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**17<sup>e</sup> réunion du Fonds commun pour les produits de base (FCPB) et des Organismes internationaux de produits (OIP)**

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**Contexte**

Le Directeur exécutif par intérim présente ses compliments aux Membres et a l'honneur de communiquer ci-joint pour information, une copie du projet de rapport de la 17<sup>e</sup> réunion du Fonds commun pour les produits de base (FCPB) et des Organismes internationaux de produits (OIP) qui s'est tenue à Yokohama, Japon le 31 août 2010.



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COMMON FUND FOR COMMODITIES

Seventeenth Meeting between the Common Fund for Commodities  
and the International Commodity Bodies

Venue: International Tropical Timber Organisation, Yokohama, Japan  
31 August 2010, 9:30 hrs

**REPORT OF THE SEVENTEENTH MEETING BETWEEN THE COMMON FUND  
FOR COMMODITIES AND THE INTERNATIONAL COMMODITY BODIES**

**Item 1. Welcoming remarks and opening of the meeting by Mr. Emmanuel Ze Meka,  
Executive Director, International Tropical Timber Organisation (ITTO)**

1. The meeting was opened by Mr. Emmanuel Ze Meka, Executive Director of the International Tropical Timber Organization (ITTO).
2. In his opening remarks, Mr. Ze Meka welcomed the participants to Yokohama, and indicated that International Tropical Timber Agreements (ITTAs) and the ITTO were unique among the International Commodity Agreements (ICAs) and ICBs, as its activities contributed directly to the sustainable development of the tropical forest sector, socio-economic development of developing tropical countries, and expansion and diversification of trade in tropical timber from sustainable sources. A particular issue for tropical timber concerned in raising public awareness in seeing forests as renewable natural resources which could be key to sustainable development. In this regard, efforts towards joint CFC-ICB communication strategy were welcome.
3. The Executive Director of ITTO further referred to the provisions of the ITTA requiring the ITTO to take full advantage of financing of projects through CFC. In this regard, there was little doubt about the potency and relevance of CFC-ICB partnership. This partnership allowed to initiate meaningful joint actions for the betterment of the commodity sector in developing countries. The meetings like this one presented an opportunity to forge ahead with new ideas, plans, synergies and actions. The full text of the Statement is attached as Annex I.

**Item 2. Statement by the Managing Director of the Common Fund for Commodities (CFC)**

4. The Managing Director of the CFC, Mr. Ali Mchumo, addressed the meeting. In his statement Mr. Mchumo pointed out that CFC-ICB annual meetings provided an excellent opportunity to reflect on the common goals and on ways and means to move forward with the

agendas of CFC and the ICBs. In the current meeting, the CFC Secretariat would brief the ICBs on recent developments and trends regarding the operations of the Common Fund. The CFC also expected to hear from ICBs on the current priorities of the ICBs' commodity agendas.

5. The Managing Director then apprised the meeting on some major developments in the Common Fund since the last meeting in Beijing including the 20th Anniversary Seminar in the Hague in December 2009, the preparations for the UN LDC IV Conference, and the status of cooperation with EU's All-ACP Agricultural Commodities Programme.

6. The Managing Director further drew attention to the discussions in the Executive Board of the CFC on the future role and mandate of the Common Fund and its financial sustainability in the coming decades, which appeared as Item 6 on the agenda of the current meeting, including information on the Working Group of the CFC Executive Board, and report by independent consultants on the relevance, functioning and future role of the CFC. Further views from the ICBs on these discussions were invited.

7. In the area of advocacy, the Common Fund continued its efforts to be the “voice” of the commodity community trying to introduce the commodity angle in major international conferences and meetings. In addition to preparation for the LDC-IV Conference in which CFC was participating actively, the Managing Director continued to attend the United Nations General Assembly sessions to draw attention of the international community and to follow up on resolutions on commodities. The CFC would also be represented at the special session of the UN General Assembly on the MDGs to be held in New York at the end of September 2010. The Managing Director underlined the need to work more closely between CFC and ICBs in the international policy dialogue on issues relevant to commodities.

