or an early warning system) on changes for the standards being considered in some export markets for fish (INFOFISH), cacao, coffee and other key commodities should be supported by donors.

Moreover, many developing countries do not have the technology to test the product’s quality and safety in order to verify if the export produce meets the applicable standards. In this regard, it was noted that the European and other markets (including the United States and others) require exporting countries to make available a local competent laboratory control as a prerequisite for export to these markets. Developing countries involved in export to the European Union and other markets therefore urgently need to upgrade their fish, meat and legume laboratory verification systems to comply with the regulations pertaining to local laboratory procedures prior to export.

Finally, the working group noted that the problem of moving in the value chain is not only linked to standard compliance but also to the organization of the infrastructure in the value chain (i.e. processing centres, roads, railways, auctioning centres, cold chain facilities for fresh produce, seaports, airports, etc.).

B. Improving the functioning of domestic and regional markets

Value chains in national, regional and global markets have become an integral part of domestic, regional and international trade. Such value chains are increasingly complex but they can also contribute to a level playing field in global trade. In his presentation, the principal adviser of the Economic Commission for Africa provided advice on how this can be achieved in the best possible manner. In this regard, he mentioned the importance of South–South trade and South–South cooperation as major avenues for moving up the value chain.

During the discussions in the break-out group, it was agreed that South–South trade can be an important avenue for complementing South–North trade. The importance of a conducive international trading system through such measures as the elimination of tariff escalation and providing policy flexibility to developing countries for value chain upgrading was stressed.

It was noted that the abolition of the marketing boards at the national level has created a vacuum. Government intervention could be considered in some cases to fill this gap. However, generally speaking at the national level, the development of a domestic market could be either a private/informal sector-driven exercise or part of a public–private partnership. With regard to such partnerships, the need for linkages between innovative public research institutions and private business ventures in developing countries was stressed.

It was agreed that, although the promotion of regional and domestic markets may have some political/ideological connotations, it is also based on sound economic justification. It was recommended that South–South trade be promoted in order to contribute to general development (via South–South cooperation) and to value chain systems in developing countries.

It was noted that, under the WTO arrangements, it is possible to initiate a system of regional preferences. This is certainly an avenue to be explored and promoted by the public sector, in particular in the context of the regional economic integration efforts currently undertaken by regional economic communities (including the Community-Based Rehabilitation African Network, the Economic Community of West African States, the Southern Africa Development Community, Union Economique et Monétaire Ouest Africaine, the Southern Common Market (MERCOSUR), etc). In this regard, the role of the regional economic communities should not be limited to regional trade agreements, but more importantly to the development of a common regional infrastructure which is currently considered a major constraint in the commodity value chains of developing countries.

South–South cooperation involves assistance from advanced developing countries to less advanced countries, and covers capacity-building, technological development and sharing of market trading intelligence for the South–South partner countries. In particular, South–South cooperation should focus on transfer of technology. South–South cooperation can also be enhanced through:

(a) Sharing of scientific knowledge and research;

(b) Financing of research and academic institutions in countries of the South; and

(c) Sharing of best practices in agricultural research and institution-building, such as the EMBRAPA experience in Brazil.

C. Moving up the value chain and enhancing returns to producers

A speaker from the Wageningen University and Research Centre gave a presentation on viable value chains and pro-poor development. The problem of enhancing the returns to the weaker segment of the value chain, i.e. the poor producer level, cannot be summarized in a brief and concise manner. There are, however, some general principles, such as the need for flexibility and innovation, transparency even on profit margins, trust of all participants in the chain, etc.

Value chains constitute a major challenge between several stakeholders. The market forces play a dominant role in the balance of power within the value chain. This poses the problem of governance in the value chain. The more the chain evolves towards niche markets, the more complex the governance becomes, both for producers and other stakeholders (processors, transport companies, retailers, etc.). It was noted that for sophisticated niche markets, price is no longer a major decision-making factor, but comes after appearance, design, packing, etc.

While noting all these considerations, the participants at the break-out session agreed that in order to provide possibilities of access to niche markets for smallholder producers, a system should be set up to provide support for setting up producer associations or cooperatives, out-grower farming contracts, insurance coverage, etc.

In addition, the working group recommended a reassessment of Governments' role in encouraging innovation and in reducing the risks for smallholder producers. The Brazilian example of price setting for biodiesel was cited as an example.

More specifically, the Governments concerned should partner with the private sector to promote:

(a) Access of smallholders to supply chains by reducing entry costs and risks via microfinancing modalities;

(b) Establishment of legal and institutional frameworks to enable the initiation of viable value chain governance structures; and

(c) Effective orientation of the learning environment both locally and regionally (via South–South cooperation and other mechanisms) towards research and development of the value chain.

D. Summary, conclusions and recommendations

The value chain issues need to be tackled from the point of view of the poor commodity producers.

The setting of standards by private or public organs was unavoidable and it was in the interest of all commodity export producers to comply with these standards.

