

# The Global Initiative on Commodities

From Stakeholder Perspectives to Stakeholder Participation  
A Summary of Civil Society Recommendations for Sustainable Commodity Production

The Global Initiative on Commodities partners are:





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**From Stakeholder Perspectives to Stakeholder Participation**

**A Summary of Civil Society Recommendations for Sustainable Commodity Production**

A Project of the Sustainable Commodity Initiative



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## The Global Initiative on Commodities: From Stakeholder Perspectives to Stakeholder Participation

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## List of Acronyms and Abbreviations

ACP	African, Caribbean and Pacific Group of States
AT	Aid for Trade
BOP	Brasilia Outcomes Paper
CFC	Common Fund for Commodities
CSO	civil society organization
FDI	foreign direct investment
GIC	Global Initiative on Commodities
GSTP	Generalized System of Trade Preferences
ICB	international commodity body
IISD	International Institute for Sustainable Development
IMF	International Monetary Fund
ITFC	International Task Force on Commodities
MDGs	Millennium Development Goals
NGO	non-governmental organization
ODA	Official Development Assistance
PPP	public-private partnership
R&D	research and development
REC	regional economic community
SD	sustainable development
SME	small and medium-sized enterprises
SPS	sanitary and phytosanitary
SSM	special safeguard mechanism
TBT	technical barriers to trade
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WTO	World Trade Organization

## CSO Consultation Participants

Action Aid, U.K./Pakistan  
Africa Rural Development Support Initiative, Uganda  
African Forum and Network on Debt and Development, Zimbabwe  
AIDEnvironment, Holland  
Alternate Forum for Research in Mindanao, Philippines  
Business Watch Indonesia, Indonesia  
CAB International, U.K.  
Centre for Research on Multinational Corporations, Netherlands  
CIRAD, France  
Conservacion Y Desarrollo, Ecuador  
Consorzio Interregionale Ortofrutticoli, Italy  
Consumer Unity and Trust Society International, India  
EUROBAN, Bananalink, France/U.K.  
Fair Trade Labelling Organizations International, Germany  
Farmers Development Union, Nigeria  
Federation of Free Farmers Cooperatives, Philippines  
GBCC, Ivory Coast  
Indonesia Organic Alliance, Indonesia  
Institute for Agriculture and Trade Policy, U.S.  
Institute for Global Dialogue, South Africa  
International Centre for Trade and Sustainable Development, Switzerland  
International Federation of Agricultural Producers, France/International  
International Federation of Alternative Trade – Kenya Gatsby Trust, Kenya  
International Institute for Environment and Development, U.K.  
ISEAL Alliance, Belgium  
Mr. Tom Lines, Consultant  
OXFAM, Belgium  
Rice Watch and Action Network, Philippines  
Royal Tropical Institute, Holland  
SalvaNatura, El Salvador  
South African Confederation of Agriculture Unions, South Africa  
Sustainable Agriculture Initiative Platform (private sector)  
Sustainable Food Lab, U.S. (private sector)  
The Windward Island Farmers' Association, Saint Vincent, Caribbean  
Third World Network, South Africa/Switzerland  
Traidcraft Exchange, U.K.  
Tropical Commodities Coalition, Holland  
UIREVI/ANOPACI, Ivory Coast  
WWF West Africa, Ghana



# 1. Executive Summary

This report presents the results of a global civil society organization (CSO) consultation process financed by the Common Fund for Commodities (CFC) on priority areas for stimulating pro-development commodity-oriented strategies at the international level. The key conclusions of the consultation process, which drew from approximately 40 CSOs around the world, can be summarized as follows:

- **Begin with a needs assessment:** There was a clear consensus on the need for in-depth needs assessment processes at the national level as the starting point for developing national pro-development commodity policy.
- **Ensure participatory governance:** Throughout the consultation it was emphasized that needs assessments and consultations must involve all relevant stakeholders, with special attention paid to gender balance and the needs of rural workers, in order to be effective and legitimate.
- **Develop national commodity strategies:** Civil society participants emphasized the need for national commodity strategies. However, the participants saw national strategies as potentially involving the prioritization of value addition (through vertical and horizontal integration) in national and regional strategies. CSOs also expressed the need to ensure coordination of national strategies within a larger framework of regional or international cooperation.
- **Facilitate the strengthening of local producer organizations:** There was a broad consensus that producer organizations are key instruments in the development of efficient and sustainable commodity production. Many CSOs underlined the need for national platforms for the development of producer organizations, business facilitation and other market compliance capacity.
- **Fortify international commodity bodies:** CSOs recommended expanding the role of international commodity bodies (ICBs) as hubs of information sharing and coordinated supply chain management. In order to enable the implementation of a “revived mandate” for ICBs, more direct and transparent participation of CSOs and the private sector was recommended.
- **Improve access to information on market trends and impacts related to standards and other market requirements:** Echoing the Brasilia Outcomes Paper (BOP), standards were seen as a formidable and growing hurdle in accessing international markets. CSOs pointed to the need for national needs-based strategies for building efficient access to standards-based markets and, in particular, an internationally recognized framework for impact assessment of standards.
- **Create an institutional framework for facilitating South-South trade:** Although some CSOs cautioned against the assumption that South-South trade constitutes a panacea for agricultural producers, it was felt that benefits could be reaped from the establishment of regional multi-stakeholder platforms for facilitating South-South trade. The establishment of preferential tariff rates for strategic high-value products and/or South-South products was recommended as an innovative and promising approach to assist producers.
- **Promote access to high-value markets:** In order to promote entry and access to high-value markets, CSOs recommended the creation of an annual, global “high-value commodity trade fair” that could provide a meeting place for “high-value markets” and commodity producers. Along the same lines, national multi-stakeholder platforms aimed at identifying strategic opportunities and needs, as well as the delivery of technical assistance for access to high-value markets, were seen to be valuable innovations.
- **Stimulate producer access to finance:** CSO participants emphasized the need for partnerships between producer organizations and local financial institutions to assist access to quality trade finance tailored to the needs of small business. A forum and training materials on best practices for financial management, and a fund for the development of global financial literacy training, were viewed as particularly promising tools for producers. Additionally, a fund under the CFC dedicated to “export diversification” in the South was recommended.



CSOs broadly supported efforts to address commodity issues more explicitly through an international, multi-stakeholder process. The views of the CSO community regarding the appropriate manner for carrying this process forward are outlined in the Chatelaine Consensus—a declaration resulting from the CSO consultation workshop.

### Box 1: The Chatelaine Consensus – March 27, 2008

- Noting the direct relationship between commodity production and sustainable livelihoods of more than two billion rural poor across the developing world;
- Attentive to the vulnerability of rural commodity producers caused by market imperfections and increasing climatic volatility;
- Seeking new instruments for enhancing access to finance for small rural commodity producers in the South;
- Seeking concrete means for the realization of the Millennium Development Goals in commodity production and trade;
- Noting the need to ensure that national and regional commodity policies should not be negatively affected by bilateral, regional or international trade agreements;
- Noting the ability, and responsibility, of consuming countries and stakeholders in contributing to the development of producer capacity to meeting the growing quality, sustainability and other market demands in international commodity markets;
- Noting the need for international cooperation in meeting the technical assistance and infrastructural needs of developing country producers in commodity production;
- Commending the efforts of the UNDP, CFC, ACP and UNCTAD in promoting pro-development reform in commodity policy and cooperation through the Global Initiative on Commodities; and
- Affirming our interest in accelerating the beneficial impacts of our individual efforts through shared collaboration.

We, members of civil society, call upon ourselves, the private sector and the public sector, to take concrete and proactive action in the reform of global and national commodity and trade policy with a view to guaranteeing the positive contribution of commodity production to global sustainable development. In particular, we urge the international community of commodity stakeholders to establish a new global partnership for the promotion of sustainable commodity production and trade through the GIC that:

- Raises awareness and enhances information dissemination on the relationship between commodity production and international development among consumers, policy-makers, producers and the private sector;
- Explicitly supports developing country efforts in the establishment of national commodity strategies drawing from the direct and transparent participation of the private sector and civil society stakeholders reflecting national development goals;
- Promotes commodity producer autonomy through, *inter alia*, the development of stronger, more representative producer organizations as well as the delivery of targeted technical assistance for business facilitation and compliance with standards and other market requirements;
- Enhances access for small producers to local, domestic, regional and international markets;
- Promotes a rebalancing of power relations within the supply chain and addresses inequalities related to growing concentration in commodity chains through, *inter alia*, the use of supply management, cooperative marketing and competition policy.

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- Promotes gender equality, ecological sustainability, fair working conditions and sustainable livelihoods; and
- Facilitates access to, and best practice in the adoption of, risk management approaches as a means to promoting income stability for Southern commodity producers.