8. The Managing Director then touched upon the Fund's work on information dissemination and development of common communication strategy. This would be discussed under Item 8 of the Agenda, including the proposal for implementation of a joint ICB/CFC communication strategy. To draw up strategy for implementation, a proposal had been made to appoint a reputable public relations consultancy to conduct a full scale commodities sector SWOT analysis and provide feedback, in order to highlight priority “communications” issues to be addressed in the joint strategy.

9. In concluding his statement, the Managing Director thanked the participants for their attendance and expressed gratitude to Mr. Emmanuel Ze Meka, Executive Director, International Tropical Timber Organisation (ITTO), and the entire ITTO staff, for hosting and organising this meeting. The full text of the Statement is attached as Annex II.

### **Item 3. Preparations of LDC IV – Coordination between ICBs and CFC (CFC/ICB/17/2)**

10. The participants of the meeting were briefed about the preparatory process leading to the Fourth Decennial UN Conference on Least Developed Countries (UN LDC IV), which was scheduled to take place in Istanbul, Turkey, in June 2011. The preparatory process for the Conference was coordinated by the UN Office of High Representative for Least Developed Countries, Landlocked Countries and Small Island Economies (UN OHRLLS), and the CFC participated in the coordination meeting along with other international agencies.

11. The meeting was further informed that CFC was currently considering the possibility of financing a proposal to carry out series of case studies on commodity dependence and related vulnerability of LDCs to provide inputs for the UNLDC IV preparatory process and, possibly, leading to a side event on commodities at the conference. The meeting noted that the proposal was formally undergoing CFC consideration under the aegis of the International Coffee Organization, as the sponsoring ICB, in view of the large constituency of LDCs among its Members. However, in view of the cross-commodity significance of the Conference, the participants have been invited to provide their inputs and to support the involvement of ICO on behalf of all ICBs.

12. This project, if approved, would be implemented by UNCTAD in coordination with other agencies. In particular, it was noted that, as the result of this coordination, it was agreed that the preparatory work sponsored by the CFC would focus on Theme 3 (productive capacities) and 7 (food security) of the overall preparatory process.

13. The representative of Food and Agriculture Organization informed the meeting that FAO was also participating in the preparatory process, including the possibility of holding a side event on food security in line with its core mandate. It was noted that the subject was closely related to commodity dependence, particularly in the context of market volatility in the face of financial and economic crisis, which would figure prominently in the FAO's contribution to the preparatory process. However, it was also noted that for commodity dependent LDCs, the impact of market volatility was transmitted, *inter alia*, via costs of food imports on the one side, the prices for core export commodities on the other side, and access to finance on yet another side. The first two transmission channels would be covered in the preparatory work by the FAO and CFC, respectively, thus addressing food security from both ends. The meeting duly noted that access to finance would be partially covered under the preparatory activities addressing Foreign Direct Investment (FDI) which had been excluded from the CFC proposal as it would be addressed by another agency.

14. The representative of the European Commission noted that the previous decennial meeting on LDCs, the UN LDC III, took place in Brussels and was hosted by the European Union. The EU was also working to make contributions to make to UN LDC IV, and further communication with the CFC and other agencies would be welcome to achieve best results. Food security, in all its dimensions, was recognized as one of the major topics of importance in the preparatory process for the EU.

15. The CFC further informed the meeting that in view of the many comments received in considering the proposal via the Intersessional Mechanism and desire of the Members to contribute to it, it had not been possible to secure early approval of the proposal and it would be considered in the regular meeting of the CFC Executive Board in October 2010. The CFC would keep the participants of the meeting informed about the progress with preparations for the UN LDC IV.

#### **Item 4. EU commodity policies and the role of CFC and ICBs (CFC/ICB/17/3)**

16. The representative of the EU informed the meeting about the recent developments in EU policies on commodities. Essentially, the attention was focussed on (1) the need for commodity

driven development; and (2) the role of the ICBs. Given the symbiotic relationship between the ICBs and the CFC, this also had direct relevance to the role of the CFC.

17. In May 2010 the EU adopted a plan of action on commodities envisioning two core components, i.e. contribution of commodities to MDGs, and addressing EU's commodity supply security keeping in view its influence on development cooperation, trade, agriculture, environment, public health and security.