Government and/or donor support in terms of capacity-building is urgently needed to familiarize commodity producers, in particular smallholders, with the international standard-setting systems. In addition, the setting up of information dissemination systems (or an early warning system) on changes for the standards being considered in some export markets for fish (INFOFISH), cacao, coffee and other key commodities should be supported by donors.

Developing countries involved in export to the European Union and other markets urgently need to upgrade their fish, meat and legume laboratory verification systems to comply with the regulations pertaining to local laboratory procedures prior to export.

South–South trade is to be considered an important avenue for complementing South–North trade.

At the national level, the development of a domestic market could be either a private/informal sector-driven exercise or an application of a public–private partnership.

South–South trade should be promoted in order to contribute to general development (via South–South cooperation) and to value chain systems in developing countries.

The role of the regional economic communities is very important for the development of regional markets. However, the intervention of the communities should not be limited to regional preferential trade agreements, but more importantly to the development of regional infrastructure, the absence of which is a major constraint in the commodity value chains of developing countries.

Consideration should be given to enhancing South–South cooperation through:

(a) Sharing of scientific knowledge and research;

(b) Financing of research and academic institutions in countries of the South; and

(c) Sharing of best practices in agricultural research and institution-building, such as the EMBRAPA experience in Brazil.

In order to provide possibilities of access to niche markets for smallholder producers, a system should be set up to support producer associations or cooperatives, outgrower farming contracts, insurance coverage, etc.

Governments of commodity-dependent countries should partner with the private sector to promote:

(a) Access of smallholders to supply chains by reducing entry costs and risks via microfinancing modalities;

(b) Establishment of legal and institutional frameworks to enable the initiation of viable value chain governance structures; and

(c) Effective orientation of the learning environment both locally and regionally (via South–South cooperation) towards research and development of the value chain.

Annex III

Report of the working group on the financing of commodity development and diversification issues

A new focus on and approach to practical commodity finance and rural development are needed. It was universally accepted that for farmers, especially those with small holdings, as well as for other commodity producers, the access to financing is crucial, through both traditional and innovative mechanisms. Small-scale borrowers are being marginalized, but there is also a growing pressure for resources to finance other economic sectors of developing countries, such as oil and gas, and telecommunications.

The issue of financing commodity development and diversification should be addressed not in isolation but holistically. In this context, the following general and particular linkages with and dependencies on financing were mentioned:

(a) Millennium Development Goals aimed at poverty reduction and hunger elimination could not be achieved without addressing problems of commodity-dependent countries, in particular problems of financing for commodity development and diversification.

(b) Small-scale producers should be treated on national and individual bases.

(c) Similarly, programmes and policy advice should be designed and provided on a country-specific basis. Special approaches should be applied to LDCs and landlocked and small island countries.

(d) Microcredit as the major mechanism for addressing the problems of small producers should be further advanced.

(e) Procedures of access to credit should be enhanced, their transparency being of primary importance.

(f) Adequate integration of producers into the value chain has a direct linkage with credit. Small producers, the first and principal actors in the production chain, have been mostly marginalized, while intermediaries and big private companies have taken over producers, and a continuously growing part of the revenue stays with them. Small producers should retain more power in the chain.

(g) Institutional strengthening was determined as a first prerequisite for access to financing and the enhancement of productivity within key commodity subsectors. Investment in education of national personnel who could adequately operate in a rapidly changing and challenging international environment is of primary importance. Telecommunications literacy and links should be developed at the grass-roots level. The roles of the younger generation – the future of national development – and of women were specifically underlined.

(h) The need for regional and subregional approaches to risk management instruments was highlighted and importance of strengthening the role of United Nations agencies in this respect was underlined.

(i) The specific needs of countries with high climatic risks should be addressed.

(j) Price volatility of commodities markets has a direct impact on commodity producers' revenues and hence are influencing their credit capacities.

(k) From a more general perspective, the magnitude of national debt to international financial institutions influences the availability of investment into and financing of commodity industries.

(l) The establishment of private–public balance in commodities operations and regulatory framework is very important. In some LDCs, the private sector is weak or non-existent, so the public sector should play a more proactive role.

(m) The need to conform with numerous and complicated standards, both private and public, is a further disadvantage to small producers.

(n) There is a connection between the WTO Doha Round negotiations and positions and aspirations of producers and exporters in developing countries. Ultimately, sanctions and different barriers to trade penalize small producers and not their Governments.

(o) Lower transaction costs could be an option as an additional funding source.

Much of discussion was centred around the issue of marketing boards, recently dismantled in most developing countries. It was noted, though, that while in operation marketing boards were not always successful, there is currently no regulatory mechanism to replace them in most developing countries.

On the issue of diversification, it was generally agreed that, although it is important to devise adequate national policies for it, the diversification is not a panacea by itself and might not be a viable path for some countries which simply do not have many options to diversify. Even if they have such opportunities identified and use options to diversify out of commodities (for example, into the services sector) they are sometimes not assisted but rather confronted by competitors.