In an effort to begin the realization of these objectives, we call upon the international community, through the GIC, to support an information exchange and strategy-building process. This process must be bottom-up, gender-aware and participatory and should be explicitly designed to promote transparency and information delivery along the value chain.

Through this civil society consultation, we recommend that an awareness-raising and framework-building process be undertaken which begins by:

- Engaging producers and rural workers;
- Engaging other key stakeholders and agents for change;
- Implementing a process for the inclusion of key target groups, especially marginalized stakeholders including women;
- Identifying existing initiatives, best practices and existing gaps to determine where action is most needed;
- Identifying priority commodity areas where global cooperation is most needed;
- Identifying a mechanism for sharing and delegating priority tasks in the implementation of a global strategy;
- Identifying a mechanism for impact measurement and monitoring; and
- Facilitating and launching a global awareness raising program on the importance of commodity production to global sustainable development.

As members and representatives of civil society, we commit to contributing our energies and expertise and experience to the positive realization of these framework and awareness-building activities.

## 2. Introduction

In May 2007, the Common Fund for Commodities (CFC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP) and the African, Caribbean and Pacific Group of States (ACP) joined forces in launching the Global Initiative on Commodities (GIC)—an inter-institutional initiative aimed at leveraging the power of commodity production and trade as a positive force for sustainable development across the developing world. Following on the heels of stagnant agricultural talks within the Doha Round, the GIC aims to create a common voice to break the “conspiracy of silence”<sup>1</sup> which has engulfed commodity-based development strategies over the past two decades.

From May 7 to 11, 2007, participating governments strategized together over the course of a “GIC launch conference” held in Brasilia. The conference produced the cross-cutting “Brasilia Outcomes Paper” (BOP) which set forth a series of strategic recommendations for enhancing the development impact of commodity production and trade globally. One of the conclusions that emanated from the conference was the need to build a coherent strategy—not just among countries—but among all stakeholders along the value chain. With this in mind, the GIC organizing committee commissioned the International Institute for Sustainable Development (IISD) to conduct a global consultation process with civil society as a stepping stone to the integration of CSO expertise and collaboration within the broader GIC process.

IISD brought together a group of approximately 40 leading CSO organizations working on commodity issues. The consultation process involved a questionnaire based on the BOP recommendations, telephone interviews, a CSO workshop, as well as an interactive electronic forum (Wiki). This document provides a summary of the recommendations emanating from the entire CSO consultation process.

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1 Former French President Jacques Chirac used this term in a speech on agricultural development delivered at the 22nd Conference of Heads of State of Africa and France, February 21, 2003 (see [http://www.g8.fr/evian/english/navigation/news/previous\\_news/french\\_presidency\\_statements/22nd\\_conference\\_of\\_heads\\_of\\_state\\_of\\_africa\\_and\\_france.html](http://www.g8.fr/evian/english/navigation/news/previous_news/french_presidency_statements/22nd_conference_of_heads_of_state_of_africa_and_france.html))

## 3. CSO Recommendations

For each theme below we present the summary results of the Brasilia Outcomes Paper, followed by the CSO response to its recommendations. These narrative responses are complemented by graphs indicating the degree of CSO participant support for the recommendations provided in the BOP, as well as tables specifying further CSO recommendations.

### 3.1 CSO policy action recommendations

Following the format of the BOP, the CSO Policy Action recommendations are grouped in terms of: (1) Official Development Assistance (ODA) and Aid for Trade; (2) Commodity-friendly Macro-economic Policy Framework; and (3) Enhanced Regional and International Cooperation.

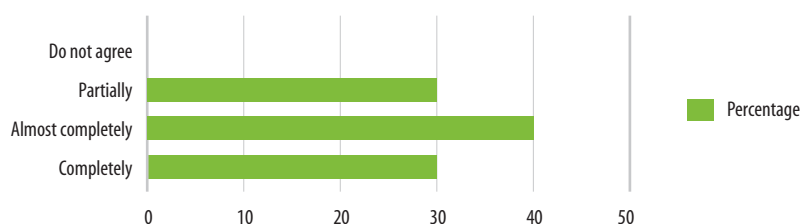
#### 3.1.1 CSO recommendations on ODA and Aid for Trade

##### Box 2: Brasilia Outcomes Paper ODA recommendations and CSO response

Recognizing that effective commodity policies at the national level are constrained by, and that their success depends on, effective global governance, policy coherence and enhanced solidarity, the following policy areas need to be addressed:

1. Significant improvements are required in the quantity, quality, predictability and effectiveness of development assistance targeting the commodity sector.
2. In order to reverse recent declines in Official Development Assistance (ODA) and support for agricultural development in developing countries, concerted efforts need to be made to provide aid for raising agricultural productivity, technological development and access to credit for farmers.
3. Financial assistance needs to be provided to commodity-dependent developing countries in order to build and upgrade physical infrastructure such as roads, ports, storage facilities and irrigation, and to eliminate supply bottlenecks.
4. The Aid for Trade initiative ([http://www.wto.org/english/tratop\\_e/dda\\_e/aid4trade\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/aid4trade_e.htm)) should assess the needs of commodity-dependent developing countries and support their diversification efforts, including: by supporting introduction of appropriate technology; by setting up effective infrastructure for sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) for meeting standards and other market requirements, and achieving sustainable production and processing systems; by meeting adjustment costs of trade reform and preference erosion; and by providing capacity development and trade-related technical assistance.

Figure 1: Degree of CSO Agreement with BOP Recommendations on ODA and Aid for Trade





### **A. ODA and project governance and development**

It has become standard practice to tie Official Development Assistance to political and economic negotiations and/or to package an ever-growing range of policies as “ODA.” This has led to reductions in real levels of ODA as well as misplaced priorities in its use, factors that have led to an overall reduction in the effectiveness of ODA in promoting the needs of the poor as effectively as possible. To address this, there is a need for renewed commitment from developed countries to ensure that ODA levels are increased and are truly directed towards, and designed for, those most in need, rather than serving as hidden instruments for building their own economic base.

To ensure that ODA *does* serve the needs of the rural poor, there is a critical need to ensure that ODA design and project development is guided by, and for, the beneficiaries. Broadly speaking, national-level strategic plans are needed that are coherent, development-focused and based on a locally driven needs assessment process. The needs assessment and strategic planning process must be led by developing countries and should prioritize participation of actual producers (especially smallholders and women) while also including local NGOs/CSOs, trade unions and the private sector. To ensure the effective participation of those most in need during the project planning process, there is a need to finance those actors listed above to actively participate in the entire preparation and eventual implementation, monitoring and evaluation processes.

### **B. Project implementation and management**

An enhanced participatory project development process needs to be matched by flexible and unconditional implementation procedures that enable effective implementation. There is a deep need for the adoption of more efficient and consistent project management procedures. Key to improved project management is the regular application of results-based monitoring and reporting, which emphasizes transparency and accountability in management procedures. The monitoring and reporting process needs to be directly linked to strategic objectives identified by a participatory, multi-stakeholder planning process.

### **C. Priority themes for ODA**

The thematic focus of ODA in any given country needs to draw from a locally-driven, multi-stakeholder strategic planning process. However, the following is a selection of priority areas of general need in commodity production:

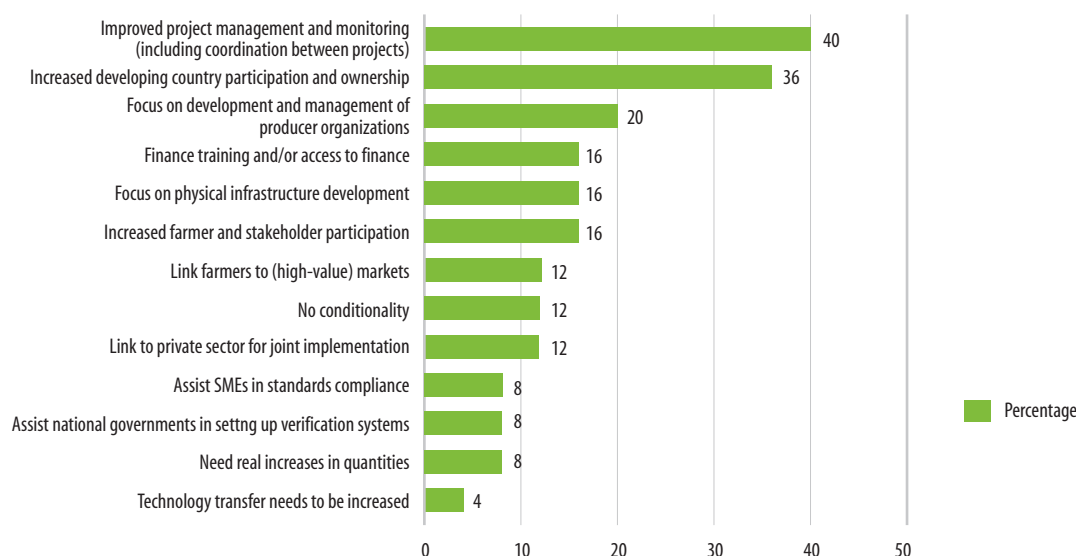
- a. technical support and training to producer organizations to improve economies of scale, quality management, producer efficiency and market access;
- b. finance training and subsidized financing instruments, in order to enable greater access to finance for smallholder producers;
- c. investment in the development of the local physical infrastructure, such as roads, water, sanitation, communications and trading facilities;
- d. technical support to enable producers to access high-value specialty and standards-based markets;
- e. technology transfer and training on efficient and sustainable production practices; and
- f. assistance to national governments towards the establishment of verification and trade facilitation systems for promoting access to higher value standards-based and specialty markets.