18. To pursue action on reducing commodity dependence, the EU could consider the extension of the current agricultural commodities programme, where ICBs could be given a more prominent role. The following points in future activities of the ICBs were considered important:

- the adverse effects of excess market volatility in commodities, and any measures to reduce the vulnerability of commodity dependent developing countries in this regard;
- while the ICBs were not explicitly development oriented, their unique contribution to development was to serve as platforms for discussion on measures to promote sustainable development for commodity dependent countries;
- the ICBs should strengthen cooperation, consultation and transparency in specific actions which they promote, particularly with a view to strengthening the involvement of private sector in development through the complementary mechanism of public-private partnerships (PPPs);
- importance of promoting sustainable production and trade that responds to market demand for quality products;
- priority attention is given to actions addressing issues, such as health, food security, agricultural development and sustainable trade, which all contribute prominently to the achievement of the MDGs.

19. To enhance and strengthen cooperation among the ICBs, the CFC and UNCTAD, a forum could be considered to discuss the new challenges and feasible collective actions in the field of commodities. One of the specific issues on today's agenda of commodity issues related to the cocoa market situation, which could be a risk to market stability. More generally, such forum could look, in particular, into new and more efficient forms of cooperation; however, a merger of some form such as mentioned in discussions concerning the future role of the CFC would not appear relevant.

20. The meeting noted that EU was the leading donor in a number of ICBs, and, generally, the largest supporter of commodity driven development globally. Greater need for coordination and communication was felt particularly in commodity projects sponsored by ICBs where parallel activities with financing from EU or its individual members could be mutually reinforcing for greater impact. It was further observed that EU could use its channels to communicate to its members the goals, priorities and effectiveness of the international system of cooperation in commodities built by the CFC and the ICBs. This would be an important element in maintaining global support and financing for commodity driven development.

**Item 5. Impact of Financial and Economic Crisis on Commodities – Response of ICBs (CFC/ICB/17/4)**

21. The CFC presented the outline of the 2010 study under the CFC Advocacy Programme which concentrated on the impact of market volatility on commodity producers and challenges and opportunities in regulating the link between physical and financial commodity markets. The study, currently being done by Prof. Machiko Nissanke of the University of London would cover the following topics:

- historical trends in commodity markets, and their interpretations, particularly concerning (a) long-term real price decline in commodities, as compared to manufactured products; and (b) rising volatility in commodity markets.
- two-way interaction between physical commodity markets and financial markets, discussing the extent of the effects such interaction might have in disrupting the tendency of commodity and financial markets to reach economic equilibrium. Such interaction could manifest itself in a number of adverse trends in commodity markets, e.g. as excess market volatility;
- the adverse impact of commodity market volatility on commodity dependent countries, possibly creating a "commodity dependence trap";
- discussion of some measures currently being proposed to address the problems created by market volatility for commodity dependent countries.

22. The meeting recognized that the study focussed on a complex issue, particularly in the part concerning the possible real physical impact of investment decisions driven purely by asset management considerations of large investment funds and other players in the financial markets. It was pointed out that it would probably not be possible to generalize the approach across the whole range of commodities in view of the important differences in market structures of different commodities. Particularly, any policy measures and recommendations would have to be considered with great caution so as not to become the cause of further disruptions in the markets.

23. A number of ICBs indicated that market transparency and availability of data concerning the fundamental physical stocks, production capacity and demand remained a priority in securing greater market efficiency. Price volatility was an integral element of commodity markets, and attempts at price stabilisation, e.g. by means of buffer stocks would be counterproductive. At the same time, the meeting agreed that the aftermath of the financial crisis was a good moment to draw attention to development implications of the constantly expanding links between financial and physical commodity markets, and spillover of speculative credit creation into physical commodity markets.

24. The representative of the FAO further indicated that the subject was an important part in considerations of food security, and much work on the matter had been done in the FAO, which could be used to improve the content of the CFC advocacy study.

25. The CFC informed the meeting it was planning an international Conference to stimulate further discussion of the subject. However, as the original plans to hold the Conference on the

occasion of the 21st Governing Council had to be reviewed in view of the changing dates for the Council, the new dates and location for the Conference would be decided by the CFC at the earliest. The meeting took note of the report.

