UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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Nairobi, 17–22 July 2016

FOURTEENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REPORT of the Global Commodities Forum

Nairobi, 15–16 July 2016

Breaking the chains of commodity dependence

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To access the Unit's publications, reports and statistics, which provide an in-depth view of commodity markets, trade and development, please visit the following web pages:

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Foreword

“Oil prices in freefall after supply glut.” “Looming debt crisis in developing countries.” Like today, these were common headlines even back in 1986, the year of the last major crash in oil prices. To many young people today, this may seem like distant history. Thirty years on, commodities producers are enduring painful adjustments after excess supply caused a comparable crash in prices in 2014/15. While the factors contributing to the recent crash differ from the last, the fallout for developing countries remains familiar. Too many of them remain dependent on unprocessed commodity exports – including mineral ores, crude oil or raw agricultural products – and this binds their future to the fluctuations of the commodities market.

It is true that a few resource-rich developing countries, such as Chile and Indonesia, have successfully transformed their economies. However, apart from some exceptions, little has changed in recent decades for most resource-rich developing countries. According to UNCTAD calculations, 88 of 134 developing countries relied on one or two unprocessed commodities for 60 per cent or more of their total merchandise export earnings in 2014. For 66 of these countries, the rate of dependency was greater than 80 per cent. Indeed, the number of countries in this situation remains unchanged from that of 30 years ago, despite a commodities super-cycle that has spanned a decade.

The economic consequences of this dependence are severe. The boom-bust cycle of commodity prices plays havoc with countries’ macroeconomic management. The recent collapse in commodity prices has exposed widening fiscal deficits, eroding currencies and looming sovereign debt risk in many exporting countries. A few countries have even exhausted their available reserves, leaving them no choice but to ask for international assistance – and this may become more and more common as the situation worsens. This comes only a little more than two years after oil prices were above $110 per barrel, underwriting sound macroeconomic positions and ambitious investment projects in these countries. Today, UNCTAD estimates that falling commodities prices dragged down foreign direct investment in developing countries by 20 per cent in 2016, to $600 billion. Among the commodity-dependent developing countries, for example, foreign direct investment fell 31 per cent in Chile, 23 per cent in Brazil and 11 per cent in Mozambique.

> "Over-reliance on commodities has gone bust. Countries must diversify their economies. Partners can help create an enabling environment for transformative diversification."
>
> **Mukhisa Kituyi**
> UNCTAD Secretary-General

Developing countries should abandon short-term thinking in the exploitation of their natural resources. Commodity wealth should be managed for the future well-being of a nation as a whole, not to fuel the conspicuous consumption of a few or to benefit those in power. It is tempting to consume the windfall from these resources as soon as they come out of the ground, but this has proven to be a developmental dead end. There are already a number of promising examples of Governments adopting a longer-term vision. In Africa, Uganda has proceeded carefully in developing its oil reserves. The Government has scrutinized agreements with producers to ensure the best long-term deal for the country and has passed legislation that requires oil revenues to be invested in infrastructure or agriculture. Similarly, Mozambique and the United Republic of Tanzania have ambitious visions for their offshore natural gas reserves, resisting the temptation to hurry their projects. Instead, they have devoted years to designing master plans that foresee practical details, necessary legislation and marketing agreements, aimed at realizing the sustainable development opportunity contained within their gas fields. Simply put, these countries realize that the right infrastructure, policy and regulatory framework must be in place before exploiting resources so that the revenues benefit all.

The international community should do its part to create an enabling environment that gives commodity-dependent developing countries real opportunities to manage their reliance on commodities effectively and at the same time support economic diversification.

At the multilateral level, there have been encouraging signs, such as the Agreement on Trade Facilitation of the World Trade Organization (WTO), which may support export diversification efforts by some countries. However, these are incremental steps, so it is necessary to maintain the momentum across a wide range of domains. Better managing commodity wealth for development, for example, also requires concerted international action against tax havens, where many illicit gains from trade in commodities are hidden. This should involve the expansion of the membership and coverage of individual initiatives, such as the multi-stakeholder Extractive Industries Transparency Initiative. But it also requires more coordination to ensure coherence across initiatives, to fill any gaps and to establish a level playing field.

To realize the 2030 Agenda for Sustainable Development, it is necessary to shed many of the outdated ideas that underpin commodity dependence. Coherent national and international approaches to implementing this new universal and holistic agenda should take into account the major role that commodities continue to play in the economic fundamentals of developing countries. This will require novel policies grounded in the changed landscape of the global economy over the past three decades; it will also require taking a fresh look at the challenges that resource-based economies face, many of which remain all too familiar. The bold theme of the 2016 Global Commodities Forum, "Breaking the chains of commodity dependence", conveys the commitment of UNCTAD to overcoming this key obstacle to sustainable development.

Mukhisa Kituyi
Secretary-General of UNCTAD

Breaking the chains of commodity dependence

Introduction

The seventh Global Commodities Forum, jointly organized by UNCTAD, the Commonwealth Secretariat and the Food and Agriculture Organization of the United Nations, was held in Nairobi on 15 and 16 July 2016 as part of the fourteenth session of the United Nations Conference on Trade and Development, which took place from 17–22 July.

Under the theme "Breaking the chains of commodity dependence," the Forum discussed how commodity-dependent developing countries could adapt to the twin shocks of lower commodity prices and increased macroeconomic pressures, so as to realize their national objectives and the 2030 Agenda for Sustainable Development.

The Forum is a free public platform where critical issues at the intersection of commodities and development can be explored. With the input of experts, it helps frame international policy discussions on commodities and the challenges faced by developing countries. As a multi-stakeholder dialogue, the Forum attracts high-level decision makers and experts from the public, private and civil society sectors.

The Forum featured an opening session, a keynote session, four expert panels and a ministerial round table. This report summarizes the individual sessions and concludes with policy recommendations for developing countries.

Opening session

The Secretary-General of UNCTAD, Mr. Mukhisa Kituyi, opened the Global Commodities Forum. The Forum was an opportunity to revisit the commodities problematic at the fourteenth session of the United Nations Conference on Trade and Development, 40 years after member States had made a concerted effort to address commodity dependence at the fourth session of the Conference in Nairobi in 1976.

At the fourth session of the Conference, member States agreed on market access considerations for developing countries and adopted the Integrated Programme for Commodities, with the expectation that these would help commodity-dependent developing countries grow and transform their economies. Four decades later, Secretary-General Kituyi highlighted the small number of success stories of countries – Chile, Malaysia and Norway, for example – that had transformed their economies, breaking their dependence on commodities.

Indeed, many challenges facing commodity-dependent developing countries had remained unchanged over the past 40 years. For example, they were still dependent on the vagaries of the boom-bust cycle of commodity prices. Rents from natural resources continued to compromise long-term visions in many countries, either by distracting leaders from the need to diversify their economies, or by motivating rent-seeking behaviour.

> "Among least developed countries, persistently high commodity dependence restrains the structural transformation of their economies, a prerequisite for achieving sustainable growth and development."
>
> **Gyan Chandra Acharya**
> Under-Secretary-General, United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

Among the new phenomena affecting commodity dependence, the Secretary-General said that information and communications technologies (ICTs) had proven to be a double-edged sword for commodity-dependent developing countries. On the one hand, ICTs had flattened the value chain, making trade in commodities cheaper and more accessible. On the other, ICTs had been used to facilitate illicit trade from developing countries, undermining their regulatory strength and the fiscal resources they had to devote to their development priorities. These flows had grown to such a scale that stemming them was now a priority for commodity-dependent developing countries, alongside diversification and value addition.

Despite the few success stories of the last 40 years and the renewed difficulties facing those countries, the Secretary-General expressed optimism at the continued growth in understanding and expertise on the causes of commodity dependence and strategies to overcome them.

The panel was composed of the following speakers: Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States; Mr. Yonov Frederick Agah, Deputy Director General, World Trade Organization; Ms. Arancha González, Executive Director, International Trade Centre;[1] and Mr. Deodat Maharaj, Deputy Secretary-General for Economic and Social Development, Commonwealth Secretariat. The moderator was Mr. Adan Mohammed, Cabinet Secretary, Ministry of Industry, Trade and Cooperatives, Kenya.

Mr. Yonov Frederick Agah (left) and Mr. Gyan Chandra Acharya (right)

Mr. Maharaj called for renewed emphasis on good governance and local content in commodity-dependent developing countries. The recent boom had bred euphoria and a delusion of permanence that, coupled with a lack of transparency and accountability, had led to rent leakages through transfer pricing and corruption, for example. Leakages in developing countries were estimated at $1 trillion per year and the financing gap, at $2 trillion per year.

In his view, good governance rested on a Government having a long-term vision for the development of its economy and society. Such a vision imposed practical discipline, guiding a progression of investments and policies towards an end goal. It also imposed political discipline so that, during boom or bust, the Government maintained clear development priorities and contained rent leakages. Mr. Maharaj encouraged Governments to place human capital – investments in their citizens – at the centre of their development visions. Singapore, for example, was a country whose diligent pursuit of a long-term vision was based on human capital, and it had achieved an enviable level of economic and societal development for its citizens.

Mr. Acharya urged all member States to respond to the deteriorating macroeconomic and market conditions facing commodity-dependent developing countries. Countries must prioritize the diversification of their economies, but this would only be possible through market access and support from the international community. Indeed, because of the universality of the Sustainable Development Goals, unprecedented multi-stakeholder collaboration would be essential to achieve them.

Mr. Agah said that the commodities problematic was a developmental one. This was reflected in trade negotiations at WTO, with market-oriented disciplines that took into account the development priorities of producers in developing countries, as well as the preservation of Governments' policy space. Food security, a major concern among developing countries, was a priority theme in both the recent agreements in Bali (2013) and Nairobi (2015) that gave Governments flexibility in supporting small and/or poor farmers. Further, duty levels had fallen in commodity markets due to WTO disciplines, although tariff escalation remained a major challenge.

In the view of Ms. González, the global development agenda should focus on agriculture, which employed more than 70 per cent of the world's poor, the majority of them women. Agricultural development could therefore simultaneously boost productivity and growth and reduce poverty. A focus on vulnerable farmers implied a shift in development strategies to focus less on manufacturing-based industrialization and more on value addition. To do so, it was important to increase the enabling services provided to farmers, such as credit, market information, mentoring and business training, and extension services. Governments should structure the agricultural sector around multi-stakeholder platforms to increase efficiency and collaboration; and countries should develop regional value chains, invest in trade facilitation, traceability and technology at home, while harmonizing policies and infrastructure plans at the regional level.