### **D. Aid for Trade and trade rules**

*Aid for Trade* (AT) needs to focus on the promotion of sustainable production, as well as the development of local and international markets. AT should be channelled through existing country-level programs and, as with ODA, should be subject to a broad multi-stakeholder consultation process that reaches beyond government ministries. Trade-related assistance must not replace ODA, which is necessary to meet the Millennium Development Goals (MDGs) (i.e., public goods), but also, AT should look beyond pure “aid” mechanisms for ways in which trade can be leveraged to build better livelihoods (e.g., “Trade for Aid”). AT should not be used to mask the need to re-evaluate World Trade Organization (WTO), World Bank and International Monetary Fund (IMF) policy, and needs to better define the roles and responsibilities of individual actors. AT must not be used to pressure bilateral agreements or used to broker other deals by nego-

tiators. On the contrary, trade rules need to be designed to support the economic development, increased employment and respect for environmental constraints in developing countries.

Figure 2: ODA and Aid for Trade CSO Recommendations



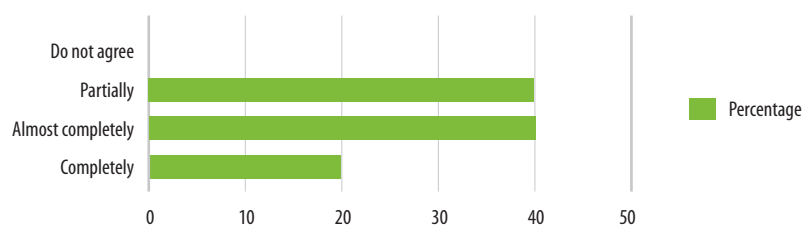
### 3.1.2 CSO recommendation on the establishment of a commodity-friendly macro-economic policy framework

#### Box 3: Brasilia Outcomes Paper recommendations on macro-economic policy and CSO response

1. A successful conclusion of the Doha Round should effectively address the concerns of commodity-producing developing countries, including those highlighted by the African Group initiative at the World Trade Organization (WTO). With regard to market access, these concerns include reducing tariffs, tariff escalation and tariff peaks; as well as greater transparency in the application of sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) rules in developed countries. With respect to world agricultural trade reform, they include the timely elimination of export subsidies and significant reduction in trade-distorting domestic support with a view to their elimination. Finally, with regard to policy space, commodity-dependent developing countries need to be provided sufficient flexibilities in undertaking commitments concerning agricultural and non-agricultural trade liberalization. They should be enabled to protect food security and rural livelihoods and promote rural development, and to provide adequate support for the building of productive capacity and export competitiveness.
2. Initiatives are required that deal with negative effects of instability of commodity prices and earnings from commodity exports, including through consideration, where appropriate, of supply management schemes in the context of international commodity agreements; through price risk management and establishment of viable safety-nets for small producers; and through compensatory finance schemes. Such schemes should be timely, easy to access; include no conditionalities—it should be sufficient that the country itself carries no evident blame for the specific commodity-linked loss that it suffered; and should include pass-through mechanisms that take into account the interests of producers and consumers.

3. MDG-consistent debt sustainability frameworks for commodity-dependent countries require that export earning shortfalls be taken into account when designing debt relief measures.
4. International financial and monetary policies, especially exchange and interest rate policies of developed countries, should be more sensitive to the particular circumstances and needs of commodity-dependent developing countries.

**Figure 3: Degree of CSO Agreement with BOP Recommendations on Macro-economic Policy Development**



### **A. Trade policy for development**

International and national trade rules need to be more responsive to local economic and cultural conditions of developing countries. On one hand, this implies a more robust implementation of trade liberalization including, *inter alia*, the removal of developed country subsidies, and the elimination of tariff escalation and non-tariff barriers. On the other hand, this implies more proactive export-promotion policies including, *inter alia*, increased investment promotion, reductions in export taxes, and the elaboration of national trade/investment strategies with the participation of local supply chain stakeholders. As a basic rule, international trade policy should not operate as a constraint on the adoption of proactive policy measures, or state-owned enterprises designed to stimulate economic growth and trade at the national level. There is a need for increased measurement and monitoring of the impacts of trade liberalization on the well-being of commodity producers in developing countries.

In addition to promoting sustainable-development-supportive trade through reformed trade rules, there is a need to leverage macro-economic policy to promote shorter, more transparent and higher-value supply chains for developing country commodity producers. Efforts toward this end should include measures to stimulate the development of such markets and supply chains through favourable trade rules as well as complementary policies for building capacity in the development of, and participation within, such supply chains.

Finally, there is a need to promote economic stability at the local and national level to stimulate investment for increased productivity and economic growth. The establishment of clearer and more equitable distribution of land tenure and property rights will be a critical element in building stability in many commodity-producing countries.

### **B. Managing price volatility**

Although history has demonstrated that price volatility is likely to remain a major challenge for developing country commodity producers for the foreseeable future, both national and international supply management systems should be established wherever feasible and warranted. Where this is the case, systems should be designed with the full participation of supply chain industry and producer stakeholders. Since supply management is faced with many political and economic challenges, the availability of indirect mechanisms for managing price volatility towards improved *income stability* need to be expanded. Key mechanisms for improving income stability needing increased attention include:

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1. both horizontal and vertical diversification into higher-value markets;
2. access to, and capacity building for, using market-based risk management instruments such as hedging and crop insurance;
3. compensatory finance mechanisms;
4. business facilitation development focused on enhanced business management capacity (quality management, marketing training, better market information); and
5. policies aimed at reducing anti-competitive practices and increasing market transparency.

