

# WTO-UNCTAD-ITC Initiative on Cotton By-Products

## 1. Summary

This concept note illustrates the joint initiative on cotton by-products among the WTO, UNCTAD and ITC. The initiative responds to requests by developing countries, notably the “Cotton-4” (C-4)<sup>1</sup> and other cotton-producing countries in Africa, for technical assistance to develop value addition and markets for cotton products, including cotton by-products.

The initiative aims to integrate poverty-reduction strategies and other development-oriented projects,<sup>2</sup> towards increasing the standard of living of women, youth and other vulnerable and marginalized groups in the cotton value chain. The initiative will therefore prioritize interventions that bring tangible benefits to these groups.

Based on the respective mandates and expertise of the WTO, UNCTAD and ITC, a joint initiative on cotton by-products can offer comprehensive assistance to cotton-producing countries. The initiative aims to assist countries in developing cotton by-products, towards creating new income streams for farmers and processors, increasing domestic value added and accessing new markets. The initiative is based on consultations with donors, south-south cooperation partners, and other implementing agencies to avoid duplication and coordinate efforts on cotton by-products.

The three agencies propose a first phase of work on the initiative from 2019 to 2020, consisting of a feasibility assessment in selected countries and culminating in a Ministerial Action Plan to be adopted at the WTO's MC12. The agencies will report to Members at the WTO's biannual Cotton Days, as well as in dedicated cotton events in Geneva and elsewhere.

This concept note closes with a description of the deliverables for the joint initiative. The initiative espouses a comprehensive approach to value addition, thus aiming to support cotton by-products' development as part of wider sectoral and national development strategies.

## 2. Rationale for investments in cotton by-products

Cotton is grown mainly for its fibre, or lint – the raw material in cotton textiles.

Nevertheless, commercial applications exist for other parts of the cotton plant, such as the stalks, husks, cottonseed and short-staple fibres. In some countries, such as China, India and the United States of America, by-products from the non-lint parts of the plant have been commercialised, adding value and income, as well as reducing waste in the cotton value chain. In other countries, especially in Africa, due to a variety of constraints, there exist fewer commercial cotton by-products, often only oil and meal from crushed cottonseed.

<sup>1</sup> Benin, Burkina Faso, Chad and Mali.

<sup>2</sup> For example, the Route du Coton and the Pan-African Cotton Road Map



Cotton by-products therefore represent an opportunity for producing countries to increase the benefits they derive from their cotton production. These benefits can include:

- New income streams for farmers and processors;
- Increased resilience of farmers to external shocks;
- Increased domestic value added;
- Access to new markets;
- Improved trade balance, through increased exports or import substitution; and
- Reduced waste in the cotton value chain.

Through these benefits, value addition, including through cotton by-products, can contribute to the realisation of the Sustainable Development Goals, for example: Goal 1 (No Poverty), Goal 8 (Decent Work and Economic Growth), Goal 9 (Industry, Innovation, and Infrastructure) and Goal 12 (Responsible Consumption and Production).

Recognising these opportunities, many cotton-producing countries – notably the C-4 and other countries in Africa – have expressed their intention to develop cotton by-products. Nevertheless, they underline their need for technology transfer and relevant technical assistance in relation to:

- Identifying priority by-products for development;
- Attracting public and private investments;
- Ensuring that farmers receive a fair share of the additional value created;
- Formulating coherent enabling policies;
- Acquiring and adopting appropriate processing technologies and know how;
- Ensuring necessary infrastructure;
- Establishing sustainable supply and distribution networks; and
- Creating long-lasting relationships with foreign investors and suppliers, as well as international partners.

The so-called “sister” trade organisations – WTO, UNCTAD and ITC – each have a mandate and complementary expertise related to the gathering of support, development, production and trade of cotton by-products. The joint initiative among these institutions is therefore well positioned to help cotton-producing countries capitalise on by-products opportunities.

This concept note represents the joint commitment of the WTO, UNCTAD and ITC secretariats to assist countries in developing value addition, including through cotton by-products. The note also proposes a timeline and the deliverables for the joint initiative.

### 3. Complementary inter-agency expertise

Together, the WTO, UNCTAD and ITC constitute a network for the efficient coordination of research, stakeholder engagement, consensus-building and technical cooperation in the following areas:

Area	Demonstrated expertise in cotton		
	WTO	UNCTAD	ITC
Trade	✓	✓	✓
Donors' coordination	✓		
Value addition		✓	✓
Information dissemination	✓		✓
Technology		✓	✓
Investment			✓
Policy	✓	✓	✓
Capacity building		✓	✓
Fundraising	✓	✓	✓
Data collection	✓	✓	✓
Global convening power	✓		

## 4. Partners

To provide comprehensive support on cotton by-products, the initiative will engage partners with expertise on other, related areas, such as: cotton production technologies; industrial development; South-South cooperation and technology transfer.

As the initiative receives requests for assistance from Member States and formulates its work plan, it will reach out to potential partners with the necessary expertise.

## 5. Timeline

November 2018	Endorsement of the joint initiative by Members at WTO's Cotton Days.
Early 2019	Bilateral consultations with Members, beneficiaries, donors and other stakeholders on priority areas for action; collection of requests by beneficiaries.
June 2019	Workshop on cotton by-products organized as part of the 5–7 June 2019 WTO Cotton Days; begin feasibility assessments in 8 pilot countries with the support of the EIF.
7 October 2019	Partners' Conference organized in the context of the celebration of World Cotton Day, to assess donors' interest in supporting project implementation.
Nov.–Dec. 2019	Validation workshops in project countries to consolidate findings from feasibility assessments.
Early 2020	Present consolidated findings of feasibility assessments and proposals for the implementation phase to the EIF and other interested donors.
2020	Ministerial endorsement of the joint initiative and its work programme at the Twelfth WTO Ministerial Conference (MC12); begin project implementation.

## 6. Foreseeable deliverables

Expected impact: Project countries have viable cotton by-product industries that contribute to poverty reduction through value addition and ensuing income generation

Expected outcome: Increased revenue from cotton for stakeholders, especially the poorest farmers and women farmers, by developing and adding value to cotton by-products

This is expected to be achieved by delivering the following outputs:

- Improved capacity of cotton value chain stakeholders to assess the market potential and entry barriers and to elaborate pragmatic commercialization plans for investments in value-added cotton by-products
- Improved capacity of cotton farmers: i) identify value-addition opportunities for their cotton, ii) agree on possible organizational structures and management practices; iii) jointly access inputs and credit; and iv) invest in market-oriented value addition activities, including cotton by-products.
- Support to established edible oil producers – particularly those producing cottonseed oil – for them to invest in modern, cost-competitive production techniques and technologies.
- Improved capacity of policy makers to a) formulate evidence-based policies that support commercial investments in value-added processing of cotton by-products, while respecting commitments under trade agreements; and b) devise investment profiles to attract potential investors.
- Cotton development strategies developed/updated and institutional and policy coherence strengthened along the cotton value chain, from production to value addition.

In implementing the above approach, the initiative will have a special emphasis on the poorest farmers, as well as on women farmers and entrepreneurs. In addition, technology transfer and South-South cooperation activities will be prioritized.

## 7. Contacts

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