

ISSUES BRIEF



Resilient Livelihoods & Value Chain Development

October 2020

Through this signature solution, UNDP supports the advancement of climate resilient livelihoods for vulnerable communities, including resilient agricultural value chain development.

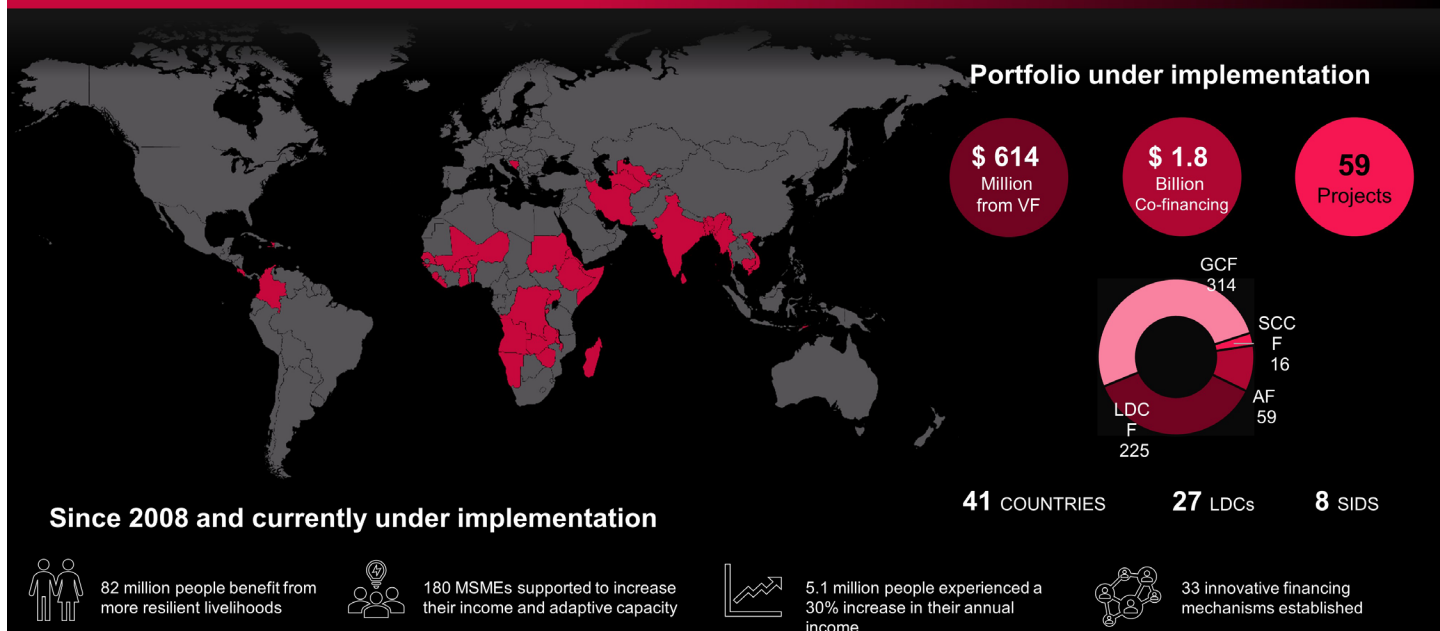
Climate change has a large negative impact on a wide range of livelihoods, particularly rural livelihoods that are heavily reliant on agricultural activities and more vulnerable to climate-induced risks and shocks. Investing in adaptation interventions to widen livelihood options and develop more resilient livelihoods is crucial to ensure vulnerable communities are able to cope with the impacts of climate change and the increasing frequency of extreme weather events. A failure to adopt climate resilient measures to support sustainable livelihoods is likely to jeopardize food and income security, and lead to the loss of assets and increasing impoverishment. Given the centrality of agricultural value chains to most rural livelihoods, interventions to facilitate the development of climate resilient value chains are vital in securing resilient rural livelihoods. This work supports global efforts to achieve the Sustainable Development Goals, especially goals for ending

hunger and poverty, promoting decent work and economic growth, and supporting responsible consumption and production practices.

For climate resilient value-chain development to be effective it must embrace holistic and integrated approaches encompassing various interventions are more successful as they tend to reinforce one another. Multi-stakeholder platforms that foster commercial, technical, and institutional innovation have more significant and lasting impacts than those focused on governance and coordination issues, while improvements in transportation infrastructure help reduce costs and increase market linkages, and applying information technology reduces asymmetries in market information that have traditionally put rural farmers at a disadvantage compared to downstream market actors.