Figure 4: CSO Recommendations on Trade Policy Priorities

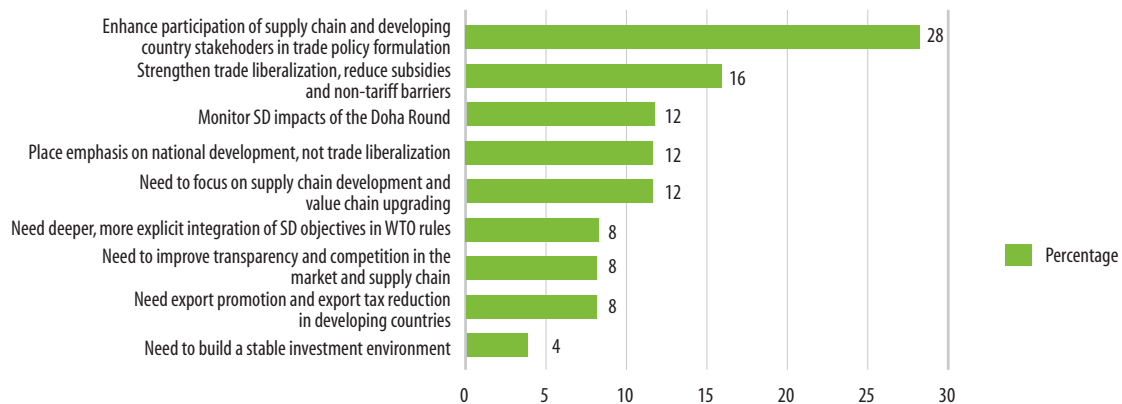


Figure 5: CSO Recommendations on Managing Price Volatility



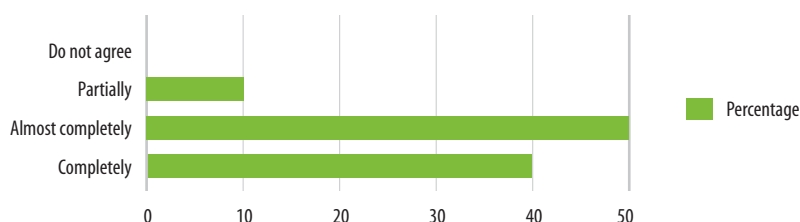


### 3.1.3 CSO recommendations on regional and international cooperation

#### Box 4: Brasilia Outcomes Paper recommendations on regional and international cooperation and CSO response

1. Regional economic communities (RECs) play an important role in supporting the establishment of economic linkages between commodity sectors in neighbouring countries and their efforts to facilitate trade. Developing regional aspects of commodity policies should be encouraged.
2. International commodity bodies should be strengthened in their role of providing expertise and assistance to specific commodity sectors in commodity-dependent developing countries.
3. Recognizing the important role played by global enterprises in all aspects of commodity production and trade, these enterprises need to increase their contribution to: sustainable development, good working conditions, remunerative employment and poverty reduction.
4. The International Task Force on Commodities ([http://www.unctad.org/en/docs//td400\\_en.pdf](http://www.unctad.org/en/docs//td400_en.pdf)) should be made operational and be provided sufficient resources.
5. Civil society initiatives to convert the efforts of the GIC into a popular campaign should be encouraged, especially those aimed at improving the sustainability of commodity trade and improving governance in commodity value chains.
6. In addition to the foregoing policy issues and actions, the Brasilia Conference focused on specific policy areas within the commodity problématique. In particular, it was recognized that developing country government policies should seek sustainable outcomes in commodity production, processing and trade, and that governments need to draw up national commodity strategies that should be integrated into national development strategies. In this context, strong public-private partnerships (PPPs), as well as active civil society participation, are critical to addressing commodity-related development problems.

Figure 6: Degree of Agreement with Recommendations on Regional and International Cooperation



#### A. Regional economic communities

The starting point for developing RECs is the establishment of transparent and equitable economic cooperation in the form of a regulatory framework ensuring the free movement of goods, services, people and information across regional members. However, the opening of national markets to regional partners will only lead to sustainable RECs if individual members are committed to directing economic gains explicitly and proactively to the development of a national legal and physical infrastructure. Sound human rights, security, sustainability and equity-based safety nets are all key components to building sustainable cooperation at the regional level and therefore must form an integral part of regional cooperation efforts as well.

Regional economic cooperation, as with other forms of international commodity policy, needs to proactively ensure the appropriate guidance and ownership of developing country stakeholders. In particular, special efforts need to be made to ensure that Northern-driven and bilateral trade arrangements do not interfere with efforts towards South-South regional economic cooperation. At the same time, Southern states need to ensure that regional economic cooperation arrangements are built with the direct input and guidance of the private sector and producer stakeholders.

Regional economic cooperation can help strengthen the market position, market access and economic conditions of the individual member countries in the international market. However the ability of such cooperation to do this effectively requires coordination and transparency in regional management systems. Governments and UNCTAD should facilitate transparency and harmonization in regional governance to improve regional efficiency and economies of scale.

### ***B. International commodity bodies***

International commodity bodies (ICBs) need to strengthen their role as information-exchange and strategy-building institutions. In order to do this effectively, ICBs will require additional funding for market research and dissemination as well as for strategic project development and implementation. In order to ensure that ICBs promote efficiency and participatory governance as per the requirements of sustainable development, it is crucial that ICB governance mechanisms be strengthened to ensure: (1) a stronger role for commodity-dependent countries within such institutions; and (2) more explicit and direct integration of private sector and supply chain stakeholders in the strategic development and guidance of ICBs.

### ***C. International Task Force on Commodities***

The International Task Force on Commodities (ITFC) could represent a unique forum for building transparency and efficiency across commodity markets. However, there are already several international commodity bodies, as well as ongoing work done by the Common Fund for Commodities, the Food and Agriculture Organization and UNCTAD. The ITFC will only be able to contribute meaningfully to the development potential of commodities if it: (1) has sufficient authority and funding to enable it to have significant influence on specific commodity discussions; and (2) if supply chain stakeholders are a key part of the governance structure of the ITFC. An assessment of this potential should be made before such a task force is established.

### ***D. Public-private partnerships***

Public-private partnerships represent an invaluable and increasingly important opportunity for the development of sustainable economies. Direct cooperation with the private sector can reduce uncertainties in planning and knowledge gathering on international market conditions thereby significantly improving efficiency in project implementation. However, PPPs also run the risk of reducing the role of, and benefits to, smaller players along the supply chain. In order to avoid this, there is a need for:

- clear, transparent and democratic governance structures that secure a strong role for small commodity producers in their development and implementation;
- mechanisms for ensuring that investments and technological development associated with PPPs will stay within, and be accessible by, all actors operating within the country;
- including SMEs within PPP mechanisms (not just multinationals); and
- transparent and independent impact assessment of the results of such partnerships—in particular on developing countries and smallholders—is essential.

Figure 7: CSO Recommendations on Regional Economic Cooperation

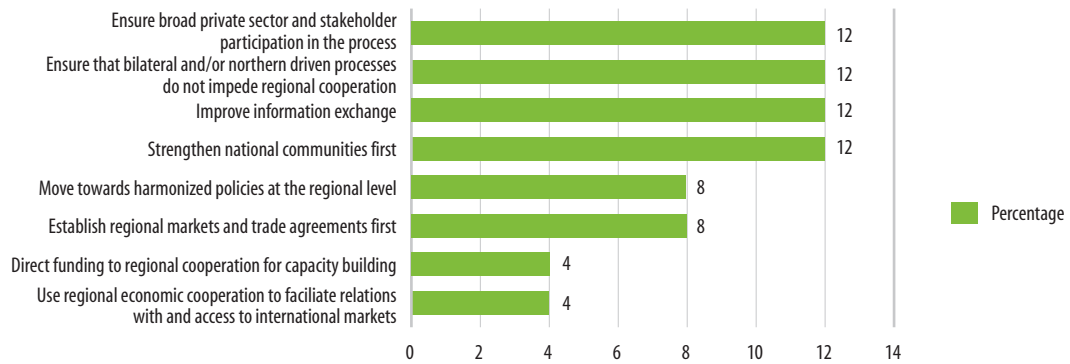


Figure 8: CSO Recommendations on International Commodity Bodies

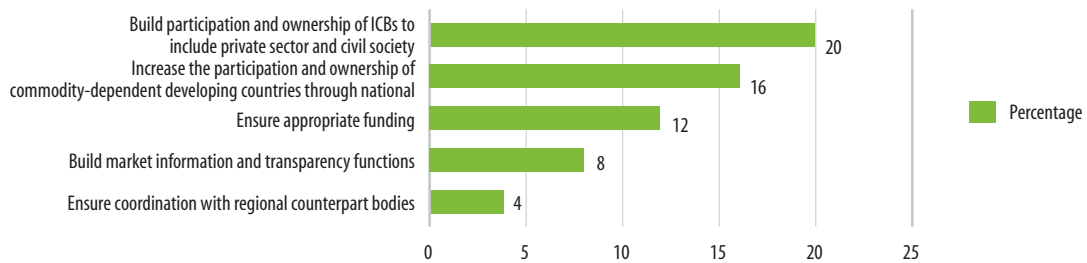
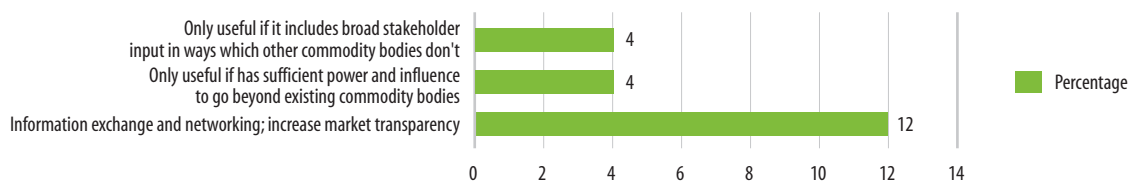


Figure 9: CSO Recommendations on International Task Force on Commodities



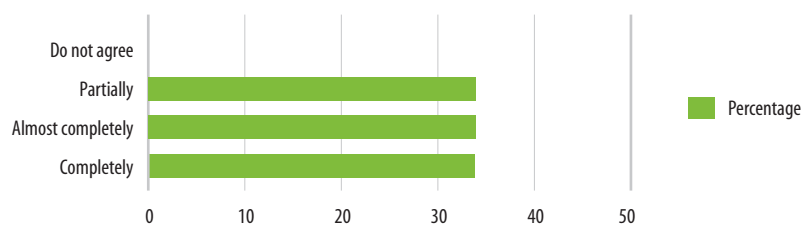
### 3.2 CSO recommendations on supply side issues

