

**THE ROLE OF DONORS AND LESSONS FROM IMPLEMENTING THE  
MANDATE ON COTTON DEVELOPMENT ASSISTANCE**

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"THE NEXT STEPS FOR AFRICA"**

**Woodrow Wilson Center, Washington DC  
26 October 2006**

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## I. INTRODUCTION

1. This presentation focuses on the "Role of Donors and Lessons from Implementing the Mandate on Cotton Development Assistance in the Doha Development Agenda" (DDA). Paragraph 1.b. of the 1 August 2004 General Council Decision<sup>2</sup> and paragraph 12 of the Hong Kong Ministerial Declaration set out quite clearly the WTO Membership mandates for responding to the development aspects of the C4 Cotton Initiative. These mandates reflect the roles expected of the donors. In the implementation of the mandates in the past two years we, in the WTO Secretariat, have acquired useful experience that perhaps could be extended to other areas of trade capacity building. The "Role of the Donor" (whether bilateral or multilateral) is a critical one, but not a self-standing role. It is a role that cannot be usefully conceived, or discharged, in the absence of the "Role of the Recipient". The "Role of the Donor" and the "Role of the Recipient" are interdependent and inextricably inter-linked. Assuming that both are dutifully attached to their commitments, the effectiveness of the role of the donor equally depends on the effectiveness of the role of the recipient. Both roles are inseparable. The degree of effectiveness in the roles of both will depend on the strength of the partnership. In providing the required update on the implementation of the mandates on cotton development assistance to the General Council at the 27 July 2006 meeting, Director-General Pascal Lamy emphasised this point when he noted that:

"The work that had been done so far needed to be taken further, both by recipients and donors. Both had homework to do".

2. In spite of the current state of temporary suspension in the Doha negotiations, cotton remains one of the central issues in the Doha Development Agenda (DDA) Work Programme. It is an issue to which Members unanimously attach much importance. The importance of this issue is predicated on three factors. First, there is membership attention to the issue because at the core of the Initiative is the invocation of the rules of the system (and the applicability of those rules). Second, the Initiative addresses the overriding issues of poverty reduction, rural livelihoods and food security in low-income countries. These are global priorities for the international community. Third, the implementation of the development aspects of the mandates puts in relief, yet again, the challenge of coherence within and amongst the development community and recipients alike.

3. In two years of implementing the cotton development assistance mandates, demonstrable progress has been made. An agreed process has been established within which the three parties (bilateral donors; the relevant institutions; the C4 and others in the cotton constituency) are operating. Considerable commitments have been made, including some disbursements. But challenges exist in the short and in the long-term.

4. Five questions are examined.

- What are the roles of the donors and the roles of the recipients?
- What action has been taken by donors and the recipients to implement the mandates?
- What progress has been made so far, and where are the short and long-term challenges?

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<sup>2</sup> Also referred to as the "2004 July Framework Package".

- What lessons have we learnt in implementing the mandates?
- What scope and opportunities exist for further progress?

## II. BACKGROUND

5. But first, a brief background is useful. Although the issue of cotton is one of the most important for African countries because it has become symbolic of the development dimension of the Doha negotiations, nonetheless, at the launch of the DDA in 2001, cotton as a specific sectoral initiative, was not on the agenda of the WTO.

6. The Sectoral Initiative on Cotton was tabled in the Special Session of the Committee on Agriculture<sup>3</sup>, Pre-Cancún, in May 2003, by the four proponent countries (Benin, Burkina Faso, Chad and Mali). President Blaise Compaoré of Burkina Faso, presented the proposal to the Trade Negotiations Committee, on 10 June 2003. The Initiative was supported and endorsed by the African Union (AU), the Least-Developed Countries (LDCs), and the African, Caribbean and Pacific Country (ACP) groupings. These Membership groupings continue to support the Cotton Initiative and proposals.

7. In 2003, the proponents of the Cotton Initiative proposed<sup>4</sup>:

- the elimination of domestic support and export subsidies in the subsidizing Members. They drew attention to the trade distortions and the prejudice caused to cotton farmers in West and Central Africa through depressed global cotton prices; and,
- the establishment of a transitional financial compensation mechanism, linking compensation to subsidy reduction to offset income loss for farmers.

8. These proposals were presented in a Draft Decision to WTO Members<sup>5</sup>. At Cancún, there were intensive consultations on cotton. However, like other issues, the matters raised in the Cotton Initiative were not resolved due to the inconclusive ending of the Cancún Ministerial.

9. Post-Cancún, WTO Members agreed, at the December 2003 General Council, to focus on the Cotton Initiative as one of the four core issues, in their efforts to revive the DDA negotiations. The other areas were Agriculture, Non-Agricultural Market Access (NAMA), and Development Issues. Post-Cancún consultations resumed in these four areas.

10. The July 2004 Framework Decision by the General Council reflected the progress by the WTO in addressing the specific issues raised in the Sectoral Initiative on Cotton. The cotton-related decisions in the 2004 Framework Package were based on the understanding from post-Cancún informal consultations, that the treatment of the Cotton Initiative would distinguish between the "Trade Aspects" on the one hand (which are being addressed within the framework of the agriculture negotiations under the Single Undertaking), and the "Development Assistance Aspects", on the other hand. On this basis, the General Council, in

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<sup>3</sup> TN/AG/GEN/4: "WTO Negotiations on Agriculture - Poverty Reduction: Sectoral Initiative in Favour of Cotton - Joint Proposal by Benin, Burkina Faso, Chad and Mali" (16 May 2003).

<sup>4</sup> "Poverty Reduction – Sectoral Initiative in Favour of Cotton" (WT/MIN(03)/W/2).

<sup>5</sup> WT/GC/W/511: "Draft Decision Concerning Specific Measures in Favour of Cotton with a View to Poverty Alleviation".

the 1 August 2004 Decision, re-affirmed the importance of the Sectoral Initiative on Cotton, acknowledging both the trade and development aspects.

### III. COTTON DEVELOPMENT MANDATES AND THE ROLE OF THE DONORS

11. Three parties are central in the implementation of the mandates on the development aspects of cotton. These are the bilateral donors, relevant multilateral institutions, and the cotton proponents. Expectations for the roles of these three parties are spelt out in the mandates, in the prior outcomes from the March 2004 Cotonou Cotton Workshop,<sup>6</sup> and in several pragmatic informal understandings that have emerged from the agreed process of implementing the mandates.

12. The formal mandates for work on the development aspects of cotton are the 1 August 2004 General Council Decision<sup>7</sup> and the 2005 Hong Kong Ministerial Declaration.<sup>8</sup>

13. In the 1 August 2004 Decision,<sup>9</sup> the General Council took explicit note of the 2004 Cotonou Cotton Workshop and other bilateral and multilateral efforts to make progress on the development assistance aspects, and:

- "instructed" the WTO Secretariat to continue to work together with the Development Community;
- "instructed" the Director-General to consult with relevant international organizations, specifically the Bretton Woods Institutions, the Food and Agriculture Organization and the International Trade Centre; and,
- "agreed" that Members should work on development issues multilaterally with international financial institutions, continue their bilateral programmes, and "urged" all developed countries to participate.

14. The purpose of the consultations by the Director-General with the development community, as mandated by the General Council, is to "effectively direct existing programmes and any additional resources towards the development of the economies where cotton has vital importance".

15. Pursuant to the 2004 mandate, the roles expected of the donor were, therefore, to pursue further progress in delivering development assistance to the cotton sector, and in doing so, to work with the international financial institutions, within their own bilateral donor programme and with the WTO Secretariat (whose principal role is to manage consultations and coordinate).

16. In respect of the roles of the donors, at the Sixth Ministerial Conference in Hong Kong, Ministers re-affirmed the 2004 mandate,<sup>10</sup> and:

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<sup>6</sup> WT/L/587: WTO African Regional Workshop on Cotton, Cotonou, Republic of Benin, 23-24 March 2004. (Note by the Secretariat).

<sup>7</sup> WT/L/579: paragraph 1.b. Cotton; and, paragraph 5 of Annex A.

<sup>8</sup> WT/MIN(05)/DEC: paragraph 12.

<sup>9</sup> WT/L/579: paragraph 1.b. Cotton.

<sup>10</sup> WT/MIN(05)/DEC: paragraph 12.

- urged the development community to scale-up cotton-specific assistance; and,
- urged Members to promote South-South co-operation, such as through the transfer of technology.

17. A reading of the mandates in 2004 and 2005 regarding the development community is expansive. The donor community broadly covers those who can and could provide development assistance to the cotton sector in the proponent countries. For instance, the 1 August 2004 General Council Decision states that "Members should work on related issues of development multilaterally with the international financial institutions and continue their bilateral programmes", although the Decision specifically "urges all developed countries to participate". Similarly, in the 2005 Hong Kong Ministerial Declaration, Ministers "urge Members to promote and support South-South cooperation". Thus, while in a classical sense, there is a clear reference to the developed countries and the development community, there is also a much broader and expansive reference to Members, including those in the South, who can offer development assistance to the cotton proponents through South-South cooperation.

#### **IV. ACTION BY THE DEVELOPMENT COMMUNITY – THE DONORS**

18. The development community responded positively to the mandates on cotton development assistance. Significant contributions have been made. There are concrete results and progress, but there is also scope for further improvement in relation to the magnitude of the challenges that confront the proponent countries.

19. In the bilateral donor community, the European Communities (EC), the United States and Japan have played critical and positive leading roles through their donor programmes to drive the implementation of the mandates. In the first stage of the implementation process, they moved rapidly to initiate start-up for take-off and traction. They have provided a range of discrete development assistance activities, reflected in Section V, in support of the cotton sector. Cotton sector priorities have been reflected in existing programmes. New programmes, projects and instruments have been designed and developed. The response was instant, expeditious and meaningful.

20. On the part of the United States, in the Consultative Framework process established by the Director-General for the implementation of the mandates, they have urged co-sponsors and other cotton proponents to submit cotton sector projects, and projects in any other areas of identified national priorities to the Millennium Challenge Corporation Account (MCC). The United States also put in place a new programme, the *West African Cotton Improvement Programme* (WACIP), has provided additional funding and is working with the cotton proponents to implement the programme.

21. On the part of the European Communities, based on extensive and sustained dialogue with ACP countries and the cotton co-sponsors in particular, the EC and the ACP jointly agreed to the *EU-Africa Cotton Partnership* in July 2004, as part of the All ACP Capacity Building Programme. The Communities have also identified the extensive opportunities which exist for additional project funding and assistance in the on-going process for the 10<sup>th</sup> European Development Fund (EDF). The EC have also called on African cotton producing and trading countries to submit projects, including for cotton, to the EDF process, pursuant to identified national economic priorities. Individually, EU Members such as France, the

Netherlands and Germany, have continued with the funding and implementation of long-standing projects.

22. Japan has delivered discrete cotton development assistance in favour of cotton. In addition, it has repeated calls on African countries to submit cotton projects for funding and support within the framework of the process for the Tokyo International Conference for African Development (TICAD).

23. Within the development community, seven multilateral institutions have participated actively and have made vital contributions, namely: the World Bank, the International Monetary Fund (IMF), the Food and Agricultural Organization (FAO), the United Nations Industrial Development Organization (UNIDO), the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC) and the International Cotton Advisory Committee (ICAC), in partnership with the Common Fund for Commodities (CFC). The African Development Bank (AfDB), a regional institution, continues to be a key part of the process; working on a multinational programme, which is based on extensive consultations with involved countries in West Africa. The role and contributions of the international and regional financial institutions have been indispensable.

24. The adaptation of pre-existing development instruments for cotton sector development assistance objectives has been useful. It has enhanced the institutionalization of cotton sector priorities and has led to the avoidance of *ad hoc* and ephemeral responses. Based on the discussions between the donor community and the recipients, cotton sector priorities were reflected in the main multilateral instruments, such as the Poverty Reduction Strategy Papers (PRSPs), and with ample scope for use of Poverty Reduction and Growth Facility (PRGF) resources. Cotton sector priorities are now taken into account in the Diagnostic Integration Studies (DTIS) of the Integrated Framework for LDCs' Trade Development (the IF) and in the matrix of results for action. This has also been the procedure in the Joint Integrated Technical Assistance Programme for African Countries (JITAP) in respect of the relevant countries. Bilateral donors and multilateral institutions in communications to the Secretariat have also advised cotton producing countries that financial resources released from external debt obligations, in the Multilateral Debt Relief Initiative (MDRI), could be directed to sectors and areas identified as being of economic priority, including cotton.

25. On the basis of these bilateral and multilateral instruments, actual cotton programmes, projects and activities have been designed and are at various specific stages of implementation.<sup>11</sup>

26. The bilateral donor community has noted that the commitments to, and delivery of, cotton sector development assistance are demand-driven. There are approximately 184 discrete entries on cotton programmes, projects and activities, communicated by the development community. These are of considerable monetary value.

27. A review process for all the notified entries was initiated in February this year. We are receiving feedback from the cotton proponents on the notified entries in the "Evolving Working Table on Cotton Development Assistance". This feedback will be subsequently transmitted to the donors and other members of the development community for a response.

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<sup>11</sup> Project Formulation; In Progress; Completed; Suspended; and, Discontinued.

After the response from the development community to the feedback from the cotton proponents, the next round of consultations will be convened in the Director-General's Consultative Framework. The purpose will be to update and revise the entries and intensify operational implementation.

## **V. RANGE OF NEEDS, AREAS OF COMMITMENTS AND ON-GOING DELIVERY**

28. A snapshot exists of the priority areas for cotton development assistance. This picture has emerged, based on commitments made, programming, some actual disbursements, on-going operational delivery, and the needs expressed by the recipient. The range of assistance spans the areas as follow:

- Support for the development of national cotton sector strategies.
- Domestic reform, including in the cotton sector, for increased competition, higher levels of efficiency and productivity.
- Trade infrastructure: roads, road transportation, railways, irrigation, warehousing, low cost and reliable energy.
- Rapid Instrument Testing Technologies.
- Systems for testing, classification and labelling.
- Construction and rehabilitation of testing laboratories.
- Mechanized harvesters.
- Support for National Cotton Institutes for Training and Research.
- Support for food security, rural welfare and livelihoods.
- Specialized agricultural support and assistance in terms of cotton seed varieties, for adaptation, multiplication and disease-resistant strains, soil-management and entomology programmes, as well as bio-safety programmes and training.
- Cotton capacity building in relation to reform of producer associations, support for ginning companies and training of cotton (agriculture) trade negotiators.
- Cotton trade promotion and the provision of a guide for exporters.
- Debt relief.
- Macroeconomic budgetary support.
- Market-based financial instruments for the mitigation of commodity price and weather risks. These include a range of possibilities, such as the Global Index Insurance, expansion of commodity exchanges, agricultural price and weather risk insurance, hedge instruments and futures and options.

29. Information provided show a wide range of actual projects underway and planned, with new and enhanced opportunities for accelerated development assistance for cotton sector programmes, projects and activities. The quantum and the value of notified projects have increased. Bilateral donors and multilateral institutions are continuing to reflect cotton sector priorities in donor and agency programmes. However, there are areas where scope exists for further progress.

#### TRACKING COMMITMENTS AND IMPLEMENTATION

30. In October 2005, an evolving draft Working Table on Cotton Development Assistance was initiated, just before the Hong Kong Ministerial Conference. The purpose of this Table was to create a transparency tool for tracking and monitoring commitments, actual disbursements and operational implementation. In its use, it has acquired the added advantage of constructively engaging the development community with the cotton proponents in discussions of assistance actually provided.

### **VI. ACTION BY THE COTTON PROPONENTS**

31. The cotton co-sponsors have actively participated in partnership with the development community in the Director-General's Consultative Framework process. C4 action, in particular, has been a key and positive element in the implementation of the mandates. This action has proceeded along three lines, namely, the reflection of cotton sector priorities in their PRSPs; reports to the periodic consultations in the Director-General's Consultative Framework process on C4 domestic cotton sector reforms; and, the submission of cotton sector projects for funding and assistance, by some. Written reports on domestic cotton sector reforms have been submitted by Benin<sup>12</sup> and Burkina Faso<sup>13</sup>, with oral reports by Mali, Chad and Côte d'Ivoire.

32. The notified elements of reform are wide-ranging. Broadly, they include the start of the process of privatizing monopolies such as SONAPRA (in Benin) and SOFITEX (in Burkina Faso). Introducing greater competition into the ginning sector, strengthening producer associations and marketing, increased productivity and yield. Benin is working on a "Reserve Fund for Producers". All participants have acknowledged the importance of domestic reform for the more efficient use of the assistance provided by the development community and for increasing productivity and yield.

33. Cotton sector projects have been submitted only by Benin and Côte d'Ivoire. Mali, Tanzania, Uganda, Zambia, and Zimbabwe, have indicated that cotton sector projects are under preparation for submission.

34. It needs to be noted that in consultations, the co-sponsors have underscored the vital importance of coherence and complementarity between the trade and the development aspects of the mandates. They have linked the importance of cotton in their economies to export revenue (and the revenue losses they are currently experiencing). Cotton revenue is linked to their stated objectives in respect of poverty reduction, food security and overall development.

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<sup>12</sup> WT/L/646.

<sup>13</sup> WT/L/645.

35. In their June 2006 proposal, under the section on "Development Assistance", the cotton co-sponsors proposed the adoption of the principle of the creation of a safety net for cotton producing LDCs. They also proposed that WTO Members instruct their representatives at the World Bank to hold a meeting of donors in Autumn 2006, to adopt a programme with necessary financing for inclusion in the single undertaking at the end of the negotiations.<sup>14</sup> Consensus has not been achieved on this proposal.

## VII. CHALLENGES: ISSUES AND CONCERNS

36. Expectedly, there are challenges which have arisen in the course of implementing the mandates. A verification exercise was initiated after the Hong Kong Ministerial Conference, in February 2006. Both the recipients and providers of cotton development assistance have raised specific issues and concerns. Requests have also been made for improvements.<sup>15</sup> These range over several areas.

37. First, the point has been made about the insufficiency and inadequacy of information flow by all sides. Information flow is critical for efficient and meaningful implementation. Cotton proponents have requested information from the development community on specific projects in relation to start-up dates for implementation; conditions for implementation; actual disbursements; and periodic status reports of on-going projects, in order to update the Monitoring Table. It is also useful to know that some of the comments from assistance receivers are self-directed; suggesting that the information they require will need to be sourced from their own domestic agencies and focal points. Partly in response, assistance providers have emphasised the value of accelerating feedback to commitments for assistance from the national focal points of recipients. They have also advised on the usefulness of sustained dialogue and engagement between assistance receivers and the *in-country* offices of bilateral donors and multilateral institutions in conjunction with the parallel efforts in Geneva in the Director-General's Consultative Framework. They take the position that *in-country* engagement between recipients and providers is non-substitutable.

38. Second, for a variety of reasons, there are gaps between "announced commitments" and "actual disbursements". Concerns have been expressed at the *décalage* between announced commitments and programming, on the one hand, and the promptness of actual delivery, on the other. The gaps raise questions of intent and credibility, and create frustration.

39. Third, an issue was raised on the columns in the agreed design of the Table on Cotton Development Assistance, which distinguished between "Cotton-Specific" and "Non-Cotton Specific" assistance. Although there were initial suggestions that "Non-Cotton Specific" programmes<sup>16</sup> were not relevant, further discussions have clarified this issue, and made evident the critical relevance of "Non-Cotton Specific" entries, such as in energy, irrigation, agricultural best practices, transportation, warehousing, etc., for the cotton sector. What has been reflected in the Monitoring Table as cotton-specific encompass a range of activities, such as: funding for improving cotton quality; production programmes; improvement of seed varieties that are resistant to pests, extreme weather, and which generate higher yields. They also encompass grants and loans to improve production standards; capacity-building

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<sup>14</sup> TN/AG/GEN/22 - TN/AG/SCC/GEN/6: paragraph 19 (16 June 2006).

<sup>15</sup> C4 feedback have been received from Benin (WT/L/656), Burkina Faso (WT/L/657), and from Mali.

<sup>16</sup> In the feedback received from three of the C4 countries (Benin, Burkina Faso and Mali) they refer to only 18 non-cotton specific projects or 10% of the total entries.

programmes for cotton trade negotiators; support for ginning companies, producer associations, etc. "Non-Cotton Specific" and "Cotton-Specific" categories are mutually supportive. Gainful development assistance is rarely ever stand-alone. Projects and sectors are inter-linked and should be mutually supportive.

40. Fourth, time-frame issues have been raised. The specific point made is that several activities pre-date the 2004 cotton development assistance mandate. There are instances of such. A more careful look of these cases will be necessary. However, in several of these cases, such activities continue in evolving annual programmes, which go beyond 2004. The point has been made by some in the development community that assistance is not provided in a void, but needs to be built on either pre-existing or evolving programmes.

- Nevertheless, the issues of "non-cotton specificity" and "time-frames" need to be put into perspective. Out of the 184 entries made, only 3 entries<sup>17</sup> have been requested for removal from the Table, either for time-frame or non-cotton specificity reasons.

41. Fifth, some of the cotton proponents have requested the disaggregation of regionally or group designed country programmes in order to calculate individual country benefits. The purpose of this request is not entirely clear. Nevertheless, this would be a matter that may need to be addressed between providers and recipients. Although estimations could be possible in disaggregating and totalling individual country benefits from group or regionally designed activities (with scale advantages), this could pose a challenge.

42. Finally, there have been requests for impact assessment of projects at completion. Further thought needs to be given regarding how and when to undertake such assessments, by whom and in what forum.

43. Overall, progress on the development aspects is positive, increasing and encouraging. However, there are challenges and concerns, which have been raised. These issues should be addressed in the current stage of verification in the Consultative Framework process. This stage should review the entries in light of the comments made by providers and recipients.

#### **VIII. ACTION BY THE DIRECTOR-GENERAL**

44. To implement the 2004 Membership mandate, the Director-General established a Consultative Framework process to coordinate action. The first round of consultations was held on 22 October 2004. Seven rounds of consultations have taken place so far. Pursuant to the mandate, the efforts of the Director-General have been geared towards advocacy and coordination. Furthermore, the Director-General has urged faster disbursements and intensified operational action, and pointed to areas where improvements are required, such as deeper interaction and a better lock-step relationship between providers and recipients. The Director-General has frequently urged for scaling up in the quantum and value of assistance delivered. To ensure improved transparency, tracking, meaningful monitoring of results, and intensified interaction between providers and recipients, the Director-General initiated the compilation and circulation of the evolving Working Table on Cotton Development Assistance. In the *first stage*, the evolving Working Table was based on inputs from the development community. In this *second and current stage*, it is envisaged that the Working

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<sup>17</sup> These three projects relate to: cotton sector reform; repair of rural dirt roads in cotton-producing areas; and Regional Integration Support Programme (RISP).

Table would further evolve through a review of the entries, based on comments received from the recipient countries and through interactive engagements with the assistance providers.

45. As mandated, the Director-General has reported to the membership. Six reports have been presented to Members in the SCC,<sup>18</sup> two updates, as required, to the General Council,<sup>19</sup> and two substantive Periodic Reports: the First, to the General Council in December 2004;<sup>20</sup> and the Second, through the General Council to the Hong Kong Ministerial Conference in 2005.<sup>21</sup>

46. Broadly, the reports by the Director-General have covered the start of the implementation of the mandate, the mobilization of the donor community to focus and prioritize cotton, actual operational implementation, the progress made, and current focus on the range of concerns, issues and challenges that are being addressed in the review and verification exercise.

## IX. LESSONS FROM COTTON DEVELOPMENT ASSISTANCE

47. Development assistance for cotton is no ordinary assistance. It is assistance that is linked by mandate to the sensitive area of agriculture in the Doha negotiations. Although aid for cotton is comparatively small<sup>22</sup>, compared to macro development assistance in such areas as aid for trade (typified by infrastructure), it has posed a different and complex challenge because of its link to the negotiations. Useful lessons have been learnt in the course of implementing the mandates. These lessons have served to reinforce already established facts. They provide tips for future work in related areas. It is useful to underscore several of these lessons.

- First, the role of the donors in the development community cannot be seen in isolation from the role of the recipients. The relationship is more than a partnership. If expeditious progress is to be made, the relationship needs to be robustly interactive, in sharper synchrony, and function in a lock-step manner. Progress needs to be sensitive to an area that requires urgent development assistance for reasons of poverty reduction and food security.
- Second, there are 36 African countries<sup>23</sup> that produce and trade cotton. Other non-C4 African cotton producers have drawn attention to their need for cotton development assistance.<sup>24</sup> They have emphasised the critical importance of widening trade solutions and development assistance benefits to encompass all the 36 African countries that

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<sup>18</sup> TN/AG/SCC/W/1-6.

<sup>19</sup> WT/GC/M/102: pages 18-2, 15 May 2006 General Council; and, WT/GC/M/103, 27 July 2006 General Council.

<sup>20</sup> WT/GC/83 and Add.1: "Implementation of the Development Assistance Aspects of the Cotton-Related Decisions in the July Package", 3 December 2004.

<sup>21</sup> WT/GC/97 and Add.1.

<sup>22</sup> Cotton trade *per se* represents about 3% to 4% of world agricultural trade.

<sup>23</sup> Algeria, Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Rep., Chad, Congo (Dem. Rep. of), Côte d'Ivoire, Egypt, Eritrea, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Madagascar, Malawi, Mali, Morocco, Mozambique, Namibia, Niger, Nigeria, Senegal, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

<sup>24</sup> Systemically, the discussions and negotiations demonstrate the interests of other Members beyond the C4, such as Paraguay and Brazil, including on dispute settlement for the latter.

produce and trade cotton. Development assistance that is limited to a few within a multilateral framework generates sensitivities. Current assistance is demand-driven. At the same time, awareness of the sensitivities is essential in order not to exacerbate difficulties in the negotiations. Assistance to individual countries will be needed, but more broad-based solutions could be found through regional programmes that go beyond individual borders. There are several programmes that hold this promise, such as: the "Multinational Competitiveness Programme" by the African Development Bank; the ICAC Programme on "Commercial Standardization of Instrument Testing"; the United States "West African Cotton Improvement Programme", or the "Agricultural Productivity, Markets and Trade Expansion" programme for ECOWAS; or the broad-based, all encompassing nature of the "EU-Africa Cotton Partnership"; or the French "Price Risk Management Facility" for West African Countries. These are just a few examples. And here again the effectiveness of these programmes rely on an interdependent relationship between the donor and the recipient.

- Third, coordination and coherence remain vital and indispensable. Generally, development assistance has spawned dispersed and diffuse structures for managing delivery. As a result, a clearing house function is necessary. In the Secretariat, due to the obligations of the mandates, the Director-General moved early to establish the tripartite-based "*Director-General's Consultative Framework for Cotton Development Assistance*". Important gains and advantages were achieved with the early establishment of this coordinating framework. These gains include agreed procedures, stable interactions, and the design of an evolving Working Table on Cotton Development Assistance.
- Fourth, the evolving Working Table has emerged as a powerful tool for transparency. It is not a typical database, with one-sided notifications of entries. It has evolved into a useful tool for counting, tracking, auditing and monitoring. It has engendered an inchoate interactive relationship between the donor and the recipient community. This experience holds the promise of extension to similar areas of trade capacity building. It is essential to underscore the need for improving on capital-based coordination with Geneva missions, both on the part of the donor and the recipient communities. Its practical use suggests that the effective use and maintenance of the Table are shared responsibilities between donors and recipients.
- Fifth, an interactive donor/recipient "process of verification" is indispensable for notified (announced) commitments, on the part of the donors and for domestic and sectoral reform efforts, on the part of the recipients. This process of verification, which has been underway on cotton development assistance since February 2006, builds mutual confidence, enhances ownership, establishes a common understanding for benchmarking progress, and fosters several of the principles of "Aid Effectiveness". One-sided announcements can make useful contributions, but have their limitations.
- Sixth, one of the key lessons that have been evident in this area, so far, is the necessity for establishing a constructive and interactive, lock-step relationship between donors and recipients, stripped of "noise" and other "external interference". There is a fair amount of politics by a variety of interests. There are limitations to the credits that can be accumulated, either from one-sided announcement of commitments, or by unbalanced criticism that outrightly damns the efforts by any one party against another. In this vein also, benchmarks for progress and actual progress need to be fully discussed, to establish

an understanding for further advances being made. Entries to databases need to be subject to fact-based discussions.

- Seventh, choices are involved in development policy and development assistance whether for cotton or for any other area. In the final analysis, these choices will be made by recipient countries on the basis of national priorities. Assistance providers and recipients will need to work together on the choices to be made.

## **X. SCOPE AND OPPORTUNITY FOR FURTHER PROGRESS**

48. What are the scope and opportunities for further progress beyond the current stage? There is scope for further progress and opportunities exist.

- The areas of need and actual disbursements can be better prioritized by both the donor and recipient community and classified into short, medium and long-term categories.
- There is scope for improvements to the format of the Table on Cotton Development Assistance. Establishing a column on disbursements is a possibility.
- The role of the World Bank has been, and remains, indispensable and positive. The Bank will continue to be enormously important for any initiative or activity on development assistance, not just through its contributions as a "knowledge institution", but also through its functions as a Bank, and in near-universal country operational reach. The imminent 15<sup>th</sup> International Development Association (IDA) Replenishment Funding may present opportunities for further scaling up. In a recent statement in Paris, Paul Wolfowitz, World Bank President, signalled the imminent 15<sup>th</sup> Replenishment of IDA funding in 2007. Although not specific to cotton, in that remarkable statement, Mr. Wolfowitz said: "We have to aim at replenishment that will give African parents the resources they need to create the future that their children deserve. We need to aim for a higher level of commitment from donors to match the ambitions and aspirations of African people and of poor people around the World".<sup>25</sup>
- There are opportunities for synergies with the next stage of operationalizing the recommendations of the report of the Task Force on Aid for Trade<sup>26</sup> and for a more integrated and coherent treatment, while maintaining the distinctiveness of cotton and still flagging the urgency of development assistance for cotton.

## **XI. CONCLUSION**

49. Like all efforts on development, implementing the mandates on cotton development assistance is work in progress. Implementation action has taken place at three levels, namely: i) action by the Director-General; ii) action by the development community; and, iii) action by the cotton proponents. The role of donors as part of the development community is vital, but it is not a role that can meaningfully be seen in isolation from the role of the recipients.

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<sup>25</sup> Wolfowitz, Paul, "Africa: The Road to Opportunity", Keynote Speech at the: *Institut français des relations internationales* (IFRI), Paris, 18 October 2006.

<sup>26</sup> WT/AFT/1: Report and Recommendations of the Task Force Established Pursuant to Paragraph 57 of the Hong Kong Ministerial Declaration, 27 July 2006.

50. The trade development challenges faced by the cotton producers in Africa are complex and varied. In recognition of the complexity of the challenge, the mandates by Members for the WTO treatment of the Sectoral Initiative on Cotton has proceeded along two tracks. The value of the two-track approach has been widely acknowledged in integrating trade and development concerns and for promoting greater awareness of the necessity for policy coherence between the trade and development communities. Considerable progress has been made on the development aspects, but challenges, and concerns still need to be addressed.

51. Increased coordination at the level of bilateral donors, agencies and the proponents themselves is vital to enhance delivery. The formulation and submission of specific cotton sector projects, in keeping with the priority attached to cotton, as indicated by many of the co-sponsors, are still being awaited. *Accelerating the transformation from programmes to operational projects, closing the gap between commitments and disbursements, and sustaining the pace of domestic reform are all inter-linked in obtaining the biggest positive pay-offs in achieving the objectives of cotton development assistance.*

52. Speed is essential because of the challenge to the cotton sector in Africa, particularly in Benin, Burkina Faso, Chad and Mali. The level of dependence on cotton in these countries is high. Cotton is linked to their poverty reduction programmes, food security, and overall macroeconomic performance.

53. Even in the current state of the suspension of the negotiations, the subject of cotton remains one of the priority areas to which Members attach importance. Immediately following the suspension of the negotiations by the General Council, on 27 July 2006, Director-General Pascal Lamy in his report to Council, under Item 4 of the agenda (Cotton Development Assistance), said:

"I would start by urging Members, in spite of the fact that we all know that the negotiations are now suspended, that no proposal made, whether with respect to the trade or to the development aspects of cotton, be taken off the table. We must build on what we have already achieved. The suspension should not take us back, but rather, should take us forward to a higher level of ambition".

54. In the open letter addressed to all Trade Ministers on 27 July 2006, the Director-General, *inter alia*, observed that:

"Should the breakdown on Sunday transform into a failure to resume the talks, there would be no winners. All of us would pay. We would pay through lost opportunities to expand trade, increase economic growth and boost development efforts in poor countries. We would pay too, through a weakening of the multilateral trading system in favour of far less effective bilateral trade deals. Moreover, the breakdown in negotiations would be cause for great celebration within the protectionist ranks."