1 For scheduling reasons, Ms. González delivered her inaugural remarks during the keynote session.

Keynote session

Left to right: Mr. Samuel Gayi, Head, Special Unit on Commodities, UNCTAD; Mr. Léonce Ndikumana; Ms. Agnes Kalibata; Mr. Julius Korir; Mr. Mohammad Reza Nematzadeh; and Ms. Arancha González

The session was moderated by Mr. Julius Korir, Principal Secretary, State Department of Industry and Enterprise Development, Ministry of Industry, Trade and Cooperatives, Kenya. The panel was composed of the following speakers: Ms. Agnes Kalibata, President, Alliance for a Green Revolution in Africa; Mr. Léonce Ndikumana, Professor of Economics, University of Massachusetts at Amherst, United States; and Mr. Mohammad Reza Nematzadeh, Minister of Industry, Mining and Trade, Islamic Republic of Iran.

Ms. Kalibata underlined the severe macroeconomic difficulties faced by African countries after the collapse in commodity prices. Gross domestic product growth rates had tumbled, and African economies were not producing enough jobs to employ the millions of young workers who entered the job market each year. Nevertheless, this was not a call to abandon the production of commodities entirely, but to make better use of them. Exporting raw commodities was tantamount to exporting jobs and entrepreneurial opportunities; therefore, African Governments must redouble their efforts to increase value addition and diversify their economies.

In addition, changing the status quo with respect to commodities would require a change in mindset. In Africa, too many leaders and their constituents wished to drive in the “fast lane”, trying to emulate advanced economies by entering more attractive, lucrative sectors, such as banking and information technology. In general, African countries lacked the comparative advantage to gain a meaningful market share in these sectors. As a result, these efforts had contributed little to broad-based economic development. However, they had contributed to a prolonged neglect of agriculture – just four generations ago, the advanced economies they had been emulating were investing heavily in agriculture.

The speaker said that a “fast-lane” strategy was not compatible with Africa’s resources and challenges. After all, Africa was endowed with 60 per cent of the world’s arable land. Among its population, there was only a small consumer base, with 70 per cent of Africans spending most of their resources on food. Many families did not have enough to eat – 45 per cent of children in Africa suffered from malnutrition. In this context, African countries should base their development plans on agriculture.

The agricultural sector, composed mainly of smallholders, employed most of the rural population. Agricultural development policies should therefore aim at increasing the productivity and incomes of family farms. These farmers needed access to functioning markets to obtain credit, buy inputs and sell their produce.

The Alliance for a Green Revolution in Africa focused on improving farmers’ access in these areas. For example, it worked with national agricultural research institutions to ensure that farmers had the seeds they needed and that were adapted to their conditions. To help farmers navigate markets and improve the management of their enterprises, the Alliance provided capacity-building programmes and fostered the development of a strong supply chain around farmers by promoting the establishment of input suppliers in isolated areas.

It was clear that policies and investments were needed to build strong, agriculture-led economies in Africa. If policymakers committed to this vision, there was an opportunity to end the "commodity nightmare" the continent had endured.

Mr. Nematzadeh revisited the long-standing problem of declining terms of trade for developing countries. For example, commodity-dependent developing countries experienced not only declining terms of trade, but also systematic and recurring damage from the volatility of commodity prices. This included unbalanced economic growth, insufficient investment in productive capacity and bouts of hyperinflation. A macroeconomic vicious cycle set in, as Governments were unable to formulate a long-term development plan, investment dwindled and commodity-dependent developing countries became increasingly reliant on raw commodity exports, stifling value addition and job creation.

Developing economies, as well as a number of advanced economies, whose fortunes were affected by the vagaries of the commodities price cycle, suffered from commodity dependence. The consequences of commodity dependence were more severe for developing countries, which found it difficult to attenuate the effects of the "commodities rollercoaster" by diversifying into higher-value sectors.

In addition to the general effects of commodity dependence, and as with many oil-exporting countries, the Islamic Republic of Iran had suffered the effects of the so-called Dutch disease. Throughout the last 100 years, since the discovery of oil in the country, the Government's exchange rate policy had been in constant flux relative to oil prices, resulting in inflation and uncertainty.

In recent decades, developing countries had resorted to intergovernmental mechanisms such as international commodity agreements and the Organization of the Petroleum Exporting Countries to provide price stability and equitable terms of trade. But they had proven much less effective than expected. Instead, the influence of multilateral trade institutions, with their emphasis on free trade, had become predominant.

Reflecting on trade-related development policy options, the speaker dismissed centrally planned import substitution industrialization as a failure, as it promoted rent-seeking behaviour over industrialization. The Islamic Republic of Iran and other developing countries were of the view that free trade hindered their development, although blunt protectionism would not help countries either in reducing their commodity dependence or in diversifying and industrializing their economies. Through the so-called "East Asian miracle," a few countries in the region had achieved rapid industrialization and development with export-oriented industrialization. Owing to the peculiarities of the commodity industries, commodity-dependent developing countries had difficulty in using export-oriented manufacturing strategies to the same effect. The development strategy of the Islamic Republic of Iran, which has become all the more urgent since the dramatic fall in oil prices in recent years, involved charting its own middle course, towards an "indigenous, but outward-looking" economy. To combat Dutch disease and reduce the country's dependence on oil, the Government had in 2011 established the National Development Fund. The Fund, which received 20 per cent of oil revenues and was mandated to invest in high value productive activities, was independent from the Government budget. Such high-value productive activities could include upstream and downstream activities in the oil and gas sector, that is to say, value addition or activities in different sectors.

For example, after the recent lifting of sanctions, the Islamic Republic of Iran had revived plans to expand its natural gas production and build several liquefaction plants, with the aim of becoming a major exporter of liquefied natural gas (LNG) within a few years. Meanwhile, the country sought to leverage its highly educated workforce and, in particular, its large percentage of engineers, by investing heavily in export-oriented manufacturing. Products included basics such as agricultural machinery and the smelting and refining of metals, as well as higher-value, specialized ones such as medical equipment and greenhouse irrigation systems. These new exports represented an additional $60 billion in non-oil exports annually. Indeed, in 2015, the Islamic Republic of Iran recorded its first positive trade balance in non-oil products for the first time in recent history. In terms of diversification, the country had reduced its dependence on oil, from 70–80 per cent of Government revenues a few decades ago, to less than 30 per cent today.

Reducing fossil fuel subsidies was another pillar of the country's economic development plan. As recently as 2009, it had among the highest rates of energy subsidies in the world. But in 2010, the Government undertook an aggressive plan to phase out subsidies. Although implementation of the subsidy reform plan would continue over the next five years or so, the International Monetary Fund had confirmed that the first two phases had been effective and that the burden of energy subsidies on the Government budget had already been drastically reduced.

Based on his country's experience, Mr. Nematzadeh recommended that policymakers in commodity-dependent developing countries trust in their indigenous abilities to innovate and invest as much as possible in their human capital. With respect to the external sector, he recommended creating an enabling environment that encouraged both foreign and domestic investment, with an emphasis on technology transfer. However, he urged countries to use their natural resources as leverage to compel investors to establish higher-value segments of their supply chains in the host country. He also recommended that Governments root out corruption, a structural disease that undermined an economy's productive capacity.

Mr. Ndikumana presented the findings of his research on trade mispricing in commodity-dependent developing countries, drawing from a paper he had recently prepared for UNCTAD.[2] He situated illicit financial flows, in particular trade misinvoicing,[3] within the context of the resource curse and commodity dependence.

Most countries in Africa were commodity-dependent developing countries – generally rich in natural resources, but poorly endowed in human capital and infrastructure. In addition, many African countries had major locational disadvantages, as they were far from export markets. In recent decades, investment had flowed into African countries, mainly into the commodities sectors, generating economic growth. This had also produced a concurrent explosion in unrecorded capital flight, by both the foreign investors and local elites.

"Trade misinvoicing in the natural resource sector compromises Africa's potential to achieve economic diversification and sustainable development"

Léonce Ndikumana
Professor of Economics, University of Massachusetts

Unrecorded capital flight was doubly damaging, in that these flows went untaxed and therefore did not contribute to public accounts. The funds were smuggled overseas, depriving the host economy of much-needed capital. Trade misinvoicing was a common practice. Where trade misinvoicing was intentional, exporters and importers could commit such an act for a variety of reasons. For example, exporters might underreport the value of their shipments to hide their income, while importers might underreport to avoid duties.

Mr. Mohammad Reza Nematzadeh

Based on data from the United Nations Commodity Trade Statistics Database (COMTRADE) on primary commodities from five developing countries – Chile, Côte d'Ivoire, Nigeria, South Africa and Zambia – Mr. Ndikumana used a standard methodology to estimate trade misinvoicing by product and trading partner. The disaggregation by product and trading partner was the novel feature of the paper, as previous studies had focused solely on aggregate trade flows. Some of the findings of the study are listed below:

- Between 2000 and 2014, underinvoicing of gold exports from South Africa amounted to $78.2 billion, or 67 per cent of total gold exports, according to COMTRADE data.[4] Trade with leading partners exhibited the highest amounts: India ($40 billion), Germany ($18.4 billion), Italy ($15.5 billion), and the United Kingdom of Great Britain and Northern Ireland ($13.7 billion).

2 UNCTAD, 2016, *Trade Misinvoicing in Primary Commodities in Developing Countries: The Cases of Chile, Côte d'Ivoire, Nigeria, South Africa and Zambia* (Geneva, United Nations publication). Available at http://unctad.org/en/PublicationsLibrary/suc2016d2_en.pdf (accessed 13 January 2016).

3 The misreporting of information on shipments as they crossed national borders, whether intentional or not.

4 Despite peculiarities in how South Africa recorded its gold exports, applying the same methodology to the South African figures does not yield a materially different estimate of underinvoicing from what the paper calculates. Prior to 2011, South Africa recorded the vast majority (i.e. 90 per cent and more) of its gold exports as "monetary" gold, which COMTRADE does not track. As of 2011, South Africa abruptly began recording nearly all of its gold exports as "non-monetary," i.e. commercial gold. Moreover, in September 2016, South Africa revised its total gold export figures, nearly doubling its previously reported figures for the 2000–2014 study period. Despite these anomalies, both COMTRADE and South Africa have comparable figures for commercial gold exports for the 2000–2014 study period. Further analysis is needed, but this suggests that the underinvoicing calculated by the paper is explained by reasons other than discrepancies between COMTRADE and South African statistics.