#### Box 5: Brasilia Outcomes Paper recommendations on supply side issues and CSO response

There is a need to improve productivity and international competitiveness of developing country commodity producers. This requires:

1. That developing country governments, drawing on increased financial support from the international community and acting in partnership with the private sector where appropriate, take steps to improve infrastructure—notably, communications technology, energy, irrigation, roads, and transportation and storage facilities—to improve yields, reduce transaction costs and mitigate environmental and health impacts and reduce losses on products in transit.
2. That developing country governments work towards and take proactive measures, both directly and by creating and enhancing an enabling environment, including access to land, to extend and improve support services such as provision of seeds, fertilizer and other inputs, advice and extension services, logistics services, quality control and verification procedures, which were traditionally provided by governments and were weakened by regulatory reforms in recent years. Ways and means of supporting associations of small producers should be sought. Regional approaches to production and marketing to achieve necessary economies of scale should also be explored.
3. That developing country governments, research organizations and the enterprise sector build up capacity and capabilities for research and development (R&D) and that they tap and adapt new technologies to meet local requirements, build competitiveness and increase productivity.
4. That developing country governments, supported by the international community, act to improve the capacity of commodity producers and processors to meet product and process standards, whether mandatory or voluntary, and ensure that information about standards reaches producers, particularly smallholders, including through early warning systems, and also to ensure their active participation in standard-setting bodies. Moreover, standards-setting bodies, whether official or private, should act to ensure that, in setting standards, the interests of developing country commodity producers are taken into account.

Figure 10: Degree of Agreement with BOP Recommendations on Supply-side Actions





### **A. Priorities for supply chain effort**

The well-being of those who depend upon commodities for their livelihoods is directly linked to the ability of producers to meet the changing and increasingly stringent demands of national and international markets. The investment and development needs in any given producing region will vary significantly depending upon the local conditions. As such, all strategic efforts toward building supply capacity should begin with local and national needs assessment processes. In order to be effective, needs assessment must involve all supply chain stakeholders, particularly the poorest among them. Special measures, including financing for participation, should be undertaken to facilitate broad representation.

While supply strategies fundamentally need to rely on the results of local needs assessment processes, a core objective of such efforts should be to improve the market authority of smaller producers while reducing their dependency on one or a limited number of markets and/or market players. The development and strengthening of producer organizations represents the single most promising strategy for improving producer autonomy across the board and therefore merits special and dedicated attention in development strategies. Other instruments that should be considered in responding to local needs assessments include:

#### **• Technical assistance priorities**

1. improved business facilitation skills at the producer level (including business management and marketing training);
2. investment in basic infrastructure such as roads, water services, processing plants and telecommunication services;
3. training on better production practices;
4. training on standards compliance; and
5. training on financial risk management.

#### **• Policy priorities**

1. the development of more transparent and accessible commercial and financial infrastructure to allow for more flexible and predictable financial planning;
2. dedicated policies promoting the organization of producers;
3. the establishment of national pricing and purchasing instruments;
4. tax and other fiscal benefits for stimulating private sector investment and technology transfer;
5. establishment of national regulations and/or quality standards linked to market requirements;
6. stronger economic and environmental policies aimed at internalizing social and environmental costs of production;
7. strengthening of standards implementation and enforcement facilities to generate economies of scale at the national level; and
8. re-enforcement of national extension services for producer training.

### **B. Building supply for standards-based markets**

Public and private sanitary and phytosanitary, quality and sustainability standards are increasingly becoming conditions of market entry. Southern producers need to adopt a proactive strategy in this context by investing in the development and implementation of such standards wherever possible.

The starting point for building preparedness and strategic action rests on a thorough foundation of information dissemination across producers, producer organizations and other supply chain players on the trends and impacts in the development of standards in key markets. As a prerequisite to providing sound information to Southern stakeholders, there is a critical need for dedicated research on the market trends and field impacts of standards-based initiatives.

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Following this, access to standards-based markets will depend principally on the ability of producers to demonstrate compliance with the criteria specified by the market. In order to ensure that producers are equipped to meet these demands, there is a general need to provide ongoing extension services aimed at building capacity for standards compliance. Monitoring, evaluation and reporting capacity are also critical to successful entry into standards-based markets which suggests a deep need to ensure that smaller producers have access to well-managed producer organizations. The integration of monitoring, traceability and complaints mechanisms within the national trade infrastructure will also be key in ensuring efficiency in standards-based markets over the longer term.

Development agencies, national governments and the private sector should take measures to stimulate the involvement of local Southern stakeholders in global standards development processes as a means of ensuring relevance and appropriateness. Where possible, efforts to promote the internalization of the costs associated with standards compliance should be promoted, as should efforts to reduce such overall costs through harmonized criteria and/or implementation procedures across standards and markets.

Figure 11: CSO Recommendations on Supply-side Strategies

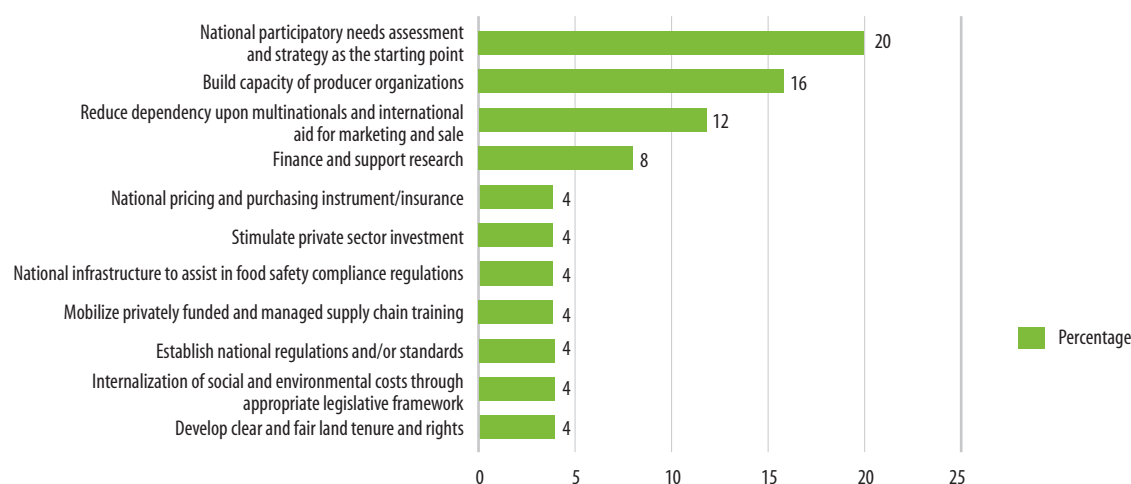


Figure 12: CSO Recommendations on Supply-side Themes

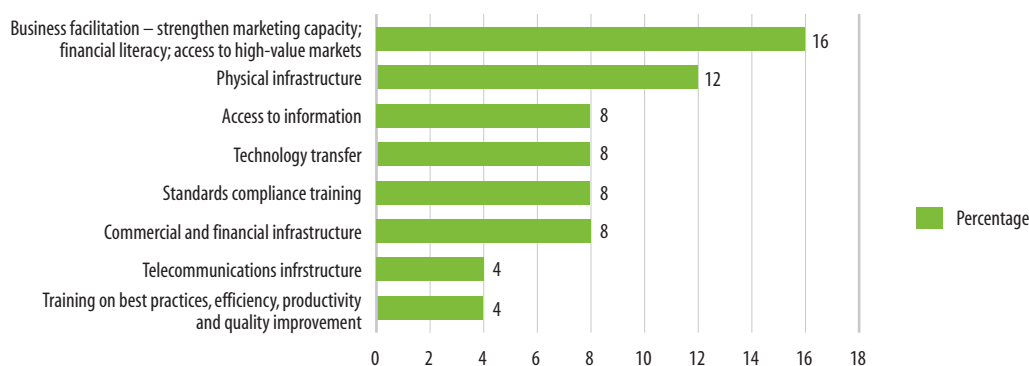
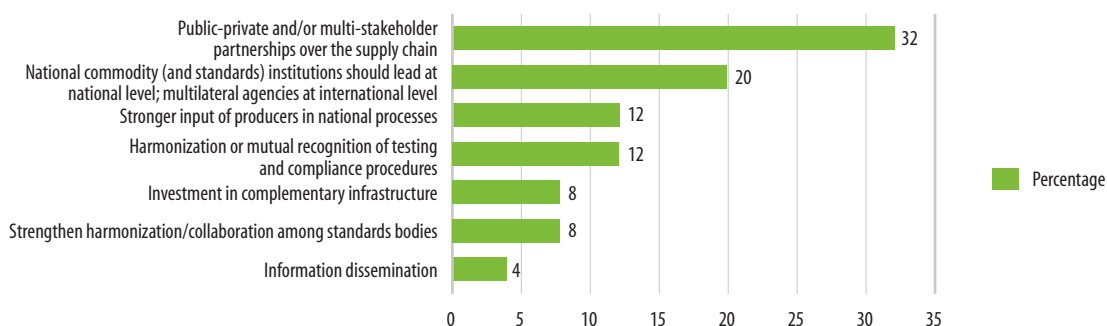