**Item 6. Briefing on the consultations on the future role and mandate of the Common Fund for Commodities (CFC/ICB/17/5)**

26. The Chairman of the Governing Council of the CFC and the Chief of Policy of the CFC presented an update on the progress of discussions on the future role and mandate of the CFC. The Executive Board of the CFC established a Working Group on the future role and mandate of the CFC in 2009. In its meeting in December 2009 the Working Group appointed Triple Line Consultants (UK) to carry out a study of the future role of the CFC.

27. An interim report of the Consultants had been considered by the Working Group in its most recent meeting in April 2010. The Working Group directed the consultants in particular to address the following:

- look at advantages and disadvantages of the CFC;
- undertake wider consultations with a representative group of stakeholders, including the ICBs and PEAs;
- consider comparative advantages and disadvantages of CFC and its value added compared to other international organizations;
- conduct cost-benefit analysis to establish efficiency of the CFC, and specify areas where the CFC could focus to have a visible and tangible impact;
- examine different options for continuing the CFC as a standalone organization as opposed to merging it with another agency;
- elaborate the role of the CFC in promoting South-South cooperation.

28. The final report by the Consultants had been received shortly before the CFC-ICB Meeting and would be circulated after the meeting. The following elements of the final report had been highlighted:

- the CFC maintained its relevance in the international system of development cooperation as the only institution focussing on commodities, and one of only few institutions with a capacity to handle small project efficiently with a diverse range of partners;
- the CFC remained the only organized financing instrument for initiatives by the ICBs;
- the CFC interventions were non-distorting and market friendly, addressing fundamental commodity issues across national boundaries;

- the operations of the CFC need to be modernized and reformed, so that the CFC could replicate and upscale successful pilot interventions, acting as knowledge centre and communicating the lessons learnt effectively;
- strengthen sustainability of projects by aligning them with national development plans of the host countries and making efforts to bring private sector into projects to take over the project results at completion;
- narrow down the focus of the CFC to avoid doing too many things at the same time. The balance between priorities of the CFC might have to be reviewed to make sure that commodity driven development would remain the first priority;
- expand the collaboration between the CFC and regional organizations for greater regional focus. This could imply allowing regional organizations to originate projects in addition to the current practice of project origination by ICBs;
- better advocacy of commodities and better presence in the international stage. The CFC should not identify commodities as a curse or as a problem, but rather promote the role of commodities as a development asset and source of economic growth. The general recommendation was to adopt and follow a more comprehensive advocacy policy.

29. The meeting had been asked to concentrate its discussion on the following questions:

- finding the right balance between effective focus and wide outreach of the CFC;
- defining the range of primary CFC beneficiaries more precisely;
- scaling up the impact of CFC projects and enhancing the cooperation with private sector with the help of ICBs.

30. The meeting expressed its full support to the Consultant's conclusion concerning the relevance of the CFC in the current international development system. It was underlined that the CFC remained the main source of project financing for actions driven by demand of ICB members. Particularly this concerned commodity development initiatives of producing countries for whom the availability of project financing was a key consideration in maintaining their membership in ICBs. In this context, the relationship between the CFC and ICBs should be the pivotal element of the CFC reform, aligning the policies of the Fund with the needs of commodity sector stakeholders expressed through the ICBs. At the same time, the relevance of the CFC depends critically on its up-to-date involvement with the commodity development issues of current importance. Given that it would not be feasible for the CFC to develop its own research capacity across the full range of commodities, it was important for the Fund to use its relationship with ICBs and UNCTAD to stay in touch with the current development needs. It was also felt that the CFC-ICB relationships would function better if the Fund remained a stand-alone organization, rather than merging it with another agency.

31. Projects, as the main practical instrument of CFC-ICB cooperation need to be given close attention. It was noted that project origination by individual members of ICBs was somewhat a haphazard process, creating an appearance of the lack of structure in CFC operations. At the



same time, the representatives of ICBs were not in favour of expanding the list of selection criteria for projects, as it would restrict the possible areas of action to the detriment of efficiency of CFC-ICB relationship. Instead, it was proposed that ICBs consider more proactive approach to project origination, making use of regional workshops as a way to build consistent programmes of action relevant to the interests of the specific regions. Such workshops with the involvement of the private sector could enable ICBs to promote greater private sector involvement in the new projects financed by the CFC. The integration with national development plans of individual countries could also be addressed in this context. A number of ICBs indicated that the CFC should be open to project proposals targeting creation of public good, e.g. establishment of standards, market development etc.