- Between 1996 and 2014, underinvoicing of oil exports from Nigeria to the United States was worth $69.8 billion, equivalent to 24.9 per cent of all oil exports to the United States.
- Between 1995 and 2014, Zambia recorded $28.9 billion of copper exports to Switzerland, more than half of all its copper exports, but these exports were not reflected in Switzerland's import statistics.
- Between 1995 and 2014, Côte d'Ivoire recorded $17.2 billion of cocoa exports to the Netherlands, $5.0 billion (31.3 per cent) of which were not reflected in the Netherlands' import figures.

Across the five countries, the study showed that the more a country exported, the higher the incidence of trade misinvoicing. This implied that those countries were not collecting their fair share of rents from the commodities they produced. Further, importing countries – often advanced economies – were involved in such transactions as well and should engage with efforts to eradicate trade misinvoicing by, for example improving the trade reporting system and helping build the technical capacity of Governments in commodity-dependent developing countries to detect and pursue intentional trade misinvoicing. Therefore, Mr. Ndikumana recommended that developing countries promote transparency and the international sharing of trade data.

"If we empower smallholder farmers to achieve their aspirations, they will do much of the heavy lifting of development themselves."

Agnes Kalibata
President, Alliance for a Green Revolution in Africa

Practices such as trade misinvoicing reinforced the need for commodity-dependent developing countries to reduce their dependence on commodities. To accomplish this, Mr. Ndikumana warned against an overemphasis on value addition, which did not reduce a country's exposure to the boom-bust price cycles of a particular commodity group. Instead, it was important to develop non-commodity sectors; for example, Finland had diversified from lumber to mobile phones.

He urged African Governments to follow agriculture-led industrialization plans, arguing that agriculture generated economic growth that was more reliable and more equitable, and created jobs and reduced poverty more effectively than growth generated by the extractive sector. He also recommended that the international community deliver on its responsibility to establish an enabling environment in which commodity-dependent developing countries had the support and opportunities they needed to break the chains of commodity dependence.

Left to right: Mr. Léonce Ndikumana, Ms. Agnes Kalibata and Mr. Julius Korir

Session 1: From local content to shared value creation in extractive industries

Local content policies are intended to be an added channel – alongside tax revenues – by which countries can draw more value from their natural resources. These policies create conditions, and in some cases incentives, for foreign-owned extractive projects to increase the share of workers and inputs they procure from the domestic economy. Early local content policies had been disappointing, however, boosting only low-value activities in the host country, such as catering, accommodation and import brokerage.

UNCTAD co-organized this session with the Development Centre of the Organization for Economic Cooperation and Development (OECD), whose multi-stakeholder Policy Dialogue on Natural Resource-based Development5 works on policy guidance for developing countries that goes beyond compliance-driven local content rules, toward a wider, more collaborative concept of shared value creation.

The moderator of the session, Mr. Samuel Russ, Vice-Minister, Ministry of Lands, Mines and Energy of Liberia, also serves as co-chair of one of the Policy Dialogue work streams. He opened the session by introducing the topic, the OECD Policy Dialogue, and how it aimed to differentiate its work from a narrow concept of local content.

The panel was composed of the following speakers: Mr. Stephen Karingi, Director, Regional Integration and Trade Division, Economic Commission for Africa; Mr. Mwendia Nyaga, Chief Executive Officer, Oil and Energy Services, Kenya; and Ms. Nancy Swartout, Global Sustainable Procurement Manager, Exxon Mobil Global Services Company.

> "A local workforce is more efficient, effective and productive than international temporary and rotating personnel"
>
> **Nancy Swartout**
> Global Sustainable Procurement Manager, ExxonMobil Global Services Company

In his presentation, Mr. Karingi said that commodity-led development strategies that focused solely on taxes and royalties had generally not led to structural transformation in African economies. This put the onus on Governments to establish other channels, such as local content, by which their commodities could contribute to sustainable development.

Local content policies could include both quantitative and qualitative conditions. In Nigeria, for example, the Nigerian Oil and Gas Industry Content Development Act (2010) set quantitative quotas for the number of Nigerians that oil and gas companies must hire for low-skill and technical jobs, as well as shares or quotas of certain services that must be procured from Nigerian suppliers. Qualitative conditions included requirements for oil and gas companies to justify their imports and preferential provisions for hiring local workers.

The incidence of binding local content requirements had risen during the recent commodities boom. But their success in delivering domestic jobs and growth was mixed. From this track record, Mr. Karingi identified several preconditions for implementing mandatory local content requirements.

First, Governments must dialogue with extractive companies to understand their needs and ensure that requirements were relevant. Governments must also realistically assess the domestic economy's capacity to provide the necessary workers, suppliers and productive capacity, so as to set realistic requirements. Second, requirements should be time bound and performance based, to prevent inefficiencies and market distortions from taking root. Third, framing local content requirements as minimum standards precluded transformative effects. Governments should therefore embed local content policies in more ambitious, holistic strategies. For example, Governments could tailor local content requirements to help access specific niche markets and could buttress this strategy by establishing dedicated centres of excellence and training institutions.

5 For more details, see: http://www.oecd.org/dev/natural-resources.htm (accessed 23 January 2017).

However, the regulatory regime in place could restrict or even prevent a country from implementing local content requirements. At the multilateral level, local content rules in WTO member countries were seen as a breach of their membership obligations. However, because of the State-by-State scale and the impracticality of financial compensation as a remedy in WTO Dispute Settlement Body rules, there had been few local content-related disputes to date. Few free trade agreements addressed local content rules specifically, although they often included specific rules on the protection of infant industries, with implications for the local content policies of signatory States. By contrast, bilateral investment agreements tended to seek a higher level of protection for investors from local content rules and, in some cases, might preclude their use by host country Governments. Given the confused regulatory landscape with respect to local content requirements, Mr. Karingi recommended that the issue be discussed and a common approach applied across the different levels to provide clarity and predictability to investors and host Governments.

Ms. Swartout echoed the need for more extensive dialogue between host Governments and foreign investors on local content and for greater regulatory predictability, country by country. However, she urged a departure from the compliance-based approaches that predominated in local content policy towards a collaborative shared value approach, such as the one pursued by the OECD Policy Dialogue on Natural Resource-based Development, of which Exxon Mobil was a member.

Mr. Mwendia Nyaga (foreground)

Exxon Mobil had adopted a shared value approach for all of its projects worldwide, regardless of whether or not a host Government mandated such activities. It had chosen this approach because, over the long term, having a well-trained local workforce was more cost-effective than importing a foreign one. In addition, an extensive network of local suppliers gave Exxon Mobil access to the local market and shortened its supply chains. The company channelled its shared value activities into three areas – workforce development, supplier development and community investments – and sought dialogue with local Governments to establish shared priorities.

In this context, Exxon Mobil preferred to undertake negotiations with Governments based on aspirational targets, rather than penalty-based compliance. An aspirational relationship strengthened the company's licence to operate in the community and, from the company's perspective, led to longer-term and more transformational development of the local community.

Ms. Swartout stressed that a shared-value approach must start early on and be maintained and updated throughout the life cycle of an extractive project. It was therefore more demanding on both the foreign investor and the local Government. In particular, there was a need for Governments to start building workers' skills and suppliers' capacity as early as possible – well before the start of operations – as it could take time for these programmes to reach the necessary scale. Even once skilled workers and capable suppliers were in place, it could take more time for locals to learn how to take advantage of opportunities and for both sides to settle on the conditions for a mutually beneficial relationship.

Mr. Nyaga provided a perspective from the indigenous private sector in East Africa; that is, the companies aiming to take advantage of local content opportunities in the region's oil and gas development. To convey the scale of these opportunities, he described the significant exploration and production activities on the horizon in the region, in particular the development of offshore natural gas fields in Mozambique and the United Republic of Tanzania, and oil reserves in Uganda. According to Rystad Energy projections, these and other exploration and development activities in East Africa would grow from $20 billion in 2019 to nearly $30 billion in 2025. This represented a significant potential opportunity for local firms and workers – if they had the capability to meet investors' needs.

To understand the capacity gap that the indigenous sector must overcome to take advantage of these future opportunities, Oil and Energy Services had conducted a survey of foreign investors and local companies. The results had confirmed that local companies were widely used for lower-value and ancillary services, such as unskilled labour, catering, transport and facilities management. The local sector was less involved in direct and indirect field services, such as engineering, construction, environmental services and inspections. Because of the considerable technical requirements and operational risks involved in core technical services – for example, well and seismic services or the hire of rigs or floating production, storage and offloading units – investors were less willing to consider local suppliers, if any existed.

The results of the survey revealed several capacity gaps for policy action. First, there were few enterprise development programmes to help local companies, for example, to access information, plan operations, forecast cash flows and manage credit. Second, access to credit was generally poor. Policy action was necessary to increase the provisions of these important inputs.

Survey results also indicated that some skill training programmes did exist, but they were often mismatched with investors' needs. Mr. Nyaga recommended that Governments implement a tripartite coordination – among the Government, investors and local companies – to discuss and agree on project needs such as skill-training programmes.

In the discussion that followed, participants described the conditions necessary for fostering durable, high-value local content activities. Responding to questions about realistic timelines for implementing local content activities, Mr. Karingi and Ms. Swartout encouraged those involved to be patient. Establishing trust among stakeholders, scaling up pertinent training programmes and supporting the formation of competitive local companies required time and flexibility; therefore, it did not make sense to unduly hasten the process.

Participants also discussed the role of development partners. Mr. Russ suggested that, in addition to donating funds, development partners could use their experience to help recipient countries draft effective policies. Mr. Nyaga said that it is important for the providers of training and enterprise development programmes to be independent, a role that, in some cases, development partners or international organizations could play.

The representative of Angola expressed concern about involving foreign investors more in setting local content-related rules, because of the Government's more general experience of being outmatched in negotiating with well-resourced transnational corporations in foreign investment agreements. The terms of these agreements tended to favour disproportionately foreign investors, raising concern that the benefits from a collaborative approach on local content would skew similarly in their favour. Participants had no suggestions for resolving this perceived negotiating asymmetry between foreign investors and host Governments. However, there was consensus that, if questions of power parity and mutual trust could be addressed, Governments should pursue a more collaborative, long-term approach to local content, such as the shared value creation approach developed by the OECD Policy Dialogue on Natural Resource-based Development.

"Collaboration and long-term investment by the indigenous private sector will turn the resource curse upside down."

Amy Jadesimi
Managing Director, Lagos Deep Offshore Logistics base

Session 2: The changing landscape of export diversification

After the crash in commodity prices, it was all the more urgent for commodity-dependent developing countries to diversify their exports. But what is the nature of available opportunities? In recent years, for example, industrialization has stagnated in Africa, while trade in services has boomed. UNCTAD co-organized this session with the Commonwealth Secretariat to consider examples of successful export diversification strategies that can be adopted by commodity-dependent developing countries.

