



fourth
united nations
conference on the



Least Developed Countries

9 - 13 May 2011 • Turkey

LDC-IV,
(ISTANBUL,
TURKEY,
8 MAY 2011)

Special Event on Commodity Dependence and the Impact of the Multiple Global Crises on LDCs: Mapping the exposure to market volatility and building resilience to future crises

The recent multiple global crises (food, fuel and financial) have amplified the exposure of commodity-dependent least developed countries (LDCs) to the volatility of the global markets, with significant adverse consequences on their socio-economic development. Before the crises, many LDCs exhibited impressive economic performance, with real gross domestic product (GDP) growing by more than 7 per cent per annum during the period 2002–2008, largely due to the commodity boom. The crises have seriously undermined this impressive growth performance,

with the average growth rate for LDCs declining from 7.0 per cent in 2008 to 4.7 per cent in 2009. In 2009, several LDCs also registered negative per capita income growth for the first time in over a decade. The sustainability of growth achieved so far therefore remains fragile as it has been highly dependent on volatile commodity prices, increased external finance and market preferences for manufactures exports.

The experience of the last decade points to the need to approach sustainable growth by addressing commodity-related vulnerability, including measures to reduce LDCs' exposure and increase their economic resilience

to external crises. Development partners need to agree on workable approaches towards building such resilience. These include greater economic diversification and a deliberate shift away from primary products towards high value addition, efficient management of windfall revenues, increased investment – domestic and foreign – in agricultural

research and development (R&D), innovation and technologies. They are all geared to the enhancement of supply capacities in LDCs. Particular attention needs to be given to the prices of imported food and energy as well as the vulnerability of the general population to price-induced food shortages. The susceptibility of imported food supplies to external shocks should be seen as a warning sign for the govern-

KEY QUESTIONS:

- To what extent did the multiple crises affect productive capacities of commodity dependent LDCs?
- How did volatility undermine the growth potential in LDCs' commodity sectors, including food-security and food self-sufficiency?
- What policy responses and specific actions are required to address the development challenges facing commodity dependent LDCs?



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ments and populations of LDCs, indicating inadequate levels of affordable food production.

The immediate development challenge facing LDCs is to create productive jobs and livelihoods for a rapidly growing labour force. The absorption of labour in direct agricultural commodity production alone is no longer feasible in view of limitations in terms of markets and productive factors, such as land and water. On the other hand, most LDCs have so far not been able to generate sufficient productive off-farm jobs to absorb the growing labour force seeking work outside ag-

riculture. In this context, the Fourth United Nations Conference on Least Developed Countries (LDC-IV) will be an important occasion to address the challenges of commodity dependent LDCs and provide practical solutions for the decade ahead.

Taking into account the fundamental importance of opportunities and vulnerabilities linked to commodity dependence of LDCs, the Special Event is intended to closely examine the impact of the multiple global crises on the commodity sector of LDCs and their socio-economic progress.

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AT THE SPECIAL EVENT:

- National and international experts will make presentations on the basis of country case studies on selected LDCs from Africa and Asia, and on specific sectors of strategic importance for them. The studies will particularly assist in examining practical experiences and coping mechanisms on the “ground” and provide policy lessons from successful experiences and best practices of different LDCs in mitigating the impact of the crises on their economies.
- A presentation of a study on the recent food crisis, including the impact of price rises and price volatility on food security, will also be made. This will assist in formulating a common platform for addressing food-security problems and an exchange of views on policy conclusions and lessons learned on the subject.

The ultimate objective of the Special Event is to reach consensus on priority areas of commodity-based strategies and on a commodity policy for action in the decade 2011- 2020.

The Special Event is being organized jointly by UNCTAD and the Common Fund for Commodities (CFC) and will take place in Istanbul, Turkey, on 8 May 2011. The CFC and the Government of Sweden have provided financial support to UNCTAD to undertake the case studies and sector-specific analysis on several LDCs, which will serve as background documentation for the Special Event.