Figure 13: CSO Recommendations on Addressing Standards-based Markets



Figure 14: CSO Recommendations on National and International Strategies



### 3.3 CSO value chain issues recommendations

#### Box 6: Brasilia Outcomes Paper recommendations on value chain issues and CSO response

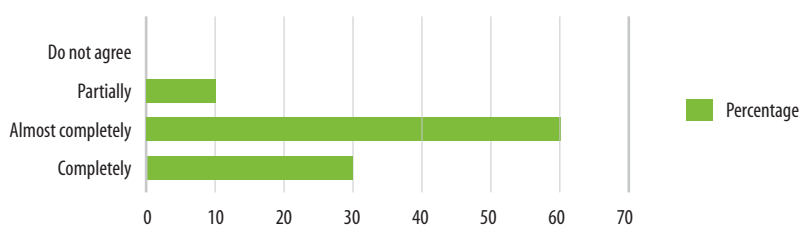
There is a need to improve the effective participation of developing country commodity producers, especially small producers, in value chains and to design viable strategies for horizontal and vertical diversification that reduce the impact of asymmetries in power relations and in access to information. This requires:

1. That developing country governments, supported by the international community, work to strengthen producers' associations, incentives and laws relating to anti-competitive behaviour as well as improve producer capabilities in order to make it possible for developing country producers to enter the world supply chain on equitable terms.

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2. That developing country governments and the private sector identify areas for value addition and processing of primary products that are internationally competitive, and that importing countries remove barriers to trade in processed products.
3. That governments of developing countries and regional economic communities (REC) support, in cooperation with the private sector, the creation of effectively functioning domestic and regional commodities markets, including through removing infrastructural bottlenecks as well as tariff and non-tariff barriers to regional trade and South-South trade, *inter alia*, by strengthening the Generalized System of Trade Preferences (GSTP), and through the conclusion of the third, Sao Paulo round of the GSTP negotiations. The increase in South-South trade should be accompanied by the participation of less advanced developing countries in value chains.
4. That the international community and developing country governments support the efforts of developing country producers to exploit the opportunities offered by new and dynamic sectors, including special and niche products, such as geographical appellations, fair trade and organic labels.
5. That the international community, developing country governments and the private sector act to improve commodity producers' access to market information.

Figure 15: Degree of CSO Agreement with BOP Recommendations on Value Chain Actions



### A. Government/civil society cooperation

The decision making authority of Southern producers in international supply chains needs to be strengthened significantly. National governments and civil society must work in partnership with industry, to allow for wider participation in supply chain decision making. New democratically organized and transparent multi-stakeholder initiatives should be established or existing multi-stakeholder initiatives leveraged, for ensuring clarity and potency in producer voices in international supply chain rule making and strategy building. The supply-side challenges identified through national needs assessment processes represent a starting point for ensuring effective commercial participation in international supply chains.

### B. South-South trade

The principal barriers to South-South trade are the absence of sound information on South-South market opportunities, the under-development of South-South commercial trade channels and weak Southern demand due to poverty and consumption habits. In order to address these barriers, there is a need for proactive efforts towards regional cooperation and information exchange aimed at generating contacts between, and information on, South-South supply chains and markets. At the same time, national and international support needs to be directed at investment in the promotion of local processing and consumption capacity as a means to stimulating Southern demand. Finally, South-South trade needs to be made more efficient through the establishment of South-South-friendly trade policy, most notably, the reduction of South-South trade barriers and the elimination of subsidies to Northern production.



### C. High-value and niche markets

High-value and niche markets can represent very real and important opportunities for bringing rural producers of commodities out of poverty. The first step in taking advantage of these markets depends on governments formally recognizing and informing the producer community of the potential value of producing for such markets. However, given the specialized (and potentially limited) character of such markets, governments must tailor any such recognition on the basis of an analysis of the national strategic potential of relevant high-value and niche markets.

Promising high-value markets should form a core part of the development of national commodity strategies. Where promising markets are identified, national and international governments should prioritize investment in the delivery of targeted extension services for enabling producers to access the most promising markets. This should be complemented with detailed information on market trends with respect to the strategic markets as well as preferential fiscal treatment (taxes and subsidies) to stimulate the necessary management and infrastructural investments.