The panel moderator was Mr. Deodat Maharaj, Deputy Secretary-General for Economic and Social Development, Commonwealth Secretariat. The panel was composed of the following speakers: Ms. Rashmi Banga, Head, Commonwealth Secretariat Trade Competitiveness Section; Mr. Mwinyikione Mwinyihija, Executive Director, Common Market for Eastern and Southern Africa (COMESA)–Leather and Leather Products Institute; Mr. Joshua Setipa, Minister of Trade and Industry, Lesotho; and Mr. Hope Yongo, Technical Adviser to the Managing Director, Nigerian Export-Import Bank.

Mr. Yongo outlined the key role that export-import banks played in helping exporters move into new markets. As Government-linked financial institutions, they employed their capital to grow and deepen the country's exports, in support of national trade policy. They provided loans, guarantees and insurance to exporters as a way of reducing the risk associated with exporting products overseas. The Nigerian Export-Import Bank maintained a foreign exchange fund, from which it could lend to exporters to enable them to import inputs used in their operations, for example machinery.

From the Bank's perspective, diversifying Nigeria's export base was a complex operation, mainly because of the high failure rate among export-oriented projects. The Bank estimated that 70 per cent of entrepreneurial projects failed within five years. Some of these projects failed due to competitive reasons, which were often unavoidable. However, many of them failed due to the lack of diligent, long-term project management. For example, inflation in developing countries seldom received sufficient attention in financial forecasts. This could lead to midstream cost overruns during the project, leaving the Bank to decide whether to refinance the project or let it fail.

Left to right: Mr. Mwinyikione Mwinyihija, Ms. Rashmi Banga, Mr. Deodat Maharaj and Mr. Hope Yongo

In Nigeria, unpredictable policies and inadequate infrastructure resulted in many export projects being abandoned midstream by their shareholders. From this perspective, it was important for Governments to buttress their export diversification strategies with infrastructure investments and adopt predictable investment policies.

Mr. Setipa related the example of Lesotho, which was undertaking a comprehensive export diversification strategy. Its economy depended heavily on diamonds and agriculture. In the 1990s, conscious that these two sectors would not, by themselves, be able to provide the manufacturing growth to transform its economy, the Government of Lesotho developed its textile and apparel industry as its chief source of export and manufacturing growth. Lesotho and other countries in sub-Saharan Africa had benefited from the WTO Agreement on Textiles and Clothing (1995), which phased out the quota restrictions on textiles that many advanced economies had imposed under the 1974 General Agreement on Tariffs and Trade Multifibre Arrangement. The quota restrictions were phased out over 10 years, until 2005. In addition, beginning in 2001, African least developed countries enjoyed preferential access to the United States market through provisions in the African Growth and Opportunity Act (2000). By 2007, Lesotho had become the largest exporter of apparel to the United States from sub-Saharan Africa.

When the textile-oriented growth opportunities provided by the Agreement on Textiles and Clothing and the African Growth and Opportunity Act slowed, Lesotho's textile industry contracted, and the Government turned to development partners[6] to help it formulate a new export diversification strategy. In addition to diamonds, the Government targeted horticulture and tourism for export growth. For export-oriented manufacturing growth, the Government attempted to leverage the country's well-established capabilities in textiles to shift to producing leather upholstery for cars, aiming to participate in the automotive regional value chain, organized around South Africa.

Lesotho was still in the early stages of implementing its export diversification strategy. Early lessons for other developing countries included its coordination across the Government, to ensure that the relevant ministries were engaged and that the new export strategy was aligned with the wider national development plan. In addition, the new strategy demonstrated a pragmatic assessment of Lesotho's existing endowments of technological and human capital and how these could be employed in pursuing current market opportunities.

Nevertheless, because of Lesotho's unique geographical situation, it might not be a realistic model for some countries. Because it was encircled by South Africa and its diversified economy, Lesotho's development plan must align with that of South Africa. Further, Lesotho was a landlocked country, making transportation to South African ports a more expensive consideration for its exports than onward freight costs to anywhere in the world.

In his presentation, Mr. Mwinyihija described a good regional value chain opportunity: African economies consumed approximately 800 million pairs of shoes per year. Despite the continent's established leather sector, however, it produced only 200 million pairs per year. In Ethiopia, leather producers received approximately $10–$13 of the end price of shoes at $20–25 per pair.

Mr. Mwinyihija suggested that low productivity among predominantly small and medium-sized enterprises (SMEs) was a key factor that precluded them from competing with foreign producers. On average, African companies used manual techniques and produced two to three pairs of shoes per worker per day. Meanwhile, the global average for manual production was six to seven pairs, while China's mechanized factories made 40 pairs per worker per day.

In partnership with the Commonwealth Secretariat, COMESA had formulated a strategy to develop a regional leather value chain, with a long-term vision of linking with the global leather value chain. This strategy was based on a renaissance of the sector by developing the capacity and productivity of SMEs and entrepreneurs. Crucially, this strategy was not incremental: it did not limit itself to developing the next activity on the value chain, but aimed to build a comprehensive chain of activities, from low value added raw hides to high value added design activities.

As a first step, the COMESA Secretariat had convinced its member Governments to mainstream the leather value chain in national development plans, orienting national policies and budgets to this regional project. The COMESA–Leather and Leather Products Institute coordinated the establishment of SME incubators in Ethiopia, Sudan and Uganda, where SMEs would be given training, equipment and tools to improve their productivity.

In partnership with the Commonwealth Secretariat, COMESA also coordinated the creation of a regional design studio, which opened in Mombasa, Kenya, in May 2016. Its aim was twofold: to train designers and impart skills and designs to SMEs so that they could move into the production of premium shoes and leather products.

In her presentation, Ms. Banga summarized the Commonwealth's approach to assisting its member countries with export diversification strategies. She illustrated the approach with examples of promising projects, including a partnership with COMESA on developing a regional leather value chain.

There was extensive literature on export diversification, just as there was consensus on its importance in achieving structural transformation and economic development. For developing countries attempting to diversify their exports, the "how" had been lacking. The Commonwealth sought to fill this gap by providing its member countries with technical and financial assistance in four areas:

- Diversifying exports and linking into regional/global value chains

6 Examples include the Commonwealth Secretariat, the Enhanced Integrated Framework, the European Union, the United Nations Development Programme, the United Nations Industrial Development Organization, UNCTAD, the World Bank and WTO.

- Boosting the export of services
- Overcoming supply side constraints and adding value to exports
- Improving trade facilitation

In one example, the Commonwealth Secretariat had helped the Government of Jamaica formulate its second national export strategy (2015–2019). After implementation of the first national export strategy (2010–2013), 90 per cent of Jamaica's export value was still concentrated in 10 products, the majority of which were shipped to three countries, the United States chief among them. With the help of the Commonwealth Secretariat, Jamaica had implemented the New Products New Markets Scheme, through which it identified 23 new products that it could export to existing markets, with an estimated potential value of $90 million per year, as well as 29 new markets for its existing exports, representing an estimated potential value of $10 billion per year. Strategies to pursue some of these identified opportunities, including support to exporters, had been integrated into the second national export strategy.

The Commonwealth Secretariat had also assisted the Indian Government with its ambitious Make in India campaign,[7] launched in 2014. This exercise identified 35 lead products and 71 product and market combinations that could potentially increase India's exports by $23 billion per year. The campaign went beyond a typical national export strategy, which sought to enter existing regional or global value chains – the Make in India campaign envisioned global value chains centred on India. For example, in addition to identifying opportunities for Indian exports, this plan identified 20 least developed countries that could export raw and intermediate products to India's export-oriented factories. The plan also anticipated investments by India to build the necessary productive capacity in the identified supplier countries.

During the discussion that followed, participants raised several additional constraints to export diversification in Africa. Several participants identified persistently low levels of investment in research and development, for example, as a missing link. Foreign researchers, as well as academic and technical institutes in Africa, produced a variety of findings with commercial potential, but without investments in research and development, these findings were not commercialized.

Similarly, several participants cited the low levels of capital formation in Africa as a persistent damper on innovation and entrepreneurship. African banks had relatively low capitalization and were confronted with a widespread lack of traditional collateral among potential borrowers, limiting access to credit among African exporters and entrepreneurs.

Where export diversification involved building new product segments, entrepreneurship was fundamental. Several panellists and participants therefore highlighted the need for cultural change in many developing countries, where there was little institutional support for risk-taking entrepreneurs and the stigma of failure remained high. From this perspective, a cultural shift was necessary in these countries before obtaining the necessary political consensus to implement policies to support entrepreneurs, cover some of their risks and provide bankruptcy protection should their ventures fail.

Mr. Mwinyikione Mwinyihija

7 For more information, see http://www.makeinindia.com/home (accessed 17 January 2017).

Session 3: Linking family farms to markets

This session was organized by UNCTAD in partnership with the Food and Agriculture Organization of the United Nations (FAO). Participants discussed the constraints facing family farms in developing countries in accessing markets to sell their products and obtain inputs, including credit. This lack of market access isolated smallholders and lowered their productivity. However, it also had much wider implications. The majority of farms worldwide were run by families and relied on family labour. In many rural areas, family farms were the main source of employment, income and food production. Improving the market access of family farms would therefore be an important prerequisite to achieving the Sustainable Development Goals in many regions.

The session was moderated by Ms. Margaret Muchui, General Manager, Fresh Produce Exporters Association of Kenya. The panel featured the following speakers: Mr. John Bee, Nestlé Regional Head, Regulatory and Scientific Affairs for Sub-Saharan Africa; Mr. Kamau Kuria, Managing Director, Coffee Management Services, Kenya; Mr. George Rapsomanikis, Senior Economist, Trade and Markets Division, FAO; and Mr. Maarten Van Der Kamp, Lecturer in Entrepreneurship, Cranfield University School of Management, United Kingdom.

Introducing the topic, Ms. Muchui said that, on the one hand, African agriculture was reliant on smallholders, even as those families suffered disproportionately the ill effects of poverty, hunger and malnutrition. On the other hand, the continent had much work to do to achieve Sustainable Development Goals 1 ("End poverty in all its forms everywhere") and 2 ("End hunger, achieve food security and improved nutrition, and promote sustainable agriculture").[8] From this perspective, African countries urgently needed renewed investment and updated policies in smallholder agriculture as part of their strategies to meet the Sustainable Development Goals.