With respect to the use of resource rents as an engine for development of mineral-based economies, the possibility of replicating the success story of Chile by African countries was discussed. It was noted that, as much as working for diversification of the economy, it was important to establish conditions for the competitiveness of mineral resources industries, including clear and stable rules for investment and operation of mineral industries; stable and internationally competitive taxes; clear and comprehensive rules for the protection of environment and health; and the availability of educated personnel responsible for the planning, evaluation, control and operation of these industries.

The group recommended the following for international institutions:

(a) Because there is an urgent need to explore viable options and possibilities for financing in the commodity sector, new resources for financing, both private and public, should be identified at the national and regional levels. The research should be made with respect to options of "standard" mechanisms/instruments/structures which could be an adequate replacement for provision of services, previously accorded by marketing boards. Particular attention should be paid to helping small farmers keep their farms.

(b) A commodity finance facility should be established which would address the issue on a holistic basis.

(c) An online discussion facility on the issues of financing commodity development and diversification should be established.

(d) An export diversification fund should be established.

(e) The programme of national concept strategy papers for commodity-dependent developing countries, which would take due regard of the national sustainable development strategies, should be initiated.

(f) Necessary support for developing countries dependent on cotton in the process finalization of the WTO Doha Round negotiations should be provided.

Annex IV

Attendance

Delegates from the following States members of UNCTAD attended the conference:

Angola
Bangladesh
Belgium
Belize
Benin
Botswana
Brazil
Burkina Faso
Cameroon
Congo
Côte d'Ivoire
Cuba
Djibouti
Dominican Republic
Ecuador
Equatorial Guinea
Ethiopia
Fiji
Finland
Gabon
Gambia
Germany
Ghana
Grenada
Guinea
Guyana
Haiti
Indonesia
Italy
Jamaica
Japan
Kenya
Kiribati
Lesotho
Mali
Mauritius
Mexico
Myanmar
Namibia
Netherlands
Niger
Pakistan
Palau
Papua New Guinea
Philippines
Saint Kitts and Nevis
Saint Vincent and the Grenadines
Saudi Arabia
Seychelles
Sierra Leone
Sri Lanka
Sudan
Suriname
Swaziland
Syrian Arab Republic
Thailand
Togo
Tonga
Uganda
United Kingdom
United States
Vanuatu
Viet Nam
Zambia
Zimbabwe

The following intergovernmental organizations were represented at the conference:

African, Caribbean and Pacific Group of States
African Export–Import Bank
Caribbean Regional Negotiating Machinery
Common Fund for Commodities
European Commission
International Coffee Organization
International Sugar Organization
International Tropical Timber Organization
Pacific Islands Forum
South Centre

The following United Nations agencies were represented at the conference:

United Nations Economic Commission for Africa
UNCTAD
United Nations Development Programme

The following specialized agency was represented at the conference:

United Nations Food and Agriculture Organization

The following non-governmental organizations attended the conference:

Agricultural Research Centre for International Development
Associacao Brasilieira de Citrocultores
Associacao Brasilieira das Industrias de Café Soluvel
Associacao Brasilieira dos produtores de Algodão
Catholic University of Chile
Confederacao da Agricultura e Pecuária o Brasil
International Food Policy Research Institute
Institute for Agricultural and Trade Policy
Instituto Internacional de Cooperacion para la Agricultura
International Center for Trade and Sustainable Development

International Institute for Environment and Development
International Institute on Sustainable Development
Technical Center for Agricultural and Rural Cooperation
Wageningen University and Research Centre

The following private companies attended the conference:

AD Middland, Brazil
Cargill, Brazil
Commodities DA Kraft Foods, Brazil
Compania Nacional de Abastecimento, Brazil
Empório Communicacao, Brazil
S2 Comunicacoes, Brazil

The following people made presentations at the conference:

Mr. Havelock Brewster, Caribbean Regional Negotiating Machinery, Guyana
Mr. Gustavo Lagos Cruz-Coke, Professor, Catholic University of Chile
Mr. Osei Isaac, Chief Executive Officer Ghana, Cocoa Board
Mr. Eric Kueneman, Chief, Crop and Grassland Service, FAO
Mr. Samuel Loum, Principal Credit Officer, African Export–Import Bank
Mr. Kamal Malhotra, Officer-in-Charge, Poverty Group and Senior Advisor, Inclusive Globalization, United Nations Development Programme
Mr. Cornelius T. Mwalanda, Principal Advisor, ECA
Mr. Nestor Osorio, Executive Director, International Cocoa Organization
Mr. Olle Östensson, Officer-in-Charge, Commodities Branch, UNCTAD
Mr. Roberto Rodrigues, Former Minister of Agriculture, Livestock and Food Supply, Brazil
Mr. Alexeis Rosado, Chair, Sub-Committee on Trade and Commodity Protocols, African, Caribbean and Pacific Group of States

Mr. Carsten Wegener, AD Middland
Mr. Peter Zuurbier, Latin American Desk, Wageningen University and Research Centre