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Twelfth session
Geneva, 8 and 9 February 2021

**Report of the Multi-year Expert Meeting on Commodities
and Development on its twelfth session**

Held at the Palais des Nations, Geneva, 8 and 9 February 2021



I. Chair's summary

A. Opening plenary

1. In her opening statement, the Deputy Secretary-General of UNCTAD highlighted the effect of the coronavirus disease of 2019 (COVID-19) pandemic on price volatility in commodity markets in 2020 and the negative impact of the pandemic on commodity trade. UNCTAD simulation estimates had showed that, compared with business as usual, commodity exports to major destination markets, namely China, the United States of America and the European Union, had been expected to fall by up to \$193 billion in 2020, and about 60 per cent of the fall was projected to be in commodity-dependent developing countries. The perspectives for 2021 were positive, although some aspects of the pandemic still affected demand. The Deputy Secretary-General underscored that the opaque nature of commodity markets favoured corruption and non-ethical business practices that were impediments to growth and development. She encouraged transparency in commodity markets to ensure higher levels of accountability and good governance, as well as fairer sharing of commodity revenue. Finally, she requested all stakeholders in commodity markets to work together in ensuring transparency.

2. The Chair emphasized the need for commodity-dependent developing countries to reduce their dependence on natural resources through economic and export diversification. She advocated for transparency in markets, as it could help in preventing corruption and illicit capital flows and in reducing revenue losses that strained the budgets of developing countries, in particular the least developed countries.

B. Recent developments, challenges and opportunities in commodity markets

(Agenda item 3)

3. During the first informal session, the secretariat introduced the note titled "Recent developments, challenges and opportunities in commodity markets" (TD/B/C.I/MEM.2/50/Rev.1) and provided an overview of recent trends in commodity markets and their outlooks. Representatives of the UNCTAD secretariat and the Food and Agriculture Organization of the United Nations made presentations, followed by presentations by an energy and mining analyst; and a representative of the Organization of the Petroleum Exporting Countries. The panellists provided insights into the impacts of the pandemic on different commodity markets, discussed the implications of the pandemic on trade and provided outlooks for specific markets.

4. The first panellist highlighted UNCTAD estimates that showed a slump in export revenues in commodity-dependent developing countries due to the pandemic. The countries most negatively affected were projected to be oil exporters in Africa, such as Ghana and Nigeria, in which the loss of export income in 2020 had been projected to be between \$2.5 billion and \$2.7 billion and between \$14 billion and \$17.5 billion, respectively. The impact on smaller economies would be disproportionately greater as they faced a relatively deeper reduction in export revenues. Finally, lower export revenues were likely to lead to a deterioration in the balance of payments and in foreign direct investment and remittance flows, and affect the capacity of countries to service their debts and meet their development commitments.

5. The second panellist noted that measures introduced to mitigate the impacts of the pandemic such as restrictions on travel and movement, as well as on transportation, had contributed to disruptions in food supply chains. Temporary export restrictions from countries concerned about food shortages had also had that effect. Markets had been resilient but poorer regions had been more affected by the restrictions in the number of calories. Coordinated policy responses with an emphasis on market transparency could help in averting shortages in food supply. Finally, the panellist stated that trade-restricting measures in food markets should be avoided, as these could exacerbate disruptions in both demand and supply, with detrimental global effects.

6. The third panellist highlighted the impact of the pandemic on supply and demand in minerals, ores and metals. Measures implemented to mitigate the impacts of the pandemic had contributed to low output and increasing metals prices in 2020. The prices of most metals had experienced a reduction at the start of the pandemic, but the gold market had not been equally affected, since gold was a refuge for value during a crisis. The increasing prices had been supported by a rebound in demand from China as economic activity had picked up in the country. Mining projects had been suspended, postponed or cancelled due to the pandemic, and this might lead to future supply shortages. Finally, the panellist underscored the accelerated use of local service providers in the mining industry and the increased interest in automation at mines and digitization of data, due to the pandemic.

7. The fourth panellist provided short, medium and long-term outlooks for the oil market. Oil prices had declined in 2020, largely due to a slump in demand for transportation fuels triggered by the pandemic. Demand was expected to rebound in 2021 but uncertainties related to the pandemic might cloud the outlook. Referring to forecasts for 2021, the panellist stated that the main drivers for growth in demand would probably be growth in economic activity in countries such as Brazil and the United States, and presented long-term evaluations, including the following: global demand for energy would probably grow by 25 per cent in 2019–2045; only demand for coal was likely to be reduced in that period; most of the growth should be concentrated in economies that were not members of the Organization for Economic Cooperation and Development; and members of the Organization would most likely invest in renewable sources of energy. Finally, market volatility and demand uncertainty had negatively impacted capital expenditure in 2020 and this was likely to affect supply growth in future years.

