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Opening Statement

By

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The views expressed are those of the author and do not necessarily reflect
the views of UNCTAD.

Thank you Mr. Chairman,

Madam Isabelle Durant, Deputy Secretary General of UNCTAD

Madam Dr. Yanchun, Chief Commodity Policy Implementation Unit, UNCTAD,

Excellencies,

Distinguished delegates,

Ladies and gentlemen,

Good Afternoon

It is a great pleasure for me to be with you this afternoon for the session on “Establishing development linkages in the extractive sector: Lessons from the field” under item 9 of the Agenda of the 64th session of the Trade and Development Board (TDB).

The session would discuss the achievements and lessons learned in a project under implementation by the Special Unit of Commodities of UNCTAD to assist countries in the ECCAS region (Chad and The Congo) to enhance development linkages between the extractive sector and the rest of the economy. On behalf of the African Group, I would like to share with you some of my thoughts on the relevance of this project for the continent. However, before that, and for the purpose to make the interactive dialogue more interactive, I would like to underline some of the key words which are mentioned in the report presented by Dr. Yanchun. 1. Raw materials 2. Commodity dependence 3. Value added 4. Sustainable development gains 5. Job creation 6. Economic diversification 7. Local content 8. Legal framework.

Africa is well endowed with mineral resources, over 30% of the world’s mineral reserves, 10% of the world’s oil, and 8% of the world’s natural gas.¹ The production and trade of these primary commodities represent an essential source of export revenues and it creates important opportunities for economic growth and sustainable development. However, there are key challenges associated with dependence on a commodity economy that need to be overcome in order to capture development gains from the sector. These include price volatility and its impact on incomes in real terms, and building production linkages between the sector and the broader economy.

The impact of lower than expected international prices can severely undermine macroeconomic management and erode growth prospects. For example, according to the Economist Intelligence Unit, the real GDP growth of Chad

¹ <http://www.worldbank.org/en/topic/extractiveindustries/overview>

slowed from 6.9 per cent in 2014 to 1.8 per cent in 2015, due in part to a combination of lower international prices and falling oil production. As a result of a deteriorating economy, government efforts to reduce poverty were severely hampered.

To mitigate this vulnerability to price shocks, Governments need to build and strengthen production linkages (backward and forward) between the extractives sector and the rest of the economy. This will help to overcome the enclaves that often form around extractive projects and foster diversification across various industries. Adopting this strategy can also be a boost in the creation of a sufficient number of decent, well-paid and sustainable jobs.

In 2015, UNCTAD and the Permanent Mission of the Republic of Sudan collaborated in organizing the 17th Africa oil gas mines conference in Khartoum, with the theme, "Extractive industries and sustainable job creation". Two pertinent outcomes of that meeting include; i) the need to strengthen local, national and regional institutions, and develop a comprehensive policy framework to promote sustainable job creation. ii) the need to promote local content through innovative finance, training and capacity building, technology transfer, and South-South cooperation to achieve sustainable job creation. We are currently collaborating with UNCTAD in a follow up study to analyse the breakdown in total jobs i.e. direct, indirect and induced jobs created in Sudan's gold sector as well as policy recommendations that would build production linkages with the broader economy and strengthen sustainable job creation in its extractive industries.

Economic diversification should be a priority in CDDCs, as economic history has taught us that without diversification into manufacturing and services, and away from export of raw commodities such as crudes, ores, concentrates and metals, without significant value addition or creation of a sufficient number of decent, well-paid and sustainable jobs, the long-term development prospects of countries would be compromised. In brief, CDDCs need to broaden their economic base and not remain so dependent on commodity exports for their growth.

We greatly appreciate the support given by the UNCTAD secretariat to CDDCs and we encourage greater collaboration for the benefit of all of us.

Thank you for your attention