The first speaker, Mr. Rapsomanikis outlined the economics of family farms in developing countries, in the context of market access. Families ran their farms as enterprises, seeking to maximize their profits by raising and investing capital, taking risks and adapting their production decisions to market conditions.

> "Agriculture value chain transformation is a slow process. It took developed countries like the US decades to get where it is."
>
> **George Rapsomanikis**
> Senior Economist, FAO

Moreover, family farms could not be considered to be either commercial or subsistence farms, but rather a combination of both. This heterogeneity was fundamental to understanding the decisions made by family farmers. Indeed, when confronted by a lack of access to the inputs and markets necessary to produce and sell cash crops, evidence showed that family farms allocated their resources to produce a basket of crops that, first, maximized their revenue and, second, improved the family's diet. For example, family farms in remote countries such as Nepal were able to sell only about 10 per cent of their harvest, consuming the remainder themselves. In most African countries, family farms sold approximately 25 per cent of their harvest.

Mr. Rapsomanikis described the determinant effect of failures in credit and labour markets on the economics of family farms. Even when family farms had some access to sell their harvests, they could be hampered by a lack of access to credit. For example, small farms in remote areas might only have small volumes of produce to sell at harvest time. Without access to credit, which might allow them to make ends meet while they stored their harvest and postponed sales, they were forced to sell immediately, when prices were lowest.

Another consequence of the lack of access to credit was the predominant use of labour-intensive production techniques in family farms. The lack of labour markets, however, precluded a family from selling part of its labour, so it generally oversupplied its farm with family labour. As a result, small family farms were more productive per hectare than large farms, but at the expense of productivity per worker, and hence wages, which were low. Low productivity per worker on family farms was therefore not a result of farmers' choices, but of the failed credit and labour markets that restricted their choices.

8 See Sustainable Development Knowledge Platform, https://sustainabledevelopment.un.org/sdgs (accessed 17 January 2017).

To achieve poverty reduction, food security and other development objectives, Mr. Rapsomanikis recommended that Governments prioritize the establishment and extension of functioning input and sales markets in rural areas, with an emphasis on access for family farms. The resulting expansion choices would help decouple family farms' production and consumption decisions and unlock the economic potential of these profit-seeking small enterprises.

In his presentation, Mr. Van Der Kamp highlighted the importance of innovation and entrepreneurship in developing market opportunities for family farms. He described successful small-scale opportunities, drawing examples from the agriculture-related entries to the Unilever Sustainable Living Young Entrepreneurs Awards,[9] for which he served as assessor. He classified the examples according to four benefits to farmers: increased income, higher yields, moving up the value chain and empowerment.

An example of value chain innovation could be found in the Unorthodox Feeds Innovation for Rural Enterprising Smallholder Farmers programme, which helped ease high feed costs for livestock farmers by creating cheaper substitute feeds from waste products in the local agricultural value chain, such as mango seeds, elephant grass or the chaff from maize or cassava. Another example was a programme entitled "Pigeonpea for Economic Advancement of Smallholders", an innovation in cropping systems that sought to adapt pigeon peas, a crop that grows well in Guatemala, as a sequential crop to grow during the dry season in other tropical zones, such as in African countries or India. Both programmes reported increasing farmers' incomes.

There were also initiatives that increased yields, fostered value addition activities and empowered farmers with market information. Such examples demonstrated that there was no universal solution for improving the quality of life among small farmers worldwide but that stakeholders must work together to support innovative and niche opportunities adapted to local contexts. For Governments, this meant implementing policies to foster and support entrepreneurship, as much as specific agricultural policies.

Left to right: Ms. Margaret Muchui, Mr. John Bee and Mr. Kamau Kuria

Mr. John Bee stated that the Nestlé "creating-shared-value" strategy had contributed to agricultural development in Africa, with a focus on family farmers. In 2015, the company had procured materials from approximately 4.1 million farmers worldwide, including directly from 760,000 farmers. It was estimated that some 185,000 people in Africa earned their living from Nestlé. The majority of these suppliers were family farms.

Given farmers' importance to Nestlé's business, its creating-shared-value strategy focused on making rural areas attractive places to live and work by improving nutrition and access to clean water, and fostering economic development. In West Africa, the Nestlé Cocoa Plan helped increase farmers' livelihoods by providing training on increasing yields and reducing losses, as well as higher-yielding cocoa plants and credit for them to purchase better inputs. It also aimed to help communities by building schools and providing water and sanitation infrastructure. Nestlé had similar comprehensive plans for the other major subregions and crop groups on which it depended, such as the Nescafé Plan in Equatorial Africa and the Nestlé Grains Quality Improvement Project in West Africa.

9 The Unilever Sustainable Living Young Entrepreneurs Awards is a collaboration among Unilever, the University of Cambridge and the Ashoka Changemakers programme. For more information, see https://www.changemakers.com/sustliving (accessed 20 January 2016).

Nestlé was active throughout Africa and elsewhere, supporting farmers and their communities on the ground with a comprehensive basket of development programmes and financial assistance. Nestlé was therefore a willing and established partner for Governments seeking to invest and adopt policies in support of family farms.

Mr. Kuria described a different support model by a major buyer, ECOM Agroindustrial. ECOM was a Swiss trading company that purchased some 15,000 tons of coffee per year from 300,000 farmers in East Africa. The company bought directly from these farmers, emphasizing the niche, specialty coffees, which were currently popular in destination markets. Rather than adopting a purely intermediary role, ECOM saw value in developing its supplier base, both by helping new farmers reach the necessary quality and consistency standards demanded by export markets, but also by helping their existing suppliers increase their income and move up the value chain.

As training was a major component of ECOM's support model, the company identified lead farmers within a village or cooperative and offered them agronomic training, including at agricultural research institutes. The lead farmers were then encouraged to return to their village to promote and demonstrate to neighbouring family farms new techniques that could raise, for example, yields or quality. ECOM blended this agronomic training with a certification process for farmers under standards marks such as UTZ Certified or Fairtrade. Once a farmer was certified by one of these programmes, ECOM could extend credit to, or sign long-term supply contracts with the farmer.

Another layer of ECOM's support involved transforming farmers' cooperatives into hubs for business services, delivering, for example, accountancy and environmental auditing services, as well as using collective buying power for inputs and wet mills.

In addition, ECOM had worked with a variety of development partners, certification agencies and end users, engaging their resources and expertise to leverage the reach of the ECOM support model and offer a greater range of support to their farmers. The company's development partners included the International Finance Corporation, the United States Agency for International Development, the German KFW Development Bank, the SNV Netherlands Development Organization, and the Bill and Melinda Gates Foundation. Partners among end users included Nestlé, Starbucks and Tchibo Coffee.

During the discussion that followed, several participants raised questions related to regional value chains for food and other agricultural products. Many African countries were net food importers. Also, owing to high transportation costs and other constraints, African agricultural products were often too expensive to be competitive in major export markets. Developing regional value chains for food and other agricultural products could help address both of these problems and create new market opportunities for family farms, as well.

Special session: The role of natural gas in the transition to achieving sustainable energy for all in Africa

Energy poverty hinders economic activity throughout Africa. More than 70 per cent of African households lack access to energy, and economic activity in all sectors is hampered by limited and unreliable electricity supply. To meet Agenda 2063 of the African Union, as well as Sustainable Development Goal 7, both of which aim to ensure access to affordable, reliable energy for all, considerable investments are required in power generation across Africa.

As signatories to the Paris Agreement under the United Nations Framework Convention on Climate Change (December 2015), most African Governments committed themselves to cut emissions from energy usage.

There were several technologies available to build the new generation capacity. Each technology had its own cost-emissions profile. For example, coal remained abundant and cheap but high in carbon emissions. Diesel and fuel oil were more expensive than coal and still relatively polluting. Natural gas was a cleaner fuel and allowed for the construction of large-scale power plants. Renewable technologies had low carbon emissions but were not sufficiently scalable, in most cases, to fully replace fossil fuel-based technologies.

Experts in this session reviewed Africa's energy endowments, with a focus on natural gas, to identify long- term strategies to achieving universal access to sustainable energy.

Mr. René Bautz, Chair, World Energy Council–Global Gas Centre, and Chief Executive Officer, Gaznat, Switzerland, was panel moderator. The following speakers comprised the panel: Mr. Karim Barbir, Director of Gas Chain, ENGIE; Mr. Thierry Bros, Senior European Gas and LNG Analyst, Société Générale; Mr. Andrew Kamau, Principal Secretary, State Department of Petroleum, Ministry of Energy and Petroleum, Kenya; and Mr. Taylor Ruggles, Regional Energy Counsellor for Africa, Bureau of Energy Resources, Department of State, United States.

Mr. Kamau outlined Kenya's draft power generation plan, which was finalized as the Power Generation and Transmission Master Plan 2015–2035. In 2015, power connectivity in Kenya stood at approximately 45 per cent of households. The Master Plan foresaw an ambitious increase in connectivity, to 70 per cent of households by the end of 2016, and then to 100 per cent by 2020. In terms of power generation, Kenya's peak consumption load was approximately 1,570 megawatts in 2015, covered comfortably by its 2,300 megawatts of installed capacity. However, this peak load was expected to rise to 6,700 megawatts by 2035, leaving a large projected supply gap that would have to be filled by new construction.

He said that Kenya was fortunate to have significant geothermal energy fields. It had already begun developing this energy source – geothermal represented over half of Kenya's power generation in 2015 – and there was potential for much more development going forward. According to the Master Plan, by 2035, Kenya would generate 90 per cent of its power from renewable sources, including 60 per cent from geothermal energy, 15 per cent from hydropower and 11 per cent from wind power.

Nevertheless, each geothermal well generated only five to eight megawatts, which meant that it took a long time to build the capacity foreseen in the Master Plan. As a result, the energy mix in the Master Plan foresaw a small role for coal, amounting to 4 per cent of total capacity by 2035, in providing flexibility to add capacity quickly and/or supplying large customers with a secure supply of power.

Aside from coal, the only other potential exposure to fossil fuels foreseen by the Master Plan was the 7 per cent of supply that it projected would come from imported sources by 2035.

Mr. Bros examined the major technological developments in energy over the last decade to understand what lay ahead for African countries, in terms of the energy mix and infrastructure investments they would require to dramatically expand access to clean energy.

> "Innovative solutions are needed to fast-track the development of the gas industry in Africa."
>
> **Thierry Bros**
> Senior European Gas and Liquid Natural Gas Analyst, Société Générale

He focused on four technological developments: shale oil and gas production in the United States, improved power consumption efficiency in Europe, the commercialization of renewable energy technologies and the prospect of off-peak power storage, especially for renewables.