32. Financing the future project activities of the CFC remained a critical issue. In this regard it was suggested that the CFC should maintain its efforts to approach a wider range of donors, exploring the possibility of creating targeted resource pools with greater transparency and attribution of financing. The involvement of developing countries in fundraising, private sector corporate social responsibility funds, as well as private development funds should all be accorded consideration in the new fundraising strategy of the CFC.

33. Concerning advocacy and information dissemination, the meeting agreed that it would need to be strengthened substantially. A new, coordinated communication strategy appearing on the agenda of this meeting was going in the right direction to enhance the public profile of commodity driven development.

34. The CFC would maintain contact with the ICBs to keep them informed about the outcomes of discussions on the future role and mandate of the CFC.

#### **Item 7. Progress report on the implementation of the Third Five-Year Action Plan of CFC (CFC/ICB/17/6)**

35. The Chief Operations Officer of the CFC presented the report contained in document CFC/ICB/17/6. It was highlighted that:

- in the current period of implementation of the Five Year Action Plan (FYAP) the Fund achieved considerable increase in the rate of funds disbursement, which reflected positively on the timely implementation of project activities as originally planned by the CFC and the ICBs. Particularly this concerned disbursement of loans, where nine loan agreements have been signed and disbursed;
- in view of greater-than-planned volume of project approval in the initial years of the FYAP, the CFC would need to scale down the total volume of project funding to stay within the parameters of financing envisioned in the Plan. To ensure that the Fund remains responsive to ICB requests, the number of project approvals per year would not be reduced, but rather the average size of financing allocated per project may be lower.

36. It was further pointed out that Part II of the Report contained the summary of the outcomes of the Mid-Term Review of the FYAP by an independent consultant. Overall, the report noted satisfactory progress with the implementation of the Plan, and good quality of projects. A number

of areas to make improvements had been identified, particularly concerning the demand for CFC-financed projects. It was observed that during the desk study of the MTR it was problematic to identify the original sources of demand for projects, which were not clearly articulated in the project documentation. At the same time, in field visits demand was clearly confirmed. For the purpose of transparency and greater ownership of project results, the MTR recommended to give greater attention to reflecting the origins and demand for projects in the project submission. The ICBs, as forums originating CFC project ideas, could play an important role to enable the CFC to address this recommendation. The MTR further noted that the efficiency of CFC project selection process has improved considerably during the current FYAP, reducing the average project start-up time by 50% from 22 to 11 months.

37. Further key recommendations of the MTR were summarised on pages 4 and 5 of the document, drawing attention particularly to the following:

- The need for the CFC to play a greater role as a centre of excellence for knowledge management and dissemination;
- recommendation to continue progress towards a joint communication strategy with the ICBs, which appeared as a separate item on the agenda of this meeting;
- recommendations of relevance to ICB's involvement in project, as summarised on page 6 of the document.

38. The meeting noted that the recommendations of the consultants would be considered at the forthcoming meetings of the Executive Board and the Governing Council of the CFC. It was agreed that any further comments on the MTR from the ICBs could be communicated to the CFC by correspondence to be made available to the Governing Bodies of the CFC.

#### **Item 8. Joint ICB/CFC communication strategy (CFC/ICB/17/7)**

39. The item was introduced by the Communication Officer of the CFC. The draft proposal for joint communication strategy had been discussed at the previous CFC-ICB meeting in Beijing. In particular, it had been agreed that all ICBs and the CFC would designate focal points for the joint communication strategy (normally, the press officer, or communications officer) as a practical first step in the realization of joint communication effort. It was noted that most ICBs have designated such focal points, who were in contact with the CFC.