Cross-sectoral resilient livelihoods

Advancing sustainable economic development and promote the sharing of climate-smart tools and techniques



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Introduction continued

Gender issues need to be considered specifically in the design, implementation and evaluation of interventions as women are especially disadvantaged in terms of access to land, labor, credit and infrastructure. Effective participation in developing value chains requires a minimum set of assets (not only land and financial capital, but also knowledge, skills, social capital, and access to sources of technical support), which the poorest of the poor lack. Project-based interventions are not enough –the most successful interventions have come where economic and policy environments have supported rural enterprise development and where appropriate policy changes accompanied the interventions.

Since 2008, UNDP's interventions benefitted 82 million people with more resilient livelihoods in 41 countries around the world and at least 5.1 million people reported an annual income increase over 30%. Over 180 Micro, Small & Medium Enterprises were supported and increased their income and adaptive capacity through those interventions.

UNDP's comparative advantage

UNDP supports developing countries to access financing for climate change adaptation through several sources of global environmental finance, including those managed by the Global Environment Facility (LDCF and SCCF), Green Climate Fund (GCF), Adaptation Fund (AF), as well as bilateral and multilateral donors. These projects cover a wide range of sectors and involve governments, community-based organizations and NGOs working together to deliver sustainable livelihoods solutions to support adaptation to climate variability and change. As a convener, UNDP works across development sectors and helps bring diverse actors together to enable multi-disciplinary approaches to livelihoods and value chain development. The on-the-ground presence in countries across the world ensure hands-on bespoke approaches to address unique national needs. Moreover, UNDP built an extensive range of tools, knowledge products, partnerships and financial instruments from past interventions that now support the design and implementation of transformational resilient livelihood projects.

Challenges

Livelihoods present complex dynamics that make them inherently difficult to address. The approaches chosen to tackle livelihoods issues encompass diverse stakeholders groups with different capabilities to cope with stresses, These include, but are not limited to, climate-related stresses. The available assets, vulnerability context, and institutional and policy frameworks that surround people's livelihoods activities are just part of the many factors that need to be taken into account in the design of a sustainable livelihoods strategy. Some factors affecting livelihoods can be expected (e.g. changing climate, ageing), but others are difficult to predict or prepare for (e.g. disaster, death, pandemic). The agricultural sector is the primary sector targeted for climate-resilient livelihoods, but the changes required for long-lasting positive impacts on farm-based resilient livelihoods may require interventions in several other sectors to ensure social safety and equity. While diversification is a strategy pursued to increase resilience by giving options and opening new opportunities, those options usually focus on rural-based livelihoods only, overlooking opportunities sought by rural populations in urban centres (usually during off-seasons).

In recent years, UNDP's approach focused mostly on conventional, grant-based interventions. This approach is not tenable in the highly competitive environment created by the current donor landscapes, in particular the vertical funds. UNDP must incorporate new tools and lessons learned into future intervention design, limit scope to effectively engage with the private sector and look beyond business-as-usual approaches that are not financially sustainable.

COVID-19

The COVID-19 crisis forced the world to pause and threatened livelihoods on a global scale, accentuating the vulnerability of those exposed or at risk due to climate change impacts. Recovery efforts requires paradigm-shifting strategies to address health and ecosystem vulnerabilities at the root of the current pandemic's crisis. Greener economies and the creation of green jobs is a pillar of this strategy and offers many entry points for resilient livelihoods and value chain development.

Main areas of work

- **Promoting agricultural** / on-farm / fisheries-related income diversification and improved productivity
 - o Crop diversification, integrated farming systems (crop-animal-trees systems), apiculture,
 - o Regenerative agriculture to flip from carbon source to carbon sink (crop rotation, low/no-till, compost...)
 - o Quality and certification standards
 - o Value-added processing of agricultural products
 - o Diversification to different form of off-farm harvesting systems such as timber and non-timber forest products (fruits, nuts, mushrooms, medicinal plants, herbs, essences, furniture, rattans, fibers for construction)
 - o Linkages with urban-based employment and value-added production
- **Support to entrepreneurs and MSMEs** with a special emphasis put on women entrepreneurs to create new businesses, diversify business activities or improve the resilience of on-going activities
- **Houses and public infrastructure** such as roads and markets made more resilient to climate risks
- **Livelihood diversification** by off-farm non-forest income generating activities
 - o Job development in tourism sector, safety net-based jobs for project interventions such as cash-for-work arrangements
- **Development of climate resilient agricultural value chains**

Successes and key programmes

Resilience agriculture has been successfully piloted and expanded throughout UNDP's portfolio as an effective adaptation strategy and resilient livelihood strategy. Resilient techniques include the use of crops resilient to climate-related stresses, crop diversification, crop rotation, conservation agriculture and climate smart agricultural practices.

Resilient value chain development is another key intervention for adaptation promoted by UNDP. Building on its experience in those areas, an agricultural value chain toolkit is now available to help countries select and analyze value chains for opportunities to improve climate change resilience and reduce gender inequalities, and subsequently help identify and prioritize investments to promote market development in line with these opportunities. At present, no other toolkit combines both climate resilience and gender inclusivity as part of a value chain analysis. In addition, the toolkit features elements particularly geared towards private sector engagement, such as conducting barrier/risk analyses along agricultural value chains at each step of the chain, example business models for upgrading value chains, identifying viable entry points in a value chain for private sector actors, and guidance on value chain financing.

In Mongolia, UNDP is piloting a blockchain-based certification system for cashmere. The system leverages new technologies to create value along the value chain and make the Mongolian cashmere industry more competitive and appealing to buyers. The technology can trace the origin of the cashmere produced and has been designed to ensure that the barrier to entry is low and the product user-friendly so as to allow even small producers to participate.

The joint UNDP-FAO Integrating Agriculture in National Adaptation Plans (NAP-Ag) programme launched a "Toolkit for value chain analysis and market development integrating climate resilience and gender responsiveness" in 2020.

Innovation and looking ahead

Rationale for private sector engagement in agricultural value chain development

Through increased collaboration with private sector actors, value chain development can increase the benefits for the poor and increase the chances for sustaining operations and benefits after an intervention has ended. For smallholders, benefits could include higher income, improved market linkages, and access to new tools and services for production. Other downstream actors may benefit from improved quality and flow of raw material, lower transaction costs, and enhanced environmental and social credentials

- Farmers get more income, secure market linkages, and access to better services
- Downstream private sector actors get improved and more stable quality/flow of raw materials, environmental/social credentials, reduced transaction costs (engaging more directly with farmers).
- UNDP's role - meaningful value chain participation requires access to land, inputs, technology, knowledge, organization, capacity, skill and infrastructure, which may not exist in some communities or some groups of asset-poor producers, which means technical assistance is required (a key entry point for UNDP support)

Opportunities for private sector engagement moving forward

- Based on above rationale, this would be beneficial for downstream enterprises if supply of raw materials can be delivered. This is the basis for discussions with private sector on investments in value chain upgrading
- For financial intermediaries, the provision of technical assistance on climate resilient agricultural practices, financial training and the integration of farming units can make lending to the agricultural sector (smallholders in particular) more viable
- Other private sector actors can be involved in implementing technological innovations (information sharing platform, agri-tech firms that support farm-to-table delivery, blockchain solutions for traceability etc.)

Certification for value-chain development

- Certification is becoming an important driver for value chain development
- Used to create values at all the levels of the value chain (VC)
- Requires involvement of all actors in a VC
- Engagement of private sector actors at national and international levels
- More suited to high value export commodities (e.g. oil palm, cocoa, shea butter)
- Promotes social and environmental standards that can integrate resilience and promote adaptation
- Rules and regulations can be adapted to the capacity of actors (e.g. dedicated standards applicable to smallholders to reduce barrier to entry)

Blockchain for value chain development

- Blockchain technologies used to collect, store, authenticate data in ledgers
- Many applications in value chain development to ensure transparency and adherence to standards
- Several blockchain solutions currently tested and at various stages of development (e.g. IBM Food Trust, Provenance, Origin Trail, HARA ecosystem...)
- UNDP can facilitate entry of smaller players into these systems (for market access) and push resilience standards in certification schemes



Partnerships

FAO. UNDP and FAO together lead efforts to integrate agriculture in National Adaptation Plans through the Integrating Agriculture in National Adaptation Plans (NAP-Ag) programme. The programme, ending in 2020, aimed to build on both organization's comparative advantages to identify and integrate climate adaptation measures into national planning and budgeting processes. In 2020, the follow-up phase of the programme will be launched to Scale up Ambition on Land Use and Agriculture through NDCs and NAPs implementation (SCALA). SCALA is closely tied to UNDP's Climate Promise and will provide additional tools to help countries meet the targets set out in their updated Nationally Determined Contributions under the Paris Agreement. Several tools and knowledge products developed by the NAP-Ag contribute to UNDP's decisions to invest and design agriculture-related interventions for adaptation and resilience while taking into account national planning processes. SCALA will ensure that it remains the case when the updated NDC targets are set.

Private sector. More efforts are needed to foster innovation and investments in resilient livelihoods and value chain development. This will be achieved through partnerships with the private sector by offering incentives and de-risking solutions that make the case for private investment strong in a field traditionally overlooked by the private sector.

By linking initiatives to startup ecosystems, UNDP could leverage technology solutions for adaptation and resilient livelihoods. Accelerator Labs could be an entry point for this to happen and UNDP needs to explore innovative financing mechanisms to identify promising ideas for adaptation early and provide the necessary support needed to develop into full-fledged adaptation solution through seed funding and incubator programmes.



Photo: UNDP Senegal

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