Contribution by the Common Fund Side event on the role of energy in boosting productive capacities, commodity diversification and fostering structural economic transformation in LLDCs
Vienna, 25 October 2016

Your Excellency Juan Esteban AGUIRRE MARTINEZ

Distinguished Panelists,

Ladies and Gentlemen,

At the outset, I would like to thank the organizers for this excellent opportunity to discuss the role of energy in structural economic transformation of LLDCs towards achieving the goals of economic development. As you may be aware, the Common Fund for Commodities was created to deliver practical solutions to the problems of commodity dependence. The founding principles of the CFC underscore shared interest of consumers and producers alike in commodity sector development as well as equity in commodity value chains in terms of economic benefits from commodity production and trade. The mutual dependence on commodities makes the CFC an instrument acting in the interests of Developed and Developing countries alike.

1 In the interest of time, I will focus on examples which illustrate the interrelation between commodity value chains and energy accessibility in LLDCs:

1) access to energy is an important factor in overcoming structural vulnerabilities related to commodities as it enables greater economic flexibility of commodity producers. The lack of access to energy undermines efforts at commodity sector diversification.

2) the development of commodity sector is complementary to energy access as in many cases affordable energy can be generated efficiently as by product of the commodity supply chain operations.

3 The case of Delicio fruit processing company in Burkina Faso demonstrates how important is public-private coordination in commodity value chain development. The operational model of the project focuses on production of freshly squeezed sterilized and packaged juice using ample seasonal supply of fruits which otherwise goes to waste. To be effective, processing equipment requires uninterrupted power supply. At the time of completing the CFC involvement in the project, the plant relies on extensive use of the backup generator, which can only sustain the operation at the pilot scale. Expansion of this otherwise successful business, however, requires government policy action to secure access to central electric grid.
4 Diversifying markets for commodity producers into the bioenergy sector has been very much in the headlines during the period of high energy prices. Study by the CFC-IIED shows it to be a complex policy challenge. Depending on the condition of the global energy markets and the production capacities of the countries concerned, commodity sector can directly contribute to energy access.

Commodity sector can offer solutions to energy access in certain circumstances. Proper use of “energy metals” technologies can level out the peak loads and enable uninterrupted operations of weak energy generation and distribution networks. This was confirmed in numerous test cases of Remote Areas Power Supply Projects (RAPS) by the CFC and ILZSG. As early as 2004 a RAPS project in Peru demonstrated that the photovoltaic energy used with gel batteries can reduce the generator use to less than 2.5 hours per day on average while supplying 24-hour energy to an off-the-grid community.

5 Integrating energy generation while increasing the efficiency value chain can be demonstrated in many cases by using bio wastes from agricultural value addition to produce energy. As the first step, this enables the use of more efficient technologies which are sensitive to energy availability. Further, increasing efficiency in the value addition segment of the commodity value chain can generate sufficient excess energy to use as biogas or to supply as electricity. This has been demonstrated in CFC funded projects on the use of sisal waste to generate electricity, and the use of coffee processing waste to produce biogas for use as domestic fuel.

6 We believe that the international community is facing a fundamental challenge today in finding a modern new framework for collective action to support commodity dependent developing countries and, particularly, LLDCs and other vulnerable groups. Sustainable progress with structural transformation of LLDCs requires co-development of their energy and commodity sectors.

Achieving viable results requires investment both by the public and private sector. Failures on either side result in lost opportunities.

Energy access goals lend themselves well to impact investment model. We very much look forward to finding such investment opportunities in LLDCs.

Mr. Chairman,

In concluding my intervention, I would like to emphasize that continued and sustained progress of commodity dependent LLDCs towards economic transformation is unthinkable without investments in their productive sectors, taking advantage of their commodity endowment and supporting the emergence of a diversified economic system by strategically re-investing commodity derived incomes.

Investment in commodity driven development is a pre-requisite for sustainable economic development in LLDCs and it is a shared interest of producing and consuming countries alike. I would urge this august gathering to reflect on the need for a global commodity agenda for development which could contribute to the achievement of the objectives of VPoA and SDGs.

I thank you for your kind attention.