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GUIDANCE NOTE

Sustainable Commodities: ensuring smallholder benefits, better environmental management, and durable growth
A Guide for Practitioners Based on Country Experience

United Nations Development Programme

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Overview

The UNDP Strategic Plan 2018-2021 recognizes the global importance of sustainable commodities to achieve the SDGs. This Guidance Note is designed to assist UNDP Country Offices in programming and policy support for national sustainable agricultural commodity projects. The Note is based on UNDP's environmental, poverty, governance, finance and private sector work on sustainable commodities and their supply chains. It provides case study examples that illustrate the variety of initiatives that UNDP and partners support around the world.

The Note focuses on UNDP's experience addressing the environmental, social and economic aspects of sustainable commodities in different country contexts that have generated the interest of the public and private sectors. These include widely traded commodities such as palm oil, timber, coffee and soy, as well as commodities traded on a smaller scale, such as vanilla, nuts, pineapple and shea. The box below provides definitions of key terms used in the Note.

The Note draws on lessons learned from global, regional and national programmes led by UNDP and partners. These include the UNDP Green Commodities Programme (GCP); the private sector work of the Regional Programme for Africa (formerly known as the African Facility for Inclusive Markets); the FAO-UNDP-UNEP UN-REDD programme; the FAO-UNDP Integrating Agriculture in National Adaptation Plans programme; the Inclusive Trade for Sustainable Growth Programme; the Sustainable Extractives Programme; UNDP-Global Environment Facility (GEF) programmes; the UNDP-UNEP-ILO-UNIDO-UNITAR Partnership for Action on Green Economy (PAGE) and other green economy initiatives; the UNDP-UNEP Poverty-Environment Initiative (PEI) and its successor programme on Poverty-Environment Action for the Sustainable Development Goals (PEAS); the Alliance for Marine Biodiversity; and other country programmes on poverty reduction and inclusive growth.

This Guidance Note presents UNDP’s conceptual framework and key intervention areas in the sustainable commodities sector in line with its new Strategic Plan 2018-2021. UNDP work in this field is designed to address the linked topics of natural resource management and environmental protection, social well-being, and durable economic growth (hereafter referred together as ‘sustainability’) in the production, processing and trade of agricultural commodities. The Note provides case studies to illustrate non-prescriptive policy, programming and partnership options for adapting to country context, as well as successful results achieved in four intervention areas.

These are as follows:

1. Reforming policy, legislative and institutional frameworks for sustainable agricultural commodities;
2. Strengthening national and subnational capacities and systems to foster sustainable agricultural commodity production, processing and trade;
3. Improving access to finance and economic incentives for sustainable agricultural commodities (production, processing, trade); and
4. Promoting livelihood diversification and value-added agricultural commodities.

Each case study provides links to specific UNDP programmes. These websites offer more in-depth case studies, reports, lessons learned, tools and guidance on the facilitation of project design and implementation.

This Note targets UNDP policy advisors, country programme officers, and other practitioners and partners working to support sustainable agricultural commodities.

Key Definitions

Sustainable Commodities

This Guidance Note covers agricultural commodities, defined as any homogeneous good traded in bulk, whose production, processing and trade can generate multiple social, environmental and environmental benefits over the medium- and longer-term, while mitigating negative impacts across the commodity value chain. These benefits can be achieved through better integrated and more inclusive sector policy design and implementation.

Sustainability

Herein, ‘sustainability’ is defined comprehensively as the convergence between the three pillars of economic development, social equity, and ecosystem management. In the context of commodities, sustainability is supported by the application of Good Agricultural Practices (GAP)* that contribute to durable economic growth by being environmentally sustainable and climate smart, and by ensuring the provision of decent living wages for producers and workers.

* GAP is defined as a collection of practices that address environmental, economic and social sustainability for on-farm processes, and result in safe and quality food and non-food agricultural products. (FAO 2003, http://www.fao.org/prods/gap/resources/keydocuments_en.htm)

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1. UNDP's Conceptual Framework

For developing countries to address the linked environmental, social, and economic challenges of the sustainable commodities sector, integrated policies and approaches are needed to increase food productivity, nutrition and income generation, and to allow for the sustainable management of ecosystems services and natural resources, while improving adaptation to climate change and reducing the sector's greenhouse gas emissions.

UNDP is working with sister UN agencies, governments, civil society, the private sector and other stakeholders to address these challenges through its global development network and presence in nearly 170 countries. UNDP helps these partners to maximize the developmental benefits of sustainable commodities production, processing and trade for poor countries and people, while mitigating any negative social, economic and environmental impacts along the commodities value chain.

UNDP applies an integrated and holistic framework to address the key barriers and drivers to developing sustainable agricultural commodities in line with the 2030 Agenda and the Sustainable Development Goals (SDGs). UNDP's approach helps strengthen policy coherence within and across sectors, including agriculture, mining, forestry, environment, land use planning, finance, trade, labour and health. UNDP does this by promoting institutional mechanisms, such as inter-sector coordinating bodies and dialogue platforms that enable government sectors at national and subnational levels to discuss cross-cutting development themes. UNDP also ensures that underrepresented actors of civil society, such as smallholder farmers, and private sector actors engage meaningfully in these multi-stakeholder dialogues.