8. During the ensuing discussion, one delegate noted that commodity projections were based on assumptions that the pandemic would be contained and queried how projections might appear if it was not. The panellists agreed that, at present, it was difficult to build scenarios and provide forecasts for even a few months ahead, given the heightened uncertainty caused by the pandemic. One panellist noted that there was a risk of demand falling if the pandemic was not contained but stated that projections are adjusted downward when assumptions regarding key variables change. Another panellist suggested that observations of major market trends might be used to forecast demand; for example, increasing demand for electric vehicles was likely to affect demand for metals and minerals linked to battery production. In addition, another panellist underscored that projections might suggest a recovery from a food crisis, but this could be misleading, as food shortages could arise at local levels due to interruptions in logistics rather than due to supply problems at the global level. In this regard, he encouraged Governments to focus on market transparency in order that everybody might know where food was available. He also highlighted that digital technologies held the potential to improve the functioning of food and agricultural markets and supply chains. One delegate stressed the importance of developing local strategies to address challenges in commodity markets, as containment of the pandemic was not likely to ease the challenges faced in commodity-dependent developing countries. Finally, in response to a query from one delegate about whether unilateral coercive measures applied to some countries could affect future oil supply, one panellist underscored that any event that created a positive or negative outlook on oil production and export could have implications on supply.

C. Greater transparency in commodity markets

(Agenda item 4)

9. In opening the second informal session, the secretariat introduced the note titled “Greater transparency in commodity markets” (TD/B/C.I/MEM.2/49). Representatives of the following entities made presentations: United Nations Economic Commission for Europe; Organization for Economic Cooperation and Development; Farmer Connect; Common Fund for Commodities; University of the West of Scotland. The discussion on transparency in commodity markets covered issues related to traceability, due diligence, environmental and social risks and the role of commodity exchanges.

10. The first panellist presented an initiative to enhance transparency and traceability for sustainable value chains in the garment and footwear industry. The main objectives of this initiative were to foster policy dialogue through a multi-stakeholder collaborative platform, develop traceability standards and implementation guidelines and pilot blockchain technology solutions to strengthen transparency in the garment and footwear industry.

11. The second panellist presented the *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* of the Organization for Economic Cooperation and Development and gave an overview of its implementation status in different countries and markets. The guidance provided practical recommendations for companies to ensure responsible investments and operations in conflict-affected and high-risk areas. Since its issuance in 2011, the guidance had generated significant buy-in among countries and market makers along the mineral value chain and raised global awareness of the importance of due diligence. Remaining challenges included the need for more comprehensive due diligence along the mineral supply chain; the need for more financial support and capacity-building, in particular for artisanal mining; the need to combat demand for gold sourced without due diligence; and the continued vulnerability of the sector to criminal exploitation in the upstream supply chain.

12. The third panellist presented an application that used blockchain technology to improve traceability and transparency in the coffee value chain. Through the application, consumers could obtain information about where and how the coffee they purchased had been produced. The application also allowed consumers to donate to sustainability-related projects in farmer communities. The added value of this project was that the company implementing it validated the data entered into the application.

13. The fourth panellist focused on strengthening transparency with regard to environmental and social risks associated with the commodity sector. Negative environmental and social impacts within the commodity value chain were often not visible to consumers and investors. Measuring and reporting on such impacts was therefore crucial in order to align investment decisions with the objectives of the Sustainable Development Goals and to enable impact financiers to engage in the commodity sector.

14. The fifth panellist highlighted the role of commodity exchanges in ensuring transparency in commodity markets. Commodity exchanges could help reduce transaction costs, improve the availability of market information, mitigate commodity price volatility and strengthen market access for smallholding farmers. The Ethiopian Commodity Exchange was a successful example in this regard. The panellist noted that an important challenge was the fact that a high proportion of this market was controlled by large companies and when marketing boards no longer operated, small producers were directly exposed to markets and were negatively affected by a lack of information.

15. During the ensuing discussion, one delegate queried whether increasing requirements for transparency would help harmonize existing standards and certification schemes or, rather, pose an additional burden for businesses in the commodity sector. In this regard, one panellist noted that transparency and traceability standards generated visibility and thereby benefited actors that adhered to them, and should minimize the burden on small-scale actors that operated with limited resources. Another delegate noted that, as multinational enterprises in the commodity sector often had headquarters in developed countries, local value retention in developing countries was therefore limited and, to improve transparency, it was important to strengthen the deployment of digital technologies in developing countries. The secretariat highlighted that transparency was important along the entire commodity value chain and therefore a joint challenge for developed and developing countries. Another delegate stated that training and technical assistance were needed for commodity-dependent developing countries to be able to more effectively address illicit financial flows associated with the commodity sector; highlighted the importance of inviting experts from developing countries to share their experiences related to commodity markets; and queried whether the costs of meeting transparency standards might burden, primarily, commodity producers. In this regard, one panellist noted that it was important to take the distribution of costs into consideration in the implementation of technological solutions for transparency. Finally, the secretariat reaffirmed the importance of capacity-building in tackling illicit financial flows.