Figure 16: CSO Recommendations on Civil Society and Government

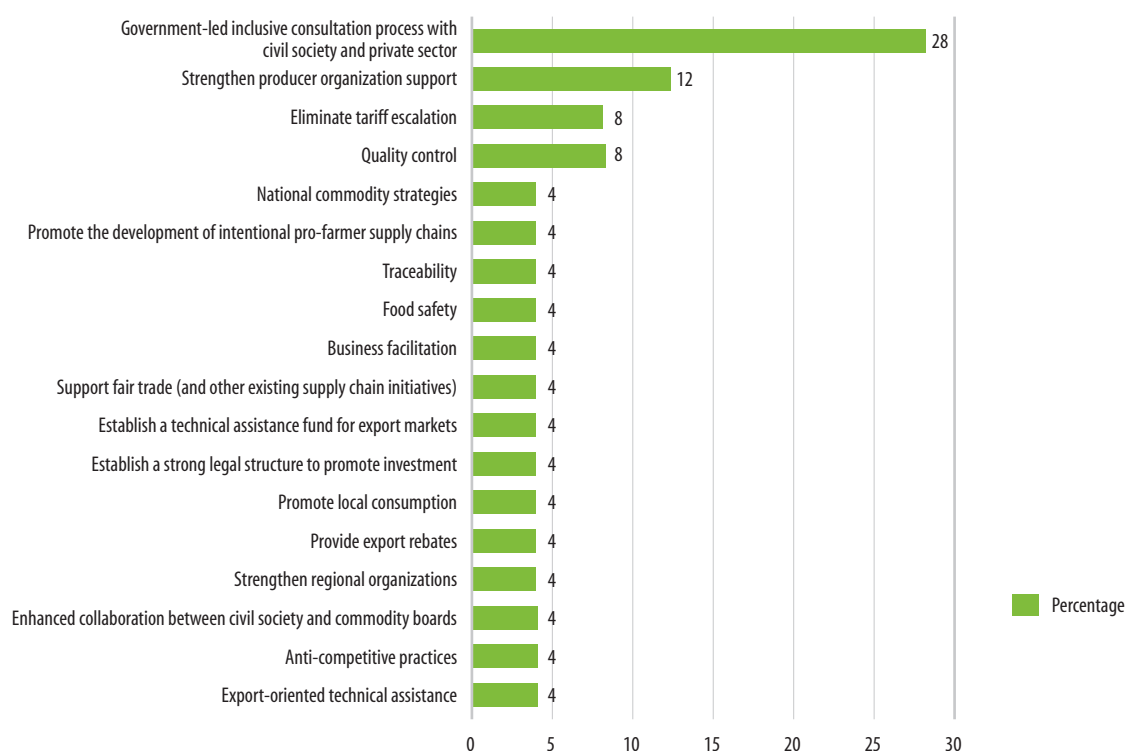


Figure 17: CSO Recommendations on South-South Trade

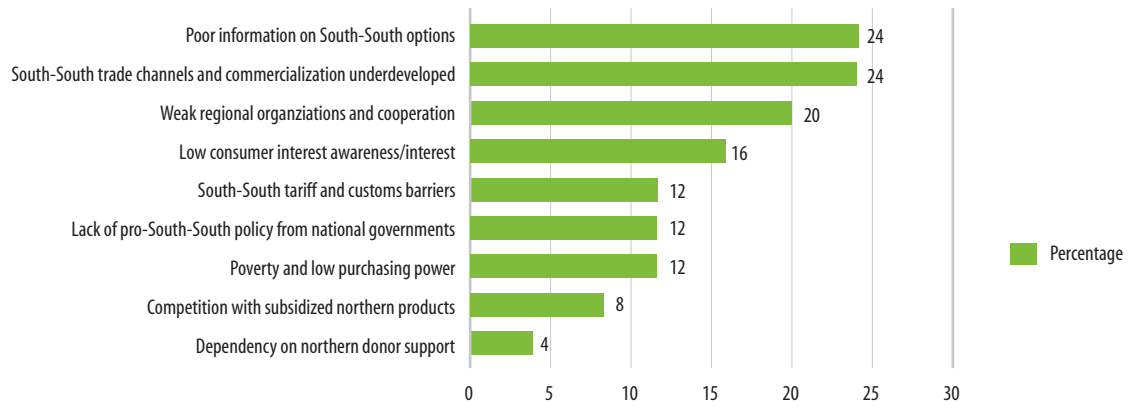
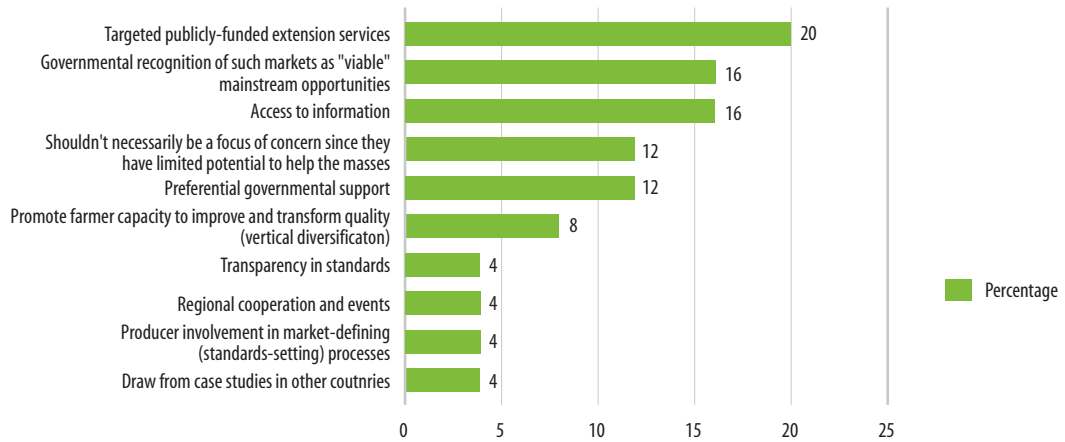


Figure 18: CSO Recommendations on High-value and Niche Markets



### 3.4 CSO recommendations on finance

#### Box 7: Brasilia Outcomes Paper recommendations on finance and CSO Response

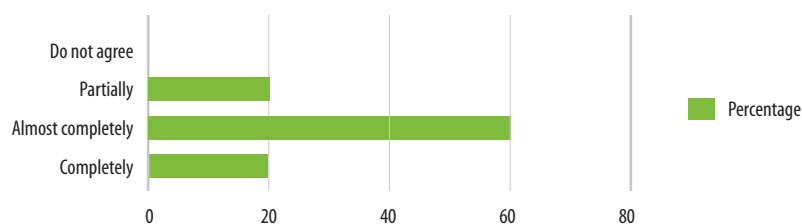
Lack of finance for investment, working capital and trade-related infrastructure is a major obstacle to diversification, competitiveness and growth in agricultural economies. There is a need to design policies that effectively mobilize the capital necessary for financing diversification programs. Addressing this issue requires:

1. That the international community support the establishment of an export diversification and productivity improvement fund and scale up the financial resources available to the Second Account of the Common Fund for Commodities (CFC).
2. That developing country governments create regulatory environments enabling national stakeholders to use modern finance and risk management instruments.
3. That developing country governments, supported by the international community, strengthen the capacity of developing country financial institutions to provide credit to small producers and support to small and medium-sized enterprises, including through micro-finance schemes and use of new forms of collateral.
4. That the international community, developing country governments and the enterprise sector support the establishment of effectively functioning commodity exchanges in developing countries to reduce transaction costs, improve price discovery mechanisms, and support the development of domestic and regional markets.
5. That the international community encourages the development of South-South trade financial institutions and mechanisms.
6. That the international community design and set up an appropriate mechanism to deal with the loss of revenues that African cotton producers face as a result of declines in cotton prices.

Recent large price increases for mineral commodities have drawn attention to the issue of the distribution of natural resource rents and the long-term development implications of mining, underlining the need:

7. For governments of resource-rich developing countries to minimize the negative effects of large resource in-flows on domestic inflation and relative prices.
8. For developing country governments to ensure a balance between the objectives of attracting foreign direct investment (FDI) and maximizing government revenues through appropriate taxation and regulatory policies.
9. For developing country governments, in cooperation with the enterprise sector and civil society, to strengthen the linkages between the mineral sector and the local/regional economy with a view to foster diversification.
10. For developing country governments to use resource rents to ensure long-term sustainability by replacing the depleting natural resource capital through investment in material and human capital.

Figure 19: Degree of Agreement with BOP Recommendations on Finance



### A. Smallholder finance

The implementation of alternative financing and support models to facilitate financing to smallholder producers represents the most promising solution to financing problems in the short term. Building on leading examples, governments should join forces with producer organizations to strengthen the financial management capacity of the organizations, enabling enhanced access to finance. At the same time, governments should seek means for leveraging the collateral base available to producers by providing targeted guarantees and/or creating the infrastructure necessary to use alternative forms of collateral (e.g., warehouse receipts). The establishment of an “export diversification fund” (see below) should be used to leverage enhanced access to finance for small producers by providing collateral for such institutions and financing training in financial literacy.

Producer organizations should be encouraged to develop “producer-owned” credit facilities and programs within their own organizations for the delivery of micro-credit to their members. Micro-credit should focus on quality and productivity improvements.

### B. Export diversification fund

An export diversification fund aimed at building and leveraging the local financial infrastructure’s ability to provide credit to small producers for the purposes of quality and productivity improvements, as well as outright horizontal and vertical diversification, should be established. In addition to enhancing the capacity of the traditional financial sector in the provision of credit to smallholders, the fund should provide support to producer-owned credit facilities managed through producer organizations. The fund should also provide resources for financial training as a means to leverage the benefits of producer credit.

Financing of the fund should draw on contributions of the Aid for Trade initiative, the Common Fund for Commodities and Southern commodity-producing countries. To increase speed and reduce transaction costs, the CFC should manage the new export diversification fund, but an alternative, more flexible and timely, Southern-led management and disbursement system should be used for determining its use and application. Southern investment in the fund is deemed central to retaining Southern relevance and ownership of the fund.

### C. Enabling framework

National governments should develop national finance plans aimed at building an enabling environment to improve smallholder access to credit and investment. The establishment of clear investment rules—including an investment code of conduct, financial standards, transparent procurement procedures, investment centres and improved financial governance—are all vital components for facilitating the investment climate. Financial institutions and regulations need to be established to enable the widest possible access to market-based risk management instruments. The strengthening of the regulation and management of Southern commodity exchanges should be used as a mechanism for attracting investment in Southern economies and for building local capacity and instruments for risk management. Systemic training and technical assistance should be offered to financial institutions in an effort to increase capacity for delivery to smallholder producers and to producer organizations to improve financial literacy and risk management capacity.

Figure 20: CSO Priority Strategies for Finance

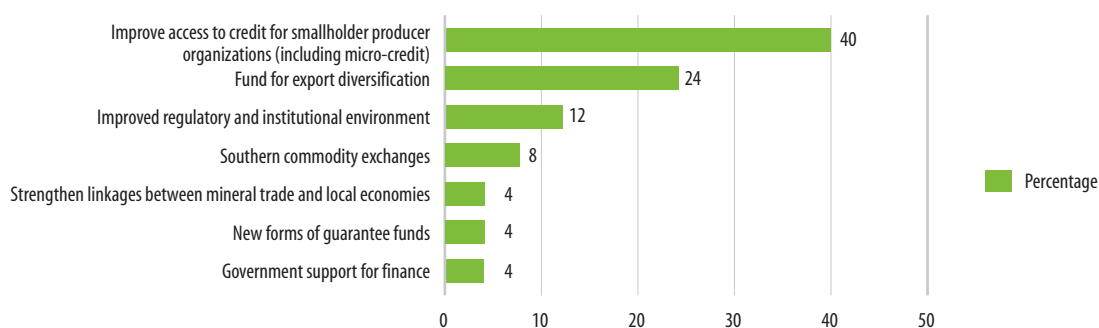
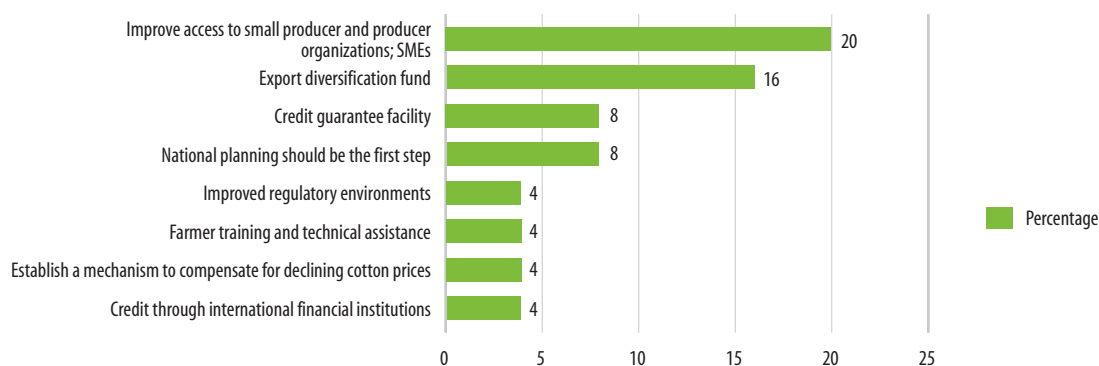


Figure 21: CSO Identified Finance Actions with the Most-promising Potential in the Short Term



### 3.5 Implementing a pro-development commodity strategy through global cooperation

#### A. Ensuring effectiveness

It is almost impossible to imagine significant solutions to global commodity problems without concerted global cooperation. And while this basic point has long been recognized, the ability of the international community to direct cooperation towards desired outcomes has been hampered frequently by a lack of focus and broad multi-stakeholder input. In order to ensure the effectiveness of global commodity cooperation in the future, there is an ongoing need to clearly and formally establish the participation of civil society, the private sector and the public sector as core players in a global partnership. Within the context of a “supply chain” approach to global cooperation, two opportunities stand out as potential springboards for action: (1) information accuracy, dissemination and overall awareness-raising along international commodity supply chains; and (2) developing joint strategies and action plans, starting at the national level, and feeding into global strategy development.

#### B. Promoting productive cooperation between CSOs and governments

Following on the priority themes for ensuring the effectiveness of global multi-stakeholder collaboration, CSOs and governments should play mutually supportive roles by jointly participating in the development of a global information dissemination strategy. As a part of implementing its information strategy, CSOs and governments should cooperate in the monitoring and assessment of the impacts of public and private commodi-

ty-related decision-making and related initiatives. CSOs and governments should also proactively collaborate in the elaboration of shared action plans for commodity development at the national and international levels. CSOs and policy-makers should follow the planning process with joint implementation strategies.

### C. The role of the private sector

The private sector is central to ensuring the success of any strategies and activities initiated under and global commodity strategy. The day-to-day activities of the private sector in seeking new markets has the potential to generate creative win-win situations for producers and industry by discovering new, high-value markets that have the potential to generate higher revenues along the supply chain.

As the private sector carries out its day-to-day activities, it should make explicit efforts to direct capital flows so as to stimulate producer innovation and the development of efficient trading institutions and infrastructure. In order to facilitate this process, governments need to ensure a predictable business environment through the consistent and transparent application of investment, finance, trade, property, social and environmental legislation.

Beyond its normal business operations, the private sector has a responsibility to promote social well-being in the communities in which it operates by assisting producers in the management of market and other risks, as well as through the adoption of sustainable production and purchasing decisions. The private sector should also contribute to technical assistance activities linked to helping producers manage their businesses. The private sector should contribute to such activities both financially and in the form of technical expertise.

Figure 22: CSO Recommendations for Effective CSO and Governmental Cooperation

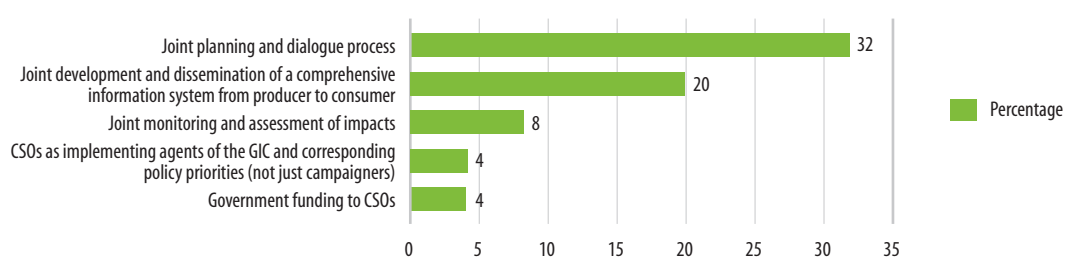
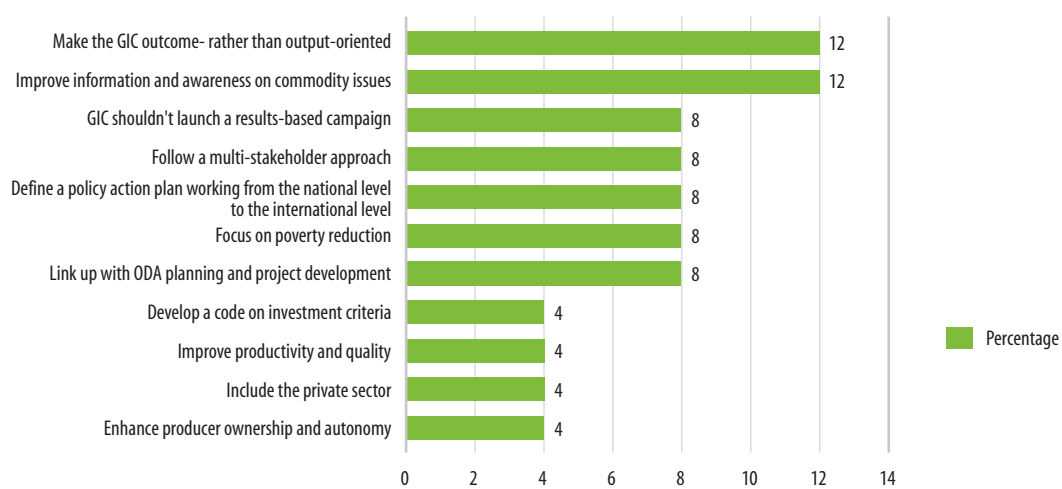


Figure 23: CSO Priorities for Ensuring Effectiveness of the Global Cooperation





## 4. Conclusions

The BOP sets forth key strategic recommendations for enhancing the development impact of commodity production and trade, and captures the primary challenges facing commodity sectors globally. The civil society organizations brought together by the International Institute for Sustainable Development under the auspices of the Global Initiative on Commodities were largely supportive of the BOP recommendations, with 76 per cent of the respondents to the questionnaire either agreeing completely or almost completely with their orientation. Nonetheless, CSOs brought a new dimension of detail and field experience to the discussion giving rise to the recommendations contained within this report.

Perhaps not surprisingly, CSO participants emphasized the need for an action-oriented agenda based on comprehensive needs assessments at the national level through a thoroughly open and participatory process. There was a broad consensus that any development-friendly commodity approach must be driven by commodity producers first and foremost rather than by trade negotiations or donor agencies.

CSOs see considerable promise in the adoption of a global multi-stakeholder, multilateral process, such as the GIC, for stimulating coherent and sustainable commodity policy strategies. However, CSOs were equally clear in noting that the ability of such a process to produce tangible and meaningful results would be directly dependent on the ability of key national and multilateral actors to demonstrate political will and openness towards sincere collaboration.

# The Global Initiative on Commodities

## From Stakeholder Perspectives to Stakeholder Participation

### A Summary of Civil Society Recommendations for Sustainable Commodity Production

In May 2007, the Common Fund for Commodities (CFC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP) and the African, Caribbean and Pacific Group of States (ACP) joined forces in launching the Global Initiative on Commodities (GIC)—an inter-institutional initiative aimed at leveraging the power of commodity production and trade as a positive force for sustainable development across the developing world. Following on the heels of stagnant agricultural talks within the Doha Round, the GIC aims to create a common voice to break the “conspiracy of silence” which has engulfed commodity-based development strategies over the past two decades.

From May 7 to 11, 2007, participating governments strategized together over the course of a “GIC launch conference” held in Brasilia. The conference produced the cross-cutting “Brasilia Outcomes Paper” (BOP) which set forth a series of strategic recommendations for enhancing the development impact of commodity production and trade globally. One of the conclusions that emanated from the conference was the need to build a coherent strategy—not just among countries—but among all stakeholders along the value chain. With this in mind, the GIC organizing committee commissioned the International Institute for Sustainable Development (IISD) to conduct a global consultation process with civil society as a stepping stone to the integration of CSO expertise and collaboration within the broader GIC process.

IISD brought together a group of approximately 40 leading CSO organizations working on commodity issues. The consultation process involved a questionnaire based on the BOP recommendations, telephone interviews, a CSO workshop, as well as an interactive electronic forum (Wiki). This document provides a summary of the recommendations emanating from the entire CSO consultation process.

The Global Initiative on Commodities partners are:

