

BREAKING THE CHAINS OF COMMODITY DEPENDENCE

DIVERSIFYING ECONOMIES AND STRENGTHENING NON-COMMODITY ACTIVITIES



GLOBAL CONTEXT

In many developing countries, an overreliance on exports of raw commodities constrains structural transformation and the pursuit of the Sustainable Development Goals. UNCTAD estimates that, in 2016, 91 of 135 developing countries were commodity-dependent, that is, countries in which unprocessed agricultural produce, minerals or crude oil constituted 60 per cent or more of total exports. The economic consequences of this dependence are severe. The boom and bust cycle of commodity prices severely hampers countries' macroeconomic management. The lack of value added activities restrains industrial development. In addition, most workers are limited to low-skill, low-paid jobs that risk disappearing with the next drop in prices.

Achieving the Sustainable Development Goals requires breaking the chains of commodity dependence. Developing countries should add more value to their commodities and diversify into non-commodity activities. They should anticipate the boom and bust cycle of commodity prices with prudent macroeconomic and fiscal management policies. Finally, they should plan how to convert natural resources wealth into better jobs and livelihoods for their citizens. UNCTAD assists countries in these efforts through its programme on breaking the chains of commodity dependence.



HOW ARE NEEDS IDENTIFIED?

In response to a request for assistance, UNCTAD works with a country to evaluate its needs under the following four main thematic outcomes:

1. Developing value added activities in its commodity sector;
2. Establishing development linkages between the commodity sector and the wider economy;
3. Diversifying to non-commodity activities;
4. Integrating into global and regional value chains.

To respond to the identified needs, UNCTAD and the country plan a programme of activities that may include workshops, training, advisory services, policy analyses, consensus-building events and information services.

Delivering an effective programme requires an integrated value chain approach that considers a country's commodity dependence in its full context. It also requires an inclusive process that engages the public and private sectors and civil society, with a special focus on small producers, women and minority groups. Inter-agency collaboration and South-South cooperation are two further principles of the Breaking the Chains of Commodity Dependence Programme.



PROGRAMME FACTS AND FIGURES

Scope: Commodity-dependent developing countries in all regions

Start date: 2008

Projects per year: 1 (average)

Projects: 9

Persons trained: 1,900+, including 500+ women, in 21 developing countries

Website: unctad.org/commodities




Sustainable Development Goals addressed:

Directly: 8 and 9



RESULTS AND IMPACT AT A GLANCE

- Since 2008, the Breaking the Chains of Commodity Dependence Programme has assisted over 30 developing countries in reducing their commodity dependence, diversifying their economies and converting their natural resources wealth into sustainable development.
- A set of customized policies and information tools has been disseminated in project countries, as part of a \$3.9 million technical assistance project of UNCTAD, funded by the All African, Caribbean and Pacific Group of States Agricultural Commodities Programme of the European Union.
- The New Partnership for Africa's Development has appropriated the Pan-African Cotton Road Map, a regional framework for developing the cotton sector in Africa, a process led by the Secretary-General of UNCTAD.
- UNCTAD conducted a review of Mexico's agricultural commodity policies related to agricultural production, trade, food security and poverty reduction, in relation to 13 agricultural products identified by authorities from Mexico as being of strategic importance.
- UNCTAD has trained more than 600 policymakers in three countries in Africa on formulating effective policies and regulations related to development linkages and local content in extractive sectors, as part of a technical assistance project funded by the United Nations Development Account.



DONORS/ FUNDING SOURCE

Current: United Nations Development Account, 2030 Agenda for Sustainable Development Sub-Fund

Past: France, Switzerland, the European Union, United Nations Food and Agriculture Organization and Common Fund for Commodities

Commodity export dependence by commodity group, developing countries, 2014/15

