



**A side event on the "role of energy in boosting productive capacities, commodity diversification and fostering structural economic transformation in LLDCs", organized by UNCTAD and CFC in collaboration with UN-OHRLLS**

**Vienna International Centre, Vienna, Austria**

**(25 October 2016, 13:15 - 14:45)**

**Room: C3**

The Vienna Programme of Action (VPoA) for the decade 2014-2024 underscores the importance of energy in sustainable development of Landlocked Developing Countries (LLDCs). Priority area 2 (b) of the VPoA states that energy infrastructure and access to affordable energy "is critically important for modernizing information and communication technologies and transit systems, reducing delays and enhancing productive capacities to achieve sustained economic growth and sustainable development" (paragraph 34).

The recent work undertaken by UNCTAD and CFC indicates that structural problems of many LLDCs relate to their reliance on production and trade in primary commodities as primary drivers of growth and economic development. For instance, 27 out of the 32 LLDCs are dependent on export of primary commodities with low value-to-weight ratios. This results in significant structural vulnerabilities of LLDCs e.g. due to market volatility or climate change which all act as impediments to structural transformation and progress towards the SDGs.

Diversification of economic opportunities, such as export value addition, and hooking into regional and global value chains can reduce the vulnerability of LLDCs' caused by their reliance on primary commodities. Taking advantage of such opportunities however requires sustainable access to affordable energy. The experience of developed countries and advance developing countries suggests that economic diversification and export competitiveness is directly linked to availability and affordability of energy.

Several landlocked developing countries such as Afghanistan, Ethiopia, Niger, Uganda and Zambia are among the countries that have the lowest total primary energy supply (TPES) per capita in the world and

have a long way to go in fulfilling their development objectives, including industrialization, export diversification and, above all, the goal of sustainable energy for all by 2030. Structural transformation and mitigation of vulnerabilities of LLDCs are undermined by shortages and unreliable supply of electricity due to limited generation capacity and lack of modern distribution networks. The effect of such shortages leads many LLDCs to depend on more expensive and economically unsustainable sources of electricity. In many LLDCs private companies especially SMEs have to rely on diesel generators, adding costs that threaten their viability, survival and competitiveness and, eventually, limit investments and impede economic growth.

It should be noted that, while energy is critically important in the development process, realizing its full potential requires deliberate government efforts to use it in support of the transformation agenda. For example, in LLDCs that produce and export energy, economic diversification and structural transformation still poses exceptional challenges. The case of Bhutan and Lesotho (on hydroelectricity) and Azerbaijan, Bolivia, Chad, Kazakhstan and Mongolia (on fossil fuel) illustrates that production and export of energy by itself is not a panacea for complex development challenges facing landlocked developing countries. This calls for concerted efforts to enhance complementarity between and among the policies and strategies targeting different economic sectors (e.g. energy, industrial, and primary commodity policies) of these countries to maximize development outcomes and contribute to the 2030 Agenda for Sustainable Development.

Against the above-mentioned background, the side event will deliberate on the synergies between development of the energy sector and boosting productive capacities, commodity diversification and fostering structural economic transformation. It will assist in formulating a diverse set of policies and strategies on sustainable, reliable and affordable energy reflecting the diversity of circumstances facing LLDCs. These policies will help accelerate industrialization and economic diversification, including value addition through building productive capacities of landlocked developing countries (LLDCs). Governments of LLDCs with the support of their development partners could enhance public and private investment in the energy sector including through public private partnership (PPP). LLDC governments can also play an active role in developing energy access at every scale, e.g. directly building and enabling investment in their energy infrastructure, but also by undertaking effective policies such as providing tax breaks or subsidies to encourage energy generation and distribution reaching every level from smallholder farmers and SMEs to large international enterprises.

It will specifically address the following questions:

- How can investing in small-scale sustainable energy in commodity value chains enhance export diversification and competitiveness in LLDCs?
- What are key policy instruments and strategies that should be pursued in LLDCs to improve access to modern, sustainable and affordable energy?
- How can access to affordable energy contribute to reduce the high trade costs faced by the LLDCs?
- How can energy producing and exporting LLDCs make better use of energy to foster productive capacities and structural economic transformation in their economies?