The so-called “shale gas revolution” that had begun in the United States in 2005, followed by a similar boom in shale oil production, had had a major effect on energy markets. The sudden availability of large quantities of relatively cheap natural gas in the United States changed consumption patterns and may have reduced greenhouse gas emissions. The United States also became a net energy exporter, with its relatively cheap LNG exports displacing those from other exporting countries and pulling down prices.

In Europe, improved consumption efficiency had led to an 18 per cent reduction in European demand for natural gas from 2006–2015. These technologies were increasingly commoditized and affordable, as they would continue to be more widely adopted in coming years.

These two developments made natural gas cheaper and more abundant on international markets, representing an opportunity for countries contemplating the construction of new power plants. In Africa, the eventual commercialization of large new offshore natural gas fields in Mozambique and the United Republic of Tanzania was likely to extend the buyers’ market for natural gas.

Renewable technologies had matured to commercial viability in Europe and were being adopted worldwide. Nevertheless, despite promising developments such as the Ouarzazate solar power plant (Morocco) and the Olkaria geothermal field (Kenya), Africa continued to lag behind other regions in transitioning its energy mix from carbon-heavy fossil fuel-based technologies. In 2015, renewables represented only 1 per cent of Africa’s energy mix, compared with 3 per cent worldwide. The continent also relied more on oil (42 per cent) and coal (33 per cent) than the global average (oil, 33 per cent; coal, 29 per cent).

Mr. Bros stressed that renewable power generation technologies were on a small scale and decentralized, requiring significant investments in transmission infrastructure to link them to major population centres. By contrast, a single gas-fired power plant could be built adjacent to a population centre and serve its needs, powering up and down during peak and off-peak hours. Moreover, large-scale energy storage technologies were still unavailable; as a result, the power generated by renewable sources during off-peak hours was lost.

Based on this analysis, he recommended that African Governments plan for an energy mix based on renewables over the long term, with natural gas filling medium-term supply gaps. In addition, as offshore gas fields in East Africa were being commercialized and more gas-fired power generation capacity was being built, the intraregional natural gas market would grow and would need a regional gas hub.

Mr. Barbir said that the corporate strategy of ENGIE in Africa had been developed in response to the push for lower carbon energy. At a strategic level, ENGIE was increasingly moving from large, centralized, grids based on high-capacity, gas-fired plants and an extensive distribution network to decentralized grids, based on many small-scale plants using renewable technologies situated in close proximity to the consumer.

ENGIE had done business in Africa for 50 years and was currently active in 17 countries, operating 758 megawatts of generation capacity, with 2,000 megawatts more under construction – mainly gas-fired, solar and wind technologies. This experience had shown that African countries were diverse in general and in their energy profiles in particular.

In rural areas, ENGIE promoted biogas systems, such as modular biodigesters. They converted organic waste into both fertilizer and cooking gas. ENGIE had invested in a social enterprise called SimGas that installed such modular biodigesters, which reduced a household’s energy expenses, as well as household air pollution, by replacing dirtier cooking fuels such as wood or charcoal.

In the view of Mr. Barbir, African cities and their booming populations were the main sources of energy consumption growth on the continent. For ENGIE, gas-fired plants represented the best solution to meet rapidly growing energy demand from urban centres. They could take advantage of growing natural gas production in Africa. Further, gas-fired plants offered scalability, a rapid build-out and the efficiency of being able to use and expand existing centralized grids. Moreover, where they replaced diesel- and coal-fired sources, new gas-fired plants would help reduce carbon emissions and improve air quality in cities.

> “Natural gas is part of the solution for Africa’s growing energy needs.”
>
> **Karim Barbir**
> Director of Gas Chain, Gas Chain Value, ENGIE

A major obstacle to implementing a natural gas-based expansion plan was the lack of transmission infrastructure. For countries with domestic gas resources, a pipeline was needed to bring the gas to the plant near the city – the so-called “first pipeline”. For countries importing LNG, regasification infrastructure was needed. In general, there were sufficient margins in power generation and the distribution to consumers to attract private investment, but the first pipeline and LNG regasification infrastructure were considered to be low margin and risky, given the significant investments required. The speaker recommended that Governments’ energy policies and investments should provide for this initial transmission infrastructure. He also encouraged Governments to improve the regulatory framework for gas distribution, providing companies with sufficient incentives to invest in generation plants and urban distribution grids.

In his presentation, Mr. Ruggles described the effects of the shale gas revolution in the United States, in particular the emergence of the United States as an LNG exporter, and on the global natural gas market, which had implications for energy security in Africa.

Left to right: Mr. Andrew Kamau, Mr. Samuel Gayi and Mr. René Bautz

Modern LNG technology had been first commercialized in the United States in the 1960s and 1970s and had since been adopted worldwide. It enabled the trading of natural gas, which had previously only been exchanged by pipeline between two fixed parties. Nevertheless, as compared with oil products, for example, there remained significant cost barriers to trade in LNG, due to the significant capital investments required for liquefaction plants for exporters and regasification plants for importers. Mr. Ruggles noted that mobile floating storage regasification units were another technological advance that had reduced the capital requirements to import LNG.

For decades, the United States had used LNG technology to import natural gas. Indeed, in 2008, the United States was the fifth-largest LNG importer and there were no liquefaction (i.e. export) plants in the lower 48 States. Shale gas had reversed this situation, with the United States expected to become a net exporter of natural gas by 2017. This was due in part to the construction of the first liquefaction plants at the Chenière LNG terminal in Sabine Pass, Louisiana. The first plant had begun operations in May 2016, and five more were slated to begin operations before 2020. Further, the United States Government had already granted licences to export 11 billion cubic feet per day of LNG to non-free-trade countries, representing approximately one third of the current LNG trade volume.

Mozambique and the United Republic of Tanzania were advancing towards the commercialization of their offshore natural gas fields after 2020, with Mozambique expected to replace Nigeria as the largest exporter of LNG in Africa by 2030. However, the current low-price environment might delay the completion of these projects.

In this context, the United States Government had initiated the Power Africa programme, launched by President Obama in 2013, which aimed to form partnerships and promote investments to add more than 30,000 megawatts of generation capacity in Africa, allowing 60 million new home and business connections. The Government expected that gas-fired plants would form a significant part of new installed capacity.

When a critical mass of new gas-fired plants was built, African countries might become the main consumers of the impending LNG supply from East Africa. Nevertheless, establishing a regional LNG market would require major investments from the private sector. Mr. Ruggles encouraged African Governments to create an enabling investment climate by strengthening and streamlining regulatory frameworks that controlled rent-seeking. As demonstrated with its Power Africa programme, the United States would support transparent, market-driven initiatives towards increasing access to electricity in Africa.

A large part of the discussion focused on the potential development of a regional energy market in Africa. There was consensus that the export side was relatively assured, with existing production from Angola, Equatorial Guinea and Nigeria, and to be supplemented once the Mozambican and Tanzanian projects were completed. Similarly, electricity tariffs were generally high across Africa, providing sufficient incentive to private investors. However, there remained little incentive for investments in transmission and distribution infrastructure, without which a regional energy market would be impossible. Participants and panellists alike called on Governments to focus their policies on creating incentives for investments in transmission and distribution infrastructure.

Participants noted that there was a need for regional integration at the political level, with Governments aligning their energy plans, policies and infrastructure to provide a coherent landscape in which a regional energy market could take shape.

Ministerial round table: Commodity-led development and the Sustainable Development Goals in Africa

Introduction

The objective of this ministerial round table was to share national experiences and identify policies that commodity-dependent developing countries could use to transform their commodity sectors into a source of growth, development and poverty reduction, in pursuit of the Sustainable Development Goals.

In his introductory remarks, Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, underlined the context in which the recent collapse in commodity prices had occurred. Whereas previous development agendas had focused initially on human development and then on economic growth, the current development focus was on improving the equality of economic opportunities. This was an important consideration. Unlike the focus on economic growth, for example, which implied a lead role for the private sector, a focus on equality implied a central role for Government as the arbiter of markets, free enterprise and economic outcomes. Transparency was a key element in ensuring a more equal distribution of opportunities. Mr. Acharya said that initiatives such as the Extractive Industries Transparency Initiative were important contributions.

Mr. Delphin Koudande

Looking at the role of agriculture in economic development, Mr. Kostas G. Stamoulis, Assistant Director General a.i., Economic and Social Development Department, FAO, noted that 14 of the 17 Sustainable Development Goals related to food or agriculture. In Africa, agriculture featured heavily in development prospects: according to FAO estimates, 20 African countries depended on agricultural commodities for a majority of their export revenues. More generally, agricultural development was fundamental to food security in Africa and to the livelihoods of the high proportion of its population that lived and farmed in rural areas. To improve rural livelihoods, it would be necessary to increase agricultural productivity. As this would require significant investments – in research, infrastructure and human capital development, for example – Mr. Stamoulis urged Governments and development partners to increase their financial and policy support for agricultural development.

Panel

The moderator, Mr. Julius Korir, asked the panellists questions about energy transition for African countries, realizing local content and value addition, and improving market access for family farms.

The panel was composed of the following experts: Mr. Willy Bett, Cabinet Secretary, Ministry of Agriculture, Livestock and Fisheries, Kenya; Mr. Kayode Fayemi, Minister of Solid Minerals Development, Nigeria; Mr. Delphin Koudande, Minister of Agriculture, Benin; Mr. Ibrahim Murtala Muhammed, Deputy Minister of Trade and Industry, Ghana; Ms. Irene Muloni, Minister of Energy and Mineral Development, Uganda; and Mr. Jacob Ouedraogo, Minister of Agriculture and Irrigation, Burkina Faso.

A selection of panellists' answers illustrating the range of policy positions discussed is summarized below.

Energy transition

Mr. Korir asked the panellists what policies and technologies their Governments were employing to expand access to energy in their countries. Referring to commitments under the Paris Agreement to simultaneously reduce carbon emissions and expand energy access, he wished to know which of the two – green energy or coal – would be the better energy choice.

Mr. Fayemi stated that the Government of Nigeria would consider both coal and lower-carbon fuels to expand power generation capacity. Carbon emissions were not the only consideration. To rapidly build up capacity and generate affordable electricity in densely populated urban areas, plants burning inexpensive and abundant coal supplies were the most feasible source. By contrast, since renewable energy was typically generated by smaller, more modular plants, these sources were better suited to more sparsely populated rural areas.

Mr. Ibrahim Murtala Muhammed

Mr. Muhammed reported that previous energy policies in Ghana had prioritized connections over generation capacity, as 84 per cent of households in that country were connected to the grid. However, availability was limited to 200 megawatts. At an aggregate level, this underlined the unique energy profile of each African country.

In her view, Ms. Muloni said that it would be necessary to make massive investments in renewable energy projects in order to meet Sustainable Development Goal 7. As many countries would not be able to afford these investments and/or attract sufficient foreign investment, regional integration of energy policies and infrastructure investments would be necessary to share the costs and risks. Such integration should include the development of a regional energy market to allow a more efficient use of African energy resources to contribute to expanded access to energy on the continent.

Realizing local content and value addition

Which factors prevented African Governments from using local content provisions to help transform their economies? What could Governments do to increase domestic value addition?

In response to these queries, Mr. Bett underlined the importance of agricultural development. Most of Kenya's population lived in rural areas and depended on agriculture. As arable land was in general fully utilized, improved livelihoods would not achieved by land expansion, but by higher productivity. To help farmers employ modern, more productive techniques and technologies adapted to local conditions, the Government had begun funding agricultural research centres coordinated at the local level; it also offered subsidies on the inputs that were necessary for farmers to increase yield and quality.

Mr. Muhammed described the Made-in-Ghana campaign, launched by President Mahama in 2015. Ghana exported many of its commodities in raw form or with minimal processing and imported many finished goods that the country could produce itself. He illustrated this paradox by noting that many farmers of cocoa, Ghana's chief agricultural export, had never tasted chocolate. The campaign exhorted Ghanaians to buy locally and called on local companies to improve the quality of their goods and services. The initiative was an uphill battle, not due to technical or policy constraints, but because of the perception of Ghanaian consumers that foreign products were superior. To effect the necessary culture change, policy alone did not suffice – national leaders and the elites should set an example by buying locally.

With regard to Uganda, Ms. Muloni said that the country expected to pump its first oil in 2018. In the meantime, it had adopted a diligent approach to ensure that the necessary conditions were in place for the country to capture maximum value from the exploitation of its resource. The Ugandan Government was currently formulating a comprehensive regulatory framework, including clear local content conditions. These included not only investors' responsibilities, but also the Government's responsibilities to provide financial assistance and training to help local workers and businesses participate in value added activities. For local businesses, this included helping them meet the standards they would need to accomplish this.

Improving market access for family farms

Mr. Korir asked the panellists how Governments could help family farms participate competitively in markets and what kinds of partnership could support these efforts.

In response, Mr. Ouedraogo noted that in Burkina Faso there were many constraints to family farms participating competitively in markets, with too few resources to overcome them. Farmers lacked access to important inputs, including credit. At the Government level, there was a need to reform training institutions and to invest in agricultural research. As in other countries, the Government had difficulty reserving sufficient funds within its national budget to address these constraints. This could be attributed in part to the pervasive perception that farming was an undesirable vocation. In his view, without a cultural change in the perception of farming, it would be difficult to convince young people to work on farms, entrepreneurs to innovate and take risks on agricultural ventures, and politicians to commit funds to overcome the well-known constraints facing farmers.

Mr. Koudande stated that in the view of the Government of Benin, individual farmers would not be able to overcome the barriers they faced to participate in export markets. For example, smallholders could not procure a bank loan, which precluded them from investing in more productive, mechanized techniques. As a result, the Government had structured the agricultural sector around cooperatives, with each stakeholder group represented. These cooperatives served as aggregators to procure inputs and credit, as well as to market produce, while the Government provided subsidies to farmers for important inputs. It was also working with insurers to expand the range and coverage of insurance products.

Ms. Irene Muloni (left) and Mr. Willy Bett (right)

Mr. Bett noted that market failures continued to exclude family farms. For example, many farmers had surpluses they were unable to sell, even as processors complained that they could buy enough high-quality feedstock. There was a need to reform Government support services to farmers, which were antiquated and no longer met farmers' needs. Similarly, the Government must pursue trade facilitation to help exporters of agricultural products, and it must take an active role in encouraging contract farming by connecting processors and buyers with farmers.

Conclusion and recommendations

The recent crash in commodity prices and the resulting macroeconomic difficulties in many commodity-dependent developing countries have continued to attract widespread attention. However, based on the discussions at the 2016 Global Commodities Forum, prices – whether high, low or volatile – are not the only problem.

One of the most persistent problems is that the majority of exporting countries have been unable to convert windfalls from the 2004–2011 commodity price boom into structural transformation and reduction in poverty levels. These countries bear their share of the responsibility: they spent too much of the windfall, saved too little of it and did not invest enough in infrastructure and productive capacity. On the other hand, this is an example of developing countries not benefiting enough from the production and trade of commodities.

This section is divided into five recurring, cross-cutting themes of the two-day Forum, presented as policy recommendations for commodity-dependent developing countries and other stakeholders. These include the following recommendations: renew commitment to smallholder-centred agriculture; strengthen regional value chains; engage the private sector; expand clean power generation in Africa; and tackle trade misinvoicing and capital flight.

Renew commitment to smallholder-centred agriculture

Throughout the Forum, discussions revolved around the importance of smallholder agriculture in development strategies. Participants encouraged Governments and development partners to adopt policies fostering investment in smallholder agriculture. In particular, policies must address the many market failures that prevent smallholders from participating more fully in global value chains. Market failures to be redressed include a lack of access to markets, both local and international, due to poor transportation and communication infrastructure; a lack of access to credit and risk management services; and smallholders' inability to supply their labour in more productive and remunerative sectors. Smallholders generally know what inputs, technologies and techniques exist to improve the yield, quality and uniformity of their harvests – they simply lack access to them.

Discussions at the Forum also highlighted the importance of putting women at the centre of a renewed agricultural development agenda in Africa, recognizing that women provide most of the agricultural labour on small farms. Nonetheless, they have less access to inputs and earn less than men.

> "Today, 65 per cent of developing countries are commodity-dependence, a proportion unchanged in over 20 years. It is time to break this deadlock - economic diversification is fundamental to development."
>
> **Joakim Reiter**
> UNCTAD Deputy Secretary-General

Strengthen regional value chains

For smallholder agriculture, as for other economic sectors, regional value chains are a key opportunity for commodity-dependent developing countries to expand their export markets and broaden their export baskets. In Africa in particular, high transportation costs – both at home and abroad – can render countries' exports uncompetitive. Regional value chains represent a feasible, competitive opportunity to generate export demand growth at competitive costs, particularly in the current context of slowing demand from advanced and emerging economies. Policies should be adapted from the growing number of successful regional value chains, in Africa and elsewhere.

In the discussions concerning the oil and gas sector, participants stressed the need for Governments to invest in regional energy markets, especially for transmission and distribution, two activities for which countries have had difficulty attracting foreign investment. Participants recommended that Governments and development partners focus their investments on the so-called "first pipeline," to bring, for example, natural gas from an offshore field to an urban consumption market, where the private sector would see more profitable opportunities to invest in generation and distribution to end users.

Engage the private sector

Despite the heterogeneous structures of different commodity sectors – for example, small farms, large mines or offshore oil and gas platforms – discussions during the Forum returned to the need for Governments to engage more with the private sector when formulating long-term plans. This indicates not only that the private sector is the predominant investor, operator and market-maker in most commodity sectors in developing countries, but also that there are a growing number of foreign firms interested in developing a more collaborative relationship with host Governments.

There is deep frustration in many developing countries at the conditions imposed by foreign investors, which can limit the Government revenues and local content that developing countries receive from foreign investments in the extractive sector. Nonetheless, there are also a variety of examples of fruitful public–private partnerships to increase the long-term value that developing countries derive from their natural resources.

In agriculture, partnerships should involve foreign firms that improve smallholders' access to inputs, credit and export markets, and that develop value addition capacities in host countries to produce high-quality, branded export products. In the extractive sectors, partnerships should focus on the following issues: collaborative negotiations that look at the full 30- to 40-year life span of a project; shared responsibilities in building human capital and local participation over the course of the project; and investors' desire to have a stable licence to operate within local communities. In discussions about the agricultural and extractive sectors, participants often spoke of shared value to describe these collaborative partnerships and to differentiate them from the narrower, typically rule-based concept of local content. Confrontational investment and regulatory relationships will persist in some cases, but Governments should engage with those foreign firms that have adopted shared value as part of their core business strategy.

Expand clean power generation in Africa

Throughout Africa, energy poverty hinders economic activity. To meet both Agenda 2063 of the African Union, as well as Sustainable Development Goal 7, both of which aim to ensure access to affordable, reliable energy for all, considerable power generation investments are required across the continent. Meanwhile, most African Governments made a commitment to cut emissions from energy usage under the Paris Agreement under the United Nations Framework Convention on Climate Change.

Several technologies can be used to build the new generation capacity. Each technology has its own cost-emissions profile. For example, coal remains abundant and cheap but high in carbon emissions; diesel and fuel oil are more expensive than coal and still relatively polluting; natural gas is a cleaner fuel and allows for the construction of large-scale power plants; and renewable technologies have low carbon emissions but are not sufficiently scalable – in most cases – to fully replace fossil fuel-based technologies. Participants recommended that African Government pursue their "clean energy for all" strategy by investing in renewable technologies wherever possible and using technologies based on natural gas to fill any gaps.

Tackle trade misinvoicing and capital flight

At the Forum, UNCTAD released a ground-breaking research paper on trade misinvoicing. The term refers to the discrepancy between the value of export or import transactions, and it is one mechanism within the larger complex of illicit financial flows and capital flight from developing countries.

The paper estimates the incidence and value of trade misinvoicing on exports and imports of commodities in five developing countries over the last two decades. For each developing country studied, the paper found that tens of billions of dollars in exports went unreported over the study period.

These estimates, for just five countries, hint at the magnitude of the total export earnings and Government revenues lost to illicit financial flows by commodity-dependent developing countries, a drain on the resources they have available to invest in productive capacity and poverty reduction.

The paper also estimates imbalances by trading partner, showing that misinvoiced flows are often concentrated towards one or a few importing countries and that exporting and importing countries alike must take steps to improve transparency in commodities trade in order to eradicate trade misinvoicing.

More research and policy analysis is needed to understand the modalities of trade misinvoicing in the trade of commodities, identify the capacity development needed at the national level to combat this practice and strengthen international exchange of information for tax purposes.

Combatting trade mispricing, and improving transparency in the commodities value chain fits within the wider objective of UNCTAD work in commodities: to promote a more equitable distribution of value added throughout the chain, particularly towards the small producers and citizens in developing countries. Too often, illicit activities divert revenues from these countries, cheating them of their due share and reducing the means at their disposal to realize sustainable economic development for their citizens. UNCTAD therefore strives to promote greater transparency in the physical and financial flows related to commodities trade, to shed light on illicit activities and enable developing countries to derive an equitable return from their natural resources.

