



INTERNATIONAL COTTON ADVISORY COMMITTEE

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Memorandum 806

To: Delegates to the Standing Committee, Coordinating Agencies, and Members of the Private Sector Advisory Panel

From: Executive Director

Subject: CFC/ICAC Stakeholders Forum in Goiânia

Date: July 21, 2006

A meeting will be held on Sunday 10 September 2006 beginning at 15:30 in the International Convention Center in Goiânia to discuss areas for future cooperation between the ICAC and the Common Fund for Commodities (CFC). All interested persons are welcome to attend; all persons with an involvement in projects that have been funded by the CFC are specifically requested to attend.

The ICAC serves as the International Commodity Body for Cotton and Cotton Textiles with the CFC. The current program of co-operation between the CFC and the ICAC contains a broad range of projects addressing a variety of problems including insect and disease management, improved marketing and price risk management. The cotton portfolio of the CFC includes 17 approved projects, with a total CFC contribution of more than \$20 million. The portfolio contains a substantive number of completed projects, but at present there are only two ongoing larger-scale projects, and an additional two projects have been approved but are not yet operational.

It is important to develop a new portfolio of CFC/ICAC projects that will have substantive impacts in the short or medium term on the living conditions of small and medium-scale producers based on priorities identified by stakeholders in the cotton sector.

Background

The current (2003-2007) Five-Year Action Plan (FYAP) of the Common Fund for Commodities places an emphasis on:

- Reducing the economic imbalance between developed and developing countries;
- Assisting in making commodity chains efficient;
- Diversifying commodity production and trade;
- Improving quality and productivity in a sustainable way; and
- Assisting in fostering predictable conditions in commodity trade.

The FYAP places an emphasis on least developed countries, the poorer strata of the population in other developing countries, countries with economies in transition and on farm smallholders or entrepreneurs in small to medium sized enterprises involved in commodity production and marketing.

Project quality, impact, beneficiary focus and manageability remain important criteria in the selection and design of projects. The FYAP recognizes that the ICAC provides essential expertise about the cotton industry and reconfirms the role of the ICAC in cotton project identification, endorsement and submission of project proposals and the supervision of approved projects. The Common Fund will continue to closely co-operate with the ICAC and to encourage the ICAC to incorporate the commodity chain management concept and poverty reduction in its CFC strategy.

The CFC is currently launching a "Program Approach" to direct its support towards addressing specific constraints in the cotton industry in a more targeted and focused manner.

Objectives and Rationale

The rationale for the CFC Program Approach is primarily to focus on specific intervention areas of development with a view to ensuring maximum impact for the support given and the funds invested. It aims to avoid over-stretching efforts and resources and diluting the force of the Fund's interventions, to make CFC support more predictable, to enhance efficiency by focusing the CFC's efforts on pre-agreed areas of priority to the stakeholders, as well as to make projects "demand driven" by engaging stakeholders in determining the priority areas of concern.

The Fund's Program Approach is a coherent set of priorities and focused activities designed to achieve specific, time bound development objectives in the cotton sector within four identified operational niche areas of the Common Fund, namely:

- Supply chain management,
- Diversification,
- Market access, and
- Market development.

The Fund's Program Approach is geared towards identifying targeted priority issues that present the greatest opportunity for poverty reduction for small and medium sized cotton producers and the poorer strata of populations through specific and sharply focused interventions. Specific projects seeking Common Fund support should be identified and developed in the light of this program.

The overall Program Approach of the Fund is based on a participatory approach involving close consultation with stakeholders, particularly the target beneficiaries, the ICAC and government officials, directors of research activities and industry leaders. The new program will have a planning horizon of 2008 to 2012, coinciding with the Third Five-Year Action Plan of the Common Fund for Commodities.

Stakeholder Consultation

During the two-hour CFC/ICAC Stakeholders Forum on 10 September 2006 in Goiânia there will be a short presentation by the Secretariat to review the current situation of supply and demand and the competitive positions of the developing producing countries. A representative of the CFC Secretariat will briefly review the Fund's Program Approach and criteria for project selection.

Participants will assess the relevance of the challenges that cotton producers face within the specific operational niche of the CFC and will identify three or four specific areas or themes for future CFC project support in the coming five years. In doing so, the Forum will establish a specific course for CFC/ICAC co-operation and targeted interventions. This framework will be reviewed and updated as deemed appropriate taking into account the changes taking place in the international cotton market environment, and in particular when affecting the positions of small cotton producers.