1.1 Sustainable Commodities

More than 70 percent of income-poor women and men in developing countries live in rural areas and are highly dependent on agriculture for their livelihoods and well-being.¹

Income-based poverty halved between 1990 and 2015, but 836 million people around the world still lived in extreme poverty in 2015. In sub-Saharan Africa, extreme poverty remains widespread, with 41 percent of people living on less than US\$1.25 a day in 2015.²

Many of these are smallholder farmers³ who rely on agricultural commodity crops as their main source of income. Smallholders produce over 80 percent of the world's food and food products in value terms, including coffee, cocoa, palm oil, rice and spices.⁴ The conditions under which smallholders produce and trade their goods, however, remain

1 UNCTAD (2015), 'Commodities and Development Report 2015: Smallholder Farmers and Sustainable Commodity Development', unctad.org/en/PublicationsLibrary/suc2014d5_en.pdf.

2 United Nations (2015), 'The Millennium Development Goals Report 2015', [www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20\(July%2015\).pdf](http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20(July%2015).pdf).

3 Smallholders are small-scale farmers, pastoralists, forest keepers and fishers who manage areas varying from less than one hectare to 10 hectares. Smallholders farmers are characterized by family-focused motives such as favouring the stability of the farm household system, using mainly family labour for production and using part of their produce for family consumption. The definition of smallholders differs between countries and between agroecological zones. In favourable areas with high population densities, they often cultivate less than one hectare of land, whereas they may cultivate 10 hectares or more in semi-arid areas, or manage 10 head of livestock. Often, no sharp distinction between smallholders and other larger farms is necessary. See FAO, 'Smallholders and Family Farmers' (2012), www.fao.org/docrep/018/ar588e/ar588e.pdf.

4 FAO (2015), 'The State of Food Insecurity in the World 2015—Meeting the 2015 International Hunger Targets: Taking Stock of Uneven Progress'.

precarious. For example, larger companies sometimes take a higher share of the benefits, which presents challenges for the sustainable social, environmental and economic development of local communities and national economies. Underdeveloped technical and financial capacities undermine efforts to shift local communities out of poverty. Among smallholders, 25 million farmers across the world produce coffee, 14 million produce cocoa, and 19 million are engaged in fish farming. In Asia, more than 120 million women and men produce rice.⁵ These products are traded through international supply chains. Many of them are bought by multinational companies and end up as ingredients or branded products on supermarket shelves in developed countries.

A vibrant agricultural commodities sector has historically been the basis for today's developed and emerging countries. Agricultural commodities have supported economic diversification, specifically in off-farm sectors. The agricultural sector continues to be the main engine of economic growth and poverty reduction in most developing countries. Agriculture is the largest employer in low-income countries, accounting for 60 percent of the labour force and producing 25 percent of GDP. For example, coffee represents 29 percent of total exports for Ethiopia, 15 percent for Rwanda, 19 percent for Honduras, and 12 percent for El Salvador. Cotton represents more than 30 percent of the total exports of Benin, Burkina Faso and Mali, while similar figures are found for Ghana and Côte d'Ivoire with cocoa. In Indonesia, agriculture contributes to around 14 percent of GDP, provides employment for over 41 percent of the population and accounts for over two thirds of rural household income.⁶ GDP growth in agriculture is at least twice as effective in reducing poverty as growth generated in non-agricultural sectors, five times more effective than other sectors in resource-poor low-income countries (excluding sub-Saharan Africa), and 11 times more effective than other sectors in sub-Saharan Africa.⁷

Women play a key role in the agricultural commodities value chain (production, processing and trade) and represent an average of 43 percent of the agricultural labour force in developing countries.⁸ Women also play a key role in ensuring family nutrition and food security. However, gender inequality in the agricultural sector is a serious problem that impedes efforts to ensure that agricultural commodities are sustainable and effectively managed to help achieve the SDGs. In developing countries in Africa, Asia and the Pacific, women typically work 12 to 13 more hours per week than men; yet, women's contributions are often 'invisible' and unpaid.

The gender gap in agricultural productivity is linked to unequal access to essential agricultural inputs such as land, labour, knowledge, fertilizer and improved seeds, as well as to social institutions and norms that marginalize the role of some women in society. The gender gap ranges from 4 to 25 percent measured by the value of agricultural produce per unit of cultivated land.⁹ In sub-Saharan Africa, gender inequality costs an average of US\$ 95 billion a year—peaking at US\$105 billion in 2014¹⁰—or 6 percent of the region's GDP. Closing the gender gap in the agricultural sector by giving women equal access to inputs and services, as well as enabling greater and more effective participation of youth and indigenous people, could increase farm yields by 20 to 30 percent and, in turn, lift 100 to 150 million people out of hunger.

5 FAOSTAT.

6 World Growth (February 2011), 'The Economic Benefit of Palm Oil to Indonesia'.

7 FAO (2012), 'The State of Food Insecurity in the World: Economic Growth is necessary but not sufficient to accelerate reduction of hunger and malnutrition'.

8 FAO (2014), 'The State of Food and Agriculture: Innovation in family farming', p. 35, www.fao.org/3/a-i4040e.pdf. For more information, see www.unwomen.org/en/what-we-do/economic-empowerment/facts-and-figures#notes.

9 UN Women, UNDP, UNEP and the World Bank Group (2015), 'The Cost of the Gender Gap in Agricultural Productivity in Malawi, Tanzania and Uganda'.

10 UNDP (2016), 'Africa Human Development Report 2016', www.undp.org/content/undp/en/home/librarypage/hdr/2016-africa-human-development-report.html.

The production of agricultural commodities has a significant impact on the use of land, water and forests, with 70 percent of the water used in the world being consumed by agriculture.¹¹ The expansion of commodities cultivation represents the largest driver of deforestation worldwide and is responsible for approximately 14 percent of global GHG emissions.¹² In some countries, just a handful of commodities are responsible for tremendous rates of forest loss in vital ecoregions.¹³ For instance, between 2000 and 2009 in Brazil and Paraguay, 22.5 million ha and 2.5 million ha of land, respectively, have been deforested for beef production.¹⁴ The total harvested area of several crops has increased between 1961 and 2013—for example, cocoa by 127 percent, paddy rice by 43 percent, soybeans by 368 percent and palm oil by 399 percent—which represents a great challenge to the management of land use globally.¹⁵ The volume of global agricultural commodities has increased (see Annex 1), mainly thanks to the high yields that have resulted from the use of inputs such as chemical fertilizers, water and pesticides, new crop strains, and other technologies promoted through industrial agriculture, which have led to severe environmental impacts. As a result, there has been a considerable loss of natural ecosystems through land degradation, water exhaustion and contamination, and soil erosion, including the spread of marine dead zones.

Climate change also poses a major threat to poor households that are dependent on agriculture. Climate change and climate variability are bringing more intense and frequent natural disasters (extreme weather, floods, droughts, disease, tropical storms, cyclones and wildfires, in addition to sea-level rise and related disasters), which affect the productivity of agricultural commodities and disrupt the value chain. Climate change will substantially affect future food security and the price of agricultural commodities. The consequences of climate change include shifts in the geographical distribution of pathogens/pests and of suitable land area, and altered crop yields and crop losses, all of which will affect farm income, livelihoods and decision-making throughout the value chain.¹⁶ Additionally, climate shocks often push poor and other vulnerable households that depend on agricultural commodity value chains to adopt short-term coping strategies based on production systems that further degrade ecosystems and prevent farmers from improving their livelihoods over the longer term.

1.2 Contribution to the Sustainable Development Goals

The types of challenges and opportunities around the production, processing and trade of sustainable commodities are fully reflected in the new 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).

The SDGs refer to the need to “devote resources to developing rural areas and sustainable agriculture and fisheries, supporting smallholder farmers, especially women farmers, herders and fishers in developing countries, particularly least developed countries.” The 2030 Agenda for Sustainable Development also highlights the need to “adopt policies

11 OECD (2016), ‘Agriculture and Water’, Agricultural Ministerial Background Note.

12 ‘Enabling agriculture to contribute to climate change mitigation’ (paper by FAO submitted to UNFCCC in 2008).

13 Kissinger, G., Herold, M., and De Sy, V. (2012), ‘Drivers of Deforestation and Forest Degradation: A Synthesis Report for REDD+ Policymakers’, Lexeme Consulting, Vancouver, Canada.

14 Persson, M. et al. (2014), ‘Trading Forests: Quantifying the Contribution of Global Commodity Markets to Emissions from Tropical Deforestation’, Center for Global Development, www.cgdev.org/sites/default/files/CGD-Climate-Forest-Series-8-persson-et-al-trading-forests_0.pdf.

15 FAOSTAT. Some of the change in area harvested between 1961 and 2013 is due to switching between crops and some is due to the conversion of non-cropland to cropland.

16 Anim-Kwapong, G. J. and Frimpong, E. B. (2008), ‘Vulnerability of agriculture to climate change—impact of climate change on cocoa production’, Cocoa Research Institute of Ghana, citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.494.4508&rep=rep1&type=pdf.

which increase productive capacities, productivity and productive employment; financial inclusion; [and] sustainable agriculture, pastoralist and fisheries development [...]” It calls for “fundamental changes in the way that our societies produce and consume goods and services. Governments, international organizations, the business sector and other non-state actors and individuals must contribute to changing unsustainable consumption and production patterns, including through the mobilization [...] of financial and technical assistance to strengthen developing countries’ scientific, technological and innovative capacities to move towards more sustainable patterns of consumption and production.”

Supporting the sustainable production, processing and trade of agricultural commodities can lead to multiple developmental benefits across several SDGs,¹⁷ principally the following:

Sustainable Development Goal	Link to Sustainable Agricultural Commodities
	Agriculture is the single largest employer in the world.
	Feeding a growing global population requires sustainable agricultural practices.
	Women make up almost half the agricultural labour force in developing countries, but they own less land than men and lack access to resources.

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