Programme of the Global Commodities Forum 2016

Friday, 15 July

9.45–10 a.m.: Inauguration of the Global Commodities Forum Tea Bar and Coffee Bar

Generously offered by the East Africa Tea Trade Association and Dormans Coffee, throughout the Forum

10–11.30 a.m.: Opening ceremony

Moderator: Mr. Adan Mohammed, Cabinet Secretary, Ministry of Industry, Trade and Cooperatives, Kenya
Opening statement: Mr. Mukhisa Kituyi, Secretary-General, UNCTAD

Panellists:

Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
Mr. Yonov Frederick Agah, Deputy Director General, World Trade Organization
Mr. Deodat Maharaj, Deputy Secretary-General for Economic and Social Development, Commonwealth Secretariat
Ms. Arancha González, Executive Director, International Trade Centre

11.30 a.m.–1 p.m.: Keynote session

Moderator: Mr. Julius Korir, Principal Secretary, State Department of Industry and Enterprise Development, Ministry of Industry, Trade and Cooperatives, Kenya

Panellists:

Mr. Mohammad Reza Nematzadeh, Minister of Industry, Mining and Trade, Islamic Republic of Iran
Ms. Agnes Kalibata, President, Alliance for a Green Revolution in Africa
Mr. Léonce Ndikumana, Professor of Economics, University of Massachusetts, Amherst, United States of America

1–3 p.m.: Lunch presentation

Hosted by the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development Secretariat.
Welcoming remarks: Mr. Dan Kazungu, Cabinet Secretary, Ministry of Mining, Government of Kenya
The Intergovernmental Forum works with its member States to ensure that the mining sector contributes to poverty alleviation and sustainable development.

3–4.30 p.m.: Session 1. From local content to shared value creation in extractive industries

With the OECD Development Centre.
Local content is an important channel by which extractive projects can create opportunities for employment, entrepreneurship and economic diversification. However, early generations of local content policies often fostered activities with limited development prospects and marginal spillover effects, such as accommodation, catering and import brokerage. Drawing from the concept of "shared value creation" elaborated by the OECD Development Centre Policy Dialogue on Natural Resource-Based Development, panellists in this session will review the conditions necessary for greater local participation in high value added activities in extractive value chains.

Targeted outcomes:

- A policy checklist and blueprint for designing strategies on resource-based development and establishing higher value added local content activities
- Success criteria for public–private collaborations

Moderator: Mr. Samuel Russ, Vice Minister, Ministry of Lands, Mines and Energy, Liberia

Panellists:

Ms. Nancy L. Swartout, Global Sustainable Procurement Manager, Exxon Mobil Global Services Company
Mr. Mwendia Nyaga, Chief Executive Officer, Oil and Energy Services, Nairobi, Kenya
Mr. Stephen Karingi, Director, Regional Integration and Trade Division, Economic Commission for Africa

4.30–6 p.m.: Session 2. The changing landscape of export diversification

With the Commonwealth Secretariat.
After the crash in commodity prices, it is all the more urgent for commodity-dependent developing countries to diversify their export basket and reduce their dependence on commodity exports. But what opportunities are accessible to these countries? In recent years, for example, industrialization has stagnated in Africa, while trade in services has grown. This session will identify opportunities for export diversification in those countries and give examples of strategies that countries have successfully employed to enter these markets.

Targeted outcomes:

- Success factors for export diversification strategies in the context of regional and global value chains
- Examples of export-financing facilities available to developing countries

Moderator: Mr. Deodat Maharaj, Deputy Secretary-General for Economic and Social Development, Commonwealth Secretariat

Panellists:

Mr. Joshua Setipa, Minister of Trade and Industry, Lesotho
Mr. Rashmi Banga, Head and Adviser, Trade Competitiveness Section, Trade Division, Commonwealth Secretariat
Mr. Hope Yongo, Technical Adviser to the Managing Director, Nigeria Export-Import Bank
Mr. Mwinyikione Mwinyihija, Executive Director, COMESA–Leather and Leather Products Institute

7 p.m.: Cocktail reception

Hosted by the Global Network of Export-Import Banks and Development Finance Institutions (G-NEXID)
Established under the sponsorship of UNCTAD in 2006, G-NEXID commemorates its first decade with its existing and potential members and partners with the launch of the publication titled: “G-NEXID: 10 Years of Promoting South–South Trade, Investment and Cooperation”.

Welcoming remarks:

Mr. Chris Kiptoo, Principal Secretary of Trade, Ministry of Industry, Trade and Cooperatives, Kenya
Mr. Guillermo Valles, Director, Division on International Trade in Goods and Services, and Commodities, UNCTAD
Presenter: Ms. Dorothy Ogbutor, Nigerian Export-Import Bank

Saturday, 16 July

10–11.30 a.m.: Session 3. Linking family farms to markets

With the Food and Agriculture Organization of the United Nations and the Swiss Trading and Shipping Association.

More than 90 percent of farms in the world are run by families and rely on family labour. They produce nutritious food and contribute towards the sustainable use of natural resources. They also boost rural economies, generate jobs and incomes and contribute to poverty eradication. Smallholder farmers therefore have an essential role to play in achieving the Sustainable Development Goals. Despite smallholder farmers' essential development role, their full potential remains unrealized. Smallholders face many constraints in accessing markets to sell their products and obtain inputs, including credit. This lack of market access isolates smallholders and dampens their productivity. In this session, experts will examine how smallholder farmers can participate competitively in markets through, for example, novel value chain arrangements and market-based partnerships. These strategies can enable farmers to obtain fair prices for their products, invest in farms and realize their full potential.

Targeted outcomes:

Partnership models for improving market access and smallholder agricultural productivity, with policy recommendations.
Moderator: Ms. Margaret Muchui, General Manager, Fresh Produce Exporters Association of Kenya

Panellists:

Mr. Kamau Kuria, Managing Director, Coffee Management Services, Kenya
Mr. Maarten Van Der Kamp, Lecturer in Entrepreneurship, Cranfield University School of Management, United Kingdom
Mr. George Rapsomanikis, Senior Economist, Trade and Markets Division, Food and Agriculture Organization of the United Nations
Mr. John Bee, Regional Head, Regulatory and Scientific Affairs, Sub-Saharan Africa, Nestlé

11.30 a.m.–1 p.m.: Special session: The role of natural gas in the transition to achieving sustainable energy for all in Africa

With the World Energy Council–Global Gas Centre

Sustainable Development Goal 7 aims to "[E]nsure access to affordable, reliable, sustainable and modern energy for all." The twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change held in Paris in 2015 further emphasized the importance of employing sustainable energy sources in expanding access to energy. These challenges are particularly relevant in Africa. In this session, experts will review the continent's energy endowments, with a focus on natural gas, and identify long-term strategies that can convert them into universal access to sustainable energy.

Targeted outcomes:

Terms of reference for a multi-stakeholder policy dialogue on natural gas and the energy mix towards achieving Goal 7 in Africa
Moderator: Mr. René Bautz, Chair, World Energy Council–Global Gas Centre, and Chief Executive Officer, Gaznat, Switzerland

Panellists:

Mr. Andrew Kamau, Principal Secretary of Petroleum, Ministry of Energy and Petroleum, Government of Kenya
Mr. Taylor Ruggles, Regional Energy Counsellor for Africa, Bureau of Energy, State Department, United States
Mr. Thierry Bros, Senior European Gas and LNG Gas Analyst, Société Générale
Mr. Karim Barbir, Director of Gas Chain, ENGIE

1–3 p.m. Lunch presentation
The potential role of commodity derivatives in Africa

Hosted by Bloomberg in collaboration with the Nairobi Securities Exchange

Presentation by Bloomberg on the development of commodity derivatives markets in Africa. The objective is to obtain an overview of the current market structure, the importance of commodity derivatives markets and the challenges affecting the development of these markets.

Presenter: Ms. Selloua Chakri, Head of Market Structure Strategy, Middle East and Africa, Bloomberg

3–5.45 p.m. Ministerial round table: Commodity-led development and the Sustainable Development Goals in Africa

With the Commonwealth Secretariat

In the context of the 2030 Agenda for Sustainable Development, this round table will assemble government ministers from African countries to discuss the role of commodities production and trade in their development strategies and the specific policies required to ensure that commodities are a source of growth and development in the pursuit of the Sustainable Development Goals.

Moderator: Mr. Julius Korir, Principal Secretary, State Department of Industry and Enterprise Development, Ministry of Industry, Trade and Cooperatives, Kenya

Introductory remarks:

Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

Mr. Kostas G. Stamoulis, Assistant Director General a.i., Economic and Social Development Department, Food and Agriculture Organization of the United Nations

Panellists:

Mr. Delphin Koudandé, Minister of Agriculture, Livestock and Fisheries, Benin
Mr. Jacob Ouedraogo, Minister of Agriculture and Irrigation, Burkina Faso
Mr. Ibrahim Murtala Muhammed, Deputy Minister of Trade and Industry, Ghana
Mr. Willy Bett, Cabinet Secretary, Ministry of Agriculture, Livestock and Fisheries, Kenya
Mr. Kayode Fayemi, Minister of Solid Minerals Development, Nigeria
Ms. Irene Muloni, Minister of Energy and Mineral Development, Uganda

High-level participants:

Mr. Francisco Manuel Monteiro de Queiróz, Minister of Geology and Mines, Angola
Mr. Essam Fayed, Minister of Agriculture and Land Reclamation, Egypt
Mr. Tolesa Shagi, Minister of Mines, Petroleum and Natural Gas, Ethiopia
Mr. Cheickna Seydi Ahamadi Diawara, Minister of Mines, Mali
Brigadier General Elmeldah Chola, Permanent Secretary, Ministry of Energy and Water Development, Zambia
Ms. Khumo Mogaetsho, Director of Minerals Affairs Division, Ministry of Minerals, Energy and Water Resources, Botswana
Mr. Bechir Abdoulaye Adam, Director General, Economic and Legal Studies, and IT, Ministry of Oil and Energy, Chad
Mr. Lawani Alabi, Director, Vegetal Sector, Ministry of Agriculture, Livestock and Irrigation, Togo
Mr. Olusegun Awolowo, Executive Director and Chief Executive Officer, Nigerian Export Promotion Council, Nigeria

5.45–6 p.m.: Closing address

Mr. Joakim Reiter, Deputy Secretary-General, UNCTAD

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