D. Conclusion

16. In her concluding remarks, the Officer-in-Charge of the Division on International Trade and Commodities of UNCTAD noted that the pandemic had deeply impacted commodity markets in 2020. Commodity-dependent developing countries had experienced substantial declines in their export earnings, which could compromise their ability to finance their responses to the pandemic. Furthermore, new trade restrictions in agricultural markets had been observed in 2020. Such measures were disruptive to international food markets and particularly detrimental for net food-importing countries. In this context, it was important to strengthen market transparency and make market information more widely available, and it was also important that Governments act to avoid panic buying. The Agricultural Market Information System was a good example in this regard. In mineral markets, measures to address the pandemic had led to an increase in the use of local service providers, which benefited mining communities and economies in commodity-producing countries. In future, it would be important to further strengthen the linkages of the mining sector with local economies. The projected large increase in global energy demand would require significant investments in the energy sector, as well as the deployment of all sources of energy to avoid energy poverty. In addition, it was important to diversify energy sources. Strengthening transparency in commodity markets was therefore an issue that concerned the entire commodity value chain and all actors involved, including Governments and businesses in both exporting and importing countries, as well as consumers of and investors in commodities. In this context, it was essential for transparency rules and standards to be applied, not only in commodity-dependent developing countries and other resource-rich developing countries from where the bulk of commodities was supplied to global markets, but also in developed countries and emerging economies, in which many of the companies that dominated global commodity production and trade were based.

II. Organizational matters

A. Proceedings

17. The twelfth session of the Multi-year Expert Meeting on Commodities and Development was held on 8 and 9 February 2021 at the Palais des Nations in Geneva, with physical and remote participation.

B. Election of officers

(Agenda item 1)

18. The Multi-year Expert Meeting on Commodities and Development decided to elect its officers through a silence procedure in accordance with the provisions of General Assembly decision 74/544 of 27 March 2020. As no objections were received by 2 February 2021, the Multi-year Expert Meeting elected Ms. Margarida Rosa Da Silva Izata (Angola) as its Chair and Ms. Leticia Dos Santos Marranghello (Brazil) as its Vice-Chair-cum-Rapporteur.

C. Adoption of the agenda and organization of work

(Agenda item 2)

19. The Multi-year Expert Meeting on Commodities and Development decided to adopt, through a silence procedure in accordance with the provisions of General Assembly decision 74/544 of 27 March 2020, the provisional agenda for the session (TD/B/C.I/MEM.2/48/Rev.1). As no objections were received by 2 February 2021, the agenda was as follows:

1. Election of officers.
2. Adoption of the agenda and organization of work.

3. Recent developments, challenges and opportunities in commodity markets.
4. Greater transparency in commodity markets.
5. Adoption of the report of the meeting.

D. Outcome of the session

20. At its opening plenary meeting on 8 February 2021, the Multi-year Expert Meeting agreed that the Chair should summarize the discussions.

E. Adoption of the report of the meeting

(Agenda item 5)

21. At its closing plenary meeting on 9 February 2021, the Multi-year Expert Meeting authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report on its twelfth session after the session.

Annex

Attendance*

1. Representatives of the following States members of the Conference attended the session:

Afghanistan	Greece	Panama
Algeria	Guatemala	Peru
Angola	India	Philippines
Barbados	Kazakhstan	Portugal
Belgium	Kenya	Russian Federation
Brazil	Kuwait	Saudi Arabia
Burkina Faso	Lao People's	Sierra Leone
Burundi	Democratic Republic	Slovenia
Cambodia	Lesotho	South Sudan
Colombia	Malawi	Spain
Congo	Mali	Sri Lanka
Côte d'Ivoire	Mexico	State of Palestine
Democratic People's	Mongolia	Sudan
Republic of Korea	Morocco	Syrian Arab Republic
Djibouti	Myanmar	Togo
Dominican Republic	Namibia	Turkey
Egypt	Nepal	United Kingdom of Great Britain
El Salvador	Netherlands	and Northern Ireland
Ethiopia	Nigeria	Vanuatu
Gambia	Oman	Venezuela (Bolivarian Republic of)
Germany	Pakistan	Viet Nam
		Zimbabwe

2. The following intergovernmental organizations were represented at the session:

Common Fund for Commodities
 Commonwealth Secretariat
 European Union
 International Cocoa Organization
 International Grains Council
 International Lead and Zinc Study Group
 International Rubber Study Group
 Organization of African, Caribbean and Pacific States
 Organization for Economic Cooperation and Development
 Organization of Islamic Cooperation
 Organization of the Petroleum Exporting Countries
 South Centre

3. The following specialized agencies and related organizations were represented at the session:

Food and Agriculture Organization of the United Nations
 World Trade Organization

4. The following non-governmental organizations were represented at the session:

General category

International Network for Standardization of Higher Education Degrees

* This attendance list contains registered participants. For the list of participants, see TD/B/C.I/MEM.2/INF.12.