40. The revised proposals had been presented in the document CFC/ICB/17/7. Besides the clearly defined objectives, the revised proposal contained a set of priority issues to be addressed in commodity sector advocacy and communication. The CFC further proposed that a professional and reputable communications company should be recruited to carry out a SWOT analysis of the matter, using the example of recent successful communication efforts of other international agencies. Such consultancy would help CFC and ICBs choose, inter alia, appropriate messages and communication channels to reach the right target audiences, including private sector, NGOs, as well as other partners.

41. The participants of the meeting noted that the emphasis of the joint communication strategy should be on the identification of the right audiences and relevant issues to be pursued as a

coordinated effort. Without these, the advocacy efforts would not "fit in" with the priorities of commodity sector stakeholders, making advocacy ineffective. Particularly, the advocacy effort might have to spell out the following two sides of advocacy as two separate blocks of SWOT analysis:

- the larger issues of the global commodity economy; and
- the efforts by the CFC and ICBs to address these issues, and their effectiveness.

42. The participants also noted the view that achieving the desired impact would require a "critical mass" of efforts from all sides. In this regard, the communication offices of larger international agencies, i.e. UNCTAD and FAO should be part of the effort. Furthermore the meeting raised the issue of integrating the impact of individual projects in advocacy of relevant commodity issues within the joint communication strategy. The meeting noted, at the same time, that some of the Project Executing Agencies (PEAs) gave insufficient priority to this, and greater effort by the CFC and ICBs, in their capacity as Supervisory Bodies, would be necessary to guide the PEAs towards greater involvement in advocacy without compromising the core goals of individual projects.

43. To share the financial burden of developing a communications strategy, it was proposed that the costs of communication consultancy should be shared between the participants of the joint communication strategy. To achieve mutual understanding required to make such sharing possible, the CFC and ICBs agreed on the need to come to agreement on the terms of reference for the consultancy developing joint communication strategy. The CFC would follow-up on the next steps in the implementation of joint implementation strategy, engaging communications departments and officers of UNCTAD and ICBs as agreed.

#### **Item 9. Report of the Regional Round Table Meeting held in Nanning, China (August 2009) (CFC/ICB/17/8)**

44. The report on the Round Table Meeting (RTM) was presented by the Chief Operations Officer of the CFC. The participants of the Meeting were invited to make their proposals and contributions on renewing the structure and organization of the RTM. It was underlined that the outcomes of the Nanning RTM were limited by the small number of participants in the RTM Working Groups (WGs). While recognizing that the idea of the RTMs was sound and effective in making CFC-ICB operations more relevant to the needs of stakeholders, greater effort would be required to bring to the meeting the right participants representing regionally important commodity sectors. The ICBs could make use of their networks and contacts to improve the participation in future RTMs. To make this possible, the CFC was also asked to consider greater coordination with ICBs in formulating the programme of the meeting.

45. The meeting took note of the report.

**Item 10. Co-operation between CFC and the ICBs**

46. This was the regular item on the agenda of CFC-ICB meetings. In introducing it, the Chief Operations Officer of the CFC drew attention of the meeting to the continuing significance of the need for dual membership of individual countries in CFC and ICBs to enable their participation in joint projects. The CFC indicated that greater flexibility in membership requirements would allow the CFC-ICBs system to be more effective. The CFC, on its side, was prepared to accept participation in projects by countries which were not its Members, provided that the costs associated with such participation were covered from other sources.

47. The meeting noted that it was difficult to come to a single view on the subject because of differing policies of different ICBs. On the one side, participation in CFC-ICB project was instrumental in creating incentive for producer countries to maintain their membership of ICBs. Abandoning this policy might therefore hurt the membership base, and financial sustainability of ICBs. On the other side, it was also noted that exclusion from projects could undermine the effectiveness of commodity development measures, negatively affecting the overall relevance of the CFC-ICB system.

48. Other issues noted in the discussion on CFC-ICB cooperation included:

- review process started in the FAO on the role of the Committee on Commodity Problems (CCP) and Intergovernmental Groups (IGG). The participants of the meeting, particularly CFC and UNCTAD were invited to contribute to the review process, particularly concerning the future role of IGGs as ICBs for commodities falling within the mandate of the FAO;
- rising interest towards the impact of commodities on climate change and otherwise, as well as rising significance of