



CONCEPT NOTE

EXECUTIVE SUMMARY

The Pan-African Cotton Meeting 2011 is initiated by the United Nations Conference for Trade and Development (UNCTAD), with the financial support of the Common Fund for Commodities (CFC), the European Union (EU) and the Centre for the Development of Enterprise (CDE). It is implemented in collaboration with Comprehensive Africa Agriculture Development Programme (CAADP) of the NEPAD Planning and Coordinating Agency, the Government of Benin, the Steering Committee of the European Union – Africa Partnership on cotton (COS-Coton) the Secretariat of the African, Caribbean and Pacific Group of States and the CFC.

The Pan African Meeting on Cotton is a response to the request made by the African cotton producing countries during the Multi-stakeholder Meeting on Cotton that was organized by UNCTAD's Secretary-General in Geneva on 2 December 2008. The participants of this meeting, including six African ministers of trade, solicited UNCTAD to organize a multi-stakeholder gathering to discuss the challenges for African states dependent on cotton exports. UNCTAD, in consultation with a variety of stakeholders, thus proposed to hold a pan-African meeting with a focus on identifying solutions for the cotton sector at a pan-African level.

This broad based meeting will bring together representatives of regional economic communities, government officials, producer organizations, national industries, and international buyers, as well as development partners from international and bilateral organizations.

The objective of the meeting is to define a Road Map for the cotton sector in Africa for the next 10 years. This initiative will build on the existing national and regional strategies for the cotton sectors, and take into account the EU-Africa Partnership Action Framework. The Road Map will focus on the following priorities:

- Increasing productivity
- Improving marketing
- Increasing value addition



The resulting policy package will identify explicit policy actions to feed into country specific programs aimed at reviving the sector and strengthening its contribution to national development, including economic growth and poverty reduction.

Discussions will be supported by (i) presentations by resource persons on the challenges and opportunities in the value-chains of cotton products, (ii) presentations by ministerial representatives and regional economic communities on relevant thematic components included in their national and regional strategies for the cotton sector, (iii) proposals for Road Map elements produced by an independent preliminary study.

The main output of the meeting will be a document that highlights the broad outlines of a Road Map for the African cotton sector for the next 10 years. This document will reflect the consensus established at the meeting, and also highlight areas on which consensus was not found. The roadmap will clearly identify the short and medium term actions to be undertaken by the key actors of the public and private sectors, and the donor community. Particular emphasis will be placed on policies and measures to be taken at national, regional and pan African levels. The meeting will seek to produce a pragmatic policy package that will make a difference in the lives of those engaged in the cotton sector on the continent by feeding into programs implemented at the country level.

The meeting is part of a larger dynamic to strengthen the African cotton value-chains, including the regional and national investment plans formulated under the CAADP Framework, the regional cotton sector strategies formulated as part of the AAACP, and the activities of the EU-Africa Partnership on cotton. By bringing the key stakeholders together at a pan-African level the meeting serves to strengthen synergies between these initiatives.

I. INTRODUCTION

There are 27 cotton producing countries in Africa, 20 of which are Least Developed Countries (LDCs). It is estimated that the sector employs directly or indirectly fifteen million people in the West and Central Africa sub-region where a number of countries depend on it for 30-to-60 per cent of their export revenues. For many decades, despite challenges linked to smallholder farming, the African cotton sector has achieved a certain degree of success on the world stage. This success culminated in Francophone African Countries globally reaching the second rank in the world exportations during the campaign 2001/02. However, due to the unfavourable world cotton market environment, Africa's production has been decreasing since 2002/03 and only accounted for 5.6% of total world production in 2007/08.¹ Low levels of producer prices, long delays in payment to cotton producers in some countries and the dismantling of some of the sector's institutional arrangements have led to mass abandonment of cotton and falls in production of up to 50 per cent in the "Cotton 4" countries (Benin, Burkina Faso, Mali and Chad). This fall in production has in turn increased the operating costs of cotton companies, thus worsening the situation along

¹ It was 8,8% in 2002/03.

the whole value chain. This situation resulted in heavy losses for the sector and an extremely precarious financial situation with a heavy dependence upon state subsidies and emergency measures.²

The currently high level of cotton prices on international markets might provide the momentum needed to bring the African cotton sector out of the crisis of the past years. Indeed, tight supply and strong demand have now resulted in international cotton prices reaching historically high levels. As an illustration of this steep upwards trend, the Cotlook A Index has made its strongest ever gain in the third week of September 2010 by attaining a level only witnessed once before in its 44 year history.³ A price correction is expected as first estimates indicate that the 2011/12 season might bring a record world cotton crop of nearly 27,500,000 tonnes thus making it the largest crop witnessed.⁴ It is however generally agreed that global cotton consumption will be driven by the growing textile demand in emerging countries thus sustaining the recovery in mill activity that began in the aftermath of the global financial crisis in 2008/09. It is also foreseen that cotton consumption will remain resilient in the face of inter-fibre competition and could experience a growth rate of 2 percent.

These optimistic predictions should provide incentives for a renewal of interest for cotton production, processing and textile industries in many African countries. The Pan African Coton meeting aims to contribute to this process by defining a pan pragmatic African Road Map for the future of the cotton sector that will make a difference in the lives of those engaged in the cotton sector on the continent.

II. PROJECT BACKGROUND: RATIONALE FOR THE MEETING

The overall objective of the meeting, that is to establish a Road Map for the cotton sector in Africa, is of relevance to axes no.1 and no.2 of the Action Framework (AF) of the EU-Africa Partnership on cotton. Indeed, as will be outlined below, by focusing on defining a continental action plan for cotton and on the subsequent integration of the EU-Africa Partnership in the CAADP framework, the meeting aims to achieve a double objective: 1) strengthen the institutional environment for enhanced participation in the cotton value chain at continental level (axis no. 2) and 2) improve the monitoring and updating of national and regional cotton strategies (axis no.1) by identifying areas for synergies as well as cases of potential conflict between them.

More specifically, building on knowledge and insights acquired during the consultation process described below, the meeting will focus on the following three core themes: enhancing productivity; improving marketing; and increasing value-addition. These core themes respectively coincide with axes no.2, no. 3 and no. 5. To recall, the Action Framework lists six strategic axes as follows:

1. Improvement of the capacities to develop, monitor, assess and update national and regional cotton strategies
2. Improvement of the institutional environment, internal organization and efficiency of cotton value chains

² Based on Mid Term Review report of the EU-Africa Cotton Partnership, March 2009.

³ Cotton Outlook, Volume 88, N0 38, september 24, 2010.

⁴ Cotton Outlook, Volume 88, N0 39, October 1st, 2010.

3. Improvement of the competitiveness of the cotton value chains of Africa⁵
4. Reduction in the vulnerability of cotton value chains
5. Increase in value addition generated by the cotton value chains
6. Strengthening, efficiency and effectiveness of coordination at international, regional and national levels.

The consultation process

UNCTAD first initiated the organisation of the proposed meeting at the request of a number of participating governments and organizations at the *Multi-stakeholder Meeting on Cotton* organised by UNCTAD's Secretary-General in Geneva on 2 December 2008.⁶ The 2008 meeting reviewed the situation of the cotton sector in the evolving global economic and trade environment, and discussed ways in which low-income cotton-exporting countries could be assisted to respond to the sector's current challenges and opportunities. Participants acknowledged the crisis facing the sector in a number of African countries and identified a series of critical needs. In particular, they stressed the need for proactive action concerning investment, while underscoring the importance of tapping more effectively the potential of South-South cooperation, technical assistance schemes and regional solutions as far as they relate to issues such as productivity, technology, competitiveness, value-adding enhancement and diversification.

In addition to the suggestions put forward during the December 2008 cotton meeting (see Annex B), UNCTAD has engaged in a wide range of consultations, the aim of which is to improve the focus and design of the proposed meeting in order to respond effectively to the needs of key stakeholders in Africa's cotton sector. CFC and the ACP Secretariat were among the first to show interest in joining forces with UNCTAD as co-organisers of the proposed meeting and were consulted on the format and focus of the meeting. In addition, about 50 cotton stakeholders were consulted based on a list provided by the COS-coton Secretariat and by the cotton team at ITC. These 50 stakeholders comprised private sector associations such as ACA, ACTIF and APROCA as well as regional economic organizations such as UEMOA and CEMAC. To the extent possible, their comments and suggestions were incorporated into this concept note and draft agenda of the meeting.

Synergies with existing initiatives

In parallel to the consultation process described above, the need for synergies and coordination with existing initiatives for the African cotton sector has guided

⁵ This axe is subdivided into two parts as follows: 3A. competitiveness of the exogenous determinants of cotton value chains (decrease in subsidies, market access conditions etc.); 3B. Improvement of the internal determinants of cotton value chains competitiveness (market access capacity, technological innovation, productivity enhancement, quality factors etc.)

⁶ Among the participants were six African trade ministers (Ms. Christine Ouinsavi, Minister of Trade and Industry, Benin; Ms. Ramadan Issa, Minister of Trade and Industry, Chad; Mr. Youssouf Soumahoro, Minister of Trade and Industry, Côte d'Ivoire; Mr. Ahamadou Abdoulaye Diallo, Minister of Commerce and Industry, Mali; Mr. Mamadou Diop, Minister of Trade, Senegal; and Mr. Phineas Chiota, Deputy-Minister of Trade and Industry, Zimbabwe); the Director-General of the World Trade Organization (WTO), high-level government officials, representatives of UN institutions (the Food and Agriculture Organization (FAO), and the United Nations Industrial Development Organization (UNIDO), the International Cotton Advisory Committee (ICAC), the World Bank) and other key international organizations (the African Union, the *Organisation Internationale de la Francophonie* and the Organization of the Islamic Conference, as well as civil society organizations, including producers' associations and the private sector).

UNCTAD in the design of the proposed cotton meeting. In particular, synergies were sought with the following initiatives: the Comprehensive African Agriculture Development Programme (CAADP) of the NEPAD Agency, the EU-Africa Cotton Action Framework, the All ACP Agricultural Commodities Programme (AAACP); regional cotton strategies, and the Fourth United Nations Conference on the Least Developed Countries (LDC IV).

The Comprehensive African Agriculture Development Programme (CAADP) of the NEPAD Agency

The Comprehensive Africa Agriculture Development Programme (CAADP) was established by the AU assembly in 2003 in July 2003, reflecting the importance of agriculture in the AU's strategy for Africa's growth and development. Established as part of New Partnership for Africa's Development (NEPAD), CAADP addresses policy and capacity development issues across the entire agricultural sector on the African continent. Through CAADP, African governments have committed to increasing agricultural productivity by an average of 6 percent annually by 2015, and to increase public investment in agriculture to a minimum of 10 per cent of their national budgets by 2008. CAADP roundtables at national levels serve to identify agricultural development priorities (i.e. CAADP Compacts) and formulate investment plans. As of September 2010, 22 countries have incorporated CAADP into their agricultural agenda. To date, interestingly, only cotton producing countries have surpassed the target of committing 10 percent of their budget to agriculture. These countries are as follows: Burkina Faso, Ethiopia, Ghana, Guinea, Malawi, Mali, Niger and Senegal.

The NEPAD Rural Futures Programme

The launch of the NEPAD-led Rural Futures Programme in October 2010 further underlined the African Union's commitment to the structural transformation of rural economies. The Rural Futures Programme aims to position the rural transformation agenda in development thinking and strategies and to create space for institutional and policy innovation and reform in support of the agenda. Its core objectives include ensuring value addition on selected strategic agricultural commodities in Africa, cotton being one of them, and boosting productivity and competitiveness of these specific commodities.⁷

Building on this wave of interest for the agricultural sector at a continental level, this Pan-African meeting proposes to give the stage to the African Union Commission both in the opening and the closing ceremony as well as in specific technical sessions. The meeting will therefore provide an opportunity for initiating preliminary links between the CAADP process and the EU-Africa Partnership on cotton, paving the way for a subsequent integration of the Partnership into the CAADP.

The EU-Africa Partnership Action Framework

The main outcome of the proposed meeting, the Road Map, will be developed taking into account the EU-Africa Partnership on cotton and its Action Framework, which is

⁷ The other strategic commodities at continental level are rice, legumes, maize, oil palm, beef, dairy, poultry and fisheries products.

an update of the Cotton Action Plan endorsed by the EU and 28 African countries at the Paris Forum held in July 2004. A joint ACP-EU cotton steering committee, COS-coton was established in the wake of this Forum to monitor mobilization of financial resources and coordinate support targeting the African cotton sector. As such, COS-coton has become an invaluable source of information regarding the African cotton sector.

The regional cotton strategies

The focus of the proposed Pan African meeting will be to build on the frameworks identified in regional cotton strategies that are being developed with support from the AAACP. In East and Southern Africa, the “Regional Strategy for the Cotton-to-Clothing Value Chain” was launched by COMESA and ACTIF (African Cotton Textiles Industries Federation) in June 2009. In West Africa, UEMOA (Union Economique et Monétaire Ouest Africaine) has validated its “Agenda pour la compétitivité de la filière coton textile de l’UEMOA”. And finally, in Central Africa, the *Communauté Economique des Etats de l’Afrique Centrale* (CEEAC) is also engaged in the sector development strategy for cotton⁸. These strategic initiatives offer a renewed opportunity to foster private investment, public-private partnerships, South-South cooperation and additional technical assistance programmes from development partners.

The All ACP Agricultural Commodities Programme (AAACP)

The AAACP is a 45 million Euros EU-funded initiative launched in September 2007 whose objective is to support innovative initiatives in the commodity sector of ACP countries. The programme is implemented by five international organizations: CFC, FAO, ITC, UNCTAD and the World Bank. A third of the AAACP funds are earmarked to support the cotton sector in Africa. Some 40 activities are being implemented in support of the cotton sector through AAACP funding.

CFC provides co-funding for several of these activities and is leading the following: 1) Improving Cotton Production Efficiency in small-scale farming systems in East Africa (Kenya and Mozambique) through better vertical integration of the supply chain; 2) Prevention of Seed Cotton Contamination in West Africa (Burkina Faso, Côte d’Ivoire and Mali) and 3) Commercial Standardisation of Instrument Testing of Cotton (CSITC) for the Cotton Producing Developing Countries in Africa.

The 2005 African Union Arusha Development Benchmarks

The 2005 Arusha development benchmarks, outlined during the second extra-ordinary session of the AU Conference of Trade Ministers, explicitly recommend the following: i) the establishment of an Emergency Fund to address cotton revenue deficits resulting from cotton price depressions in the international markets; and ii) the mobilization of the technical and financial assistance for the reinforcement of the cotton sector in Africa that will build capacity of

⁸ The cotton sector development strategy for Central Africa will now be hosted by CEEAC (ECCAS) and not CEMAC- by mutual agreement between them, EC and COS-coton.

African countries to process and add value to cotton and its by products.

The 2006 African Union Abuja Food Summit

The Heads of State and Government of the African Union assembled in Abuja, Nigeria, on the 7th day of December 2006 identified cotton as one of nine strategic commodities at the continental level, and committed to promote and protect these commodities in order to increase intra-African trade.

The LDC IV Conference

Of the 27 African cotton producing countries, 20 are LDCs thus underpinning the key role that cotton plays in the socio-economic development of low income African cotton producing countries. The LDC IV conference that took place in Turkey on 09-13 May 2011 offered the opportunity to raise awareness on the importance of the cotton sector for African LDCs.

III. METHODOLOGY AND STRUCTURE OF THE MEETING

The meeting will build on conclusions of the work on regional cotton strategies as well as on links between the meeting's three core themes and the Action Framework of the EU-Africa Partnership. These bi-directional links are reflected in the meeting's tentative agenda.

Target stakeholders

The meeting will give prominent place to both public and private sector actors. On the public sector side, the meeting will bring together representatives from the African Union Commission as well as from regional organizations (COMESA, UEOMA, ECOWAS, CEEAC and CEMAC). Similarly, representatives from the private sector will be drawn from a broad spectrum of countries in the region as well as from other leading Southern cotton and textiles producing countries. Participants are expected to come from the following groups:

A- Public sector

- (i) Governments (African, emerging economies, in particular those producing/importing cotton, and/or are already in the cotton business);
- (ii) Commissions of the regional economic communities
- (iii) Regional and international organizations;
- (iv) Bilateral and multilateral donors;
- (v) Research organizations.

B- Private sector

- (vi) Producers' associations, including Civil Society Organizations dealing with cotton issues;
- (vii) Commercial sector including traders/merchants and industrial operators (ginners, spinners and textile companies);

The names of identified contributing institutions are included in the current programme. The meeting's organizers have drawn on the expertise of the COS-coton as well as on that of other International organizations involved in the cotton sector in finalizing the list of resource persons and participants.

Participation of representatives from other Southern cotton producing countries

Public and private sector representatives from cotton and textile producing countries in Asia and in Latin America will be invited to the meeting to share experiences on the development of their cotton sector, so that stakeholders develop:

- Greater capacity to increase the sector's productivity and the conditions for technological innovation and adoption;
- Better understanding of market buyers' requirements;
- Enhanced knowledge and understanding of the challenges facing the cotton value chain and the related investments;
- Greater insight into the experiences of successful public-private partnerships for the development of the sector and the possibility of replicating these.

Thematic structure of the meeting

The meeting is structured in five plenary sessions whose purpose and contributing organizations are described in the programme. Each plenary includes a series of presentations leading to the identification of elements for the Road Map with links to the EU-Africa Partnership Action Framework and regional initiatives. Ample space is provided for discussion and for consensus building. After a session setting the context, plenary sessions 2, 3 and 4 are respectively devoted to the three core themes of the meeting, namely: productivity, marketing and value-addition.

Productivity

The low levels of productivity in the African cotton sector have pushed production issues to the forefront of policy-making. Since 2002/03, African yields have decreased by 15%, while average world yields increased by 17%.⁹ This broad performance hides differences across the region. Whilst Eastern and Southern African countries have seen their cotton production rise by 2 per cent during the period 2001/02 to 2007/08, over the same period, countries of the UEMOA and CEMAC regions have undergone a contraction of production in the range of 40 per cent. This clearly illustrates the divergent performance of the two regions in terms of productivity and competitiveness. In addition to unfavourable developments on international markets, the crisis affecting the West and Central African cotton sector is due to a number of factors that include:

- the unsustainable fertilizer supply systems/mechanisms and prices; and the private sector-led related credit and supply chain finance issues;
- limited cotton research and extension services at national and regional levels (public sector-led);
- weak physical infrastructure (energy, water, communication) contributing to high transport costs (public sector-led).

⁹ EC-Africa Cotton Partnership

A number of studies and workshops have specifically focused on these limiting factors. Among these are workshops organized as part of the strategy development process facilitated by ITC under the AAACP. The Pan-African meeting will provide an opportunity for cross-regional comparison of the findings and approaches of the three main African cotton-producing regions as regards the productivity issue. Rather than duplicating the foregoing, the meeting will seek to foster discussions between experts, policy-makers, development partners and stakeholders (private sector) in order to identify elements of the Road Map foreseen as the main output of the meeting. In doing so, the meeting will aim to build consensus on a range of sustainable solutions that will be part of the Road Map.

Marketing

For many decades, marketing in the African cotton sector was handled by European mother companies and other intermediaries. As a result, there were few direct feedback loops from spinning mills back to ginning companies and producers. The main consequence of this lack of direct linkages is limited awareness of the determinants of competitiveness and of successful marketing strategies. The importance of addressing competitiveness in a holistic value chain approach was further underlined during the 67th Plenary Meeting of ICAC in Ouagadougou in November 2008. The proposed meeting will build on the outcomes of these initiatives as well as on existing regional strategies to identify elements for an action plan for the marketing of African cotton.

Value addition

The local transformation of the cotton fiber is a core strategic sub-regional objective of COMESA's "Regional Strategy for the Cotton-to-Clothing Value Chain" and of UEMOA's "*Agenda pour la compétitivité de la filière coton textile de l'UEMOA*". Constraints facing the textile sector's competitiveness include high costs of inputs (in particular energy), limited availability of skilled labour, massive cheap second hand clothes often fraudulently imported, limited competitiveness on international markets and the lack of products that meet local preferences. The need for the African cotton sector to move up the value chain in the medium term is also acknowledged in analytical studies of the commodity sector in African LDCs¹⁰. The meeting will seek to identify actionable solutions to some of these constraints at the continental level. The issue of limited access to trade finance will also be addressed in particular through public-private partnerships.

Meeting outputs

The main output of the meeting will be a document that highlights the broad lines of a Road Map for the African cotton sector for the next 10 years. The Road Map *and the accompanying Action Plan* will take into account the Action Framework of the EU-Africa Partnership on Cotton, and build on existing regional strategies. These

¹⁰ For instance, a recent review of existing Diagnostic Trade Integration Studies (DTISs) of the Integrated Framework for Trade-Related Technical Assistance to LDCs (IF) by UNDP identified the need for policy makers, institutional actors and enterprises to develop an integrated commodity development strategy that will move primary commodity producers up the value chain. See UNDP.2010. Commodity Development Strategies In the Integrated Framework. Geneva.

documents will put a particular emphasis on policies and measures to be undertaken at the Pan African level. The Road Map will also clearly identify short and medium term actions by all key actors of the public and private sectors as well as for the donor community and timeframes for monitoring implementation.

Four background studies were commissioned before the meeting covering the following topics:

- (a) Current developments in the cotton sector: This will include an overview of recent trends in cotton production and trade at the global and African levels, drawing on recent studies produced by the World Bank (see list in the May 2010 Progress report on AAACP Cotton activities) and ICAC notes.
- (b) A critical analysis of the reasons for declining cotton production in many African countries in recent years, including an analysis of the domestic challenges facing the cotton sector in these countries; and the causes of decline using historical data (yield, area, quality, prices, cost of production, etc.). This study will seek to identify policies to facilitate the creation of linkages between cotton production, trade and investment in Africa as well as the related institutional challenges and how to address these.
- (c) A comparative study of regional cotton strategies as regards the three core themes of the proposed meeting i.e. (i) enhancing productivity; ii) improving marketing; and iii) increasing value-addition.
- (d) A proposal for a 10-year Road Map for the cotton sector in Africa covering the issues of cotton productivity, marketing and value-addition. This proposal will build on the existing national and regional strategies for the cotton sectors, as well as the EU-Africa Partnership Action Framework on cotton.

Additional outputs will include:

- A web-site providing information on the Pan African Cotton Meeting and related initiatives;
- A detailed Action Plan with clear Objective and Verifiable Indicators (OVIs) based on the Road Map;
- A report of the Pan African Cotton Meeting 2011;
- Appropriate dissemination materials to share the results of the meeting;
- A list of follow up activities with specifically identified roles for partner institutions, *public* and *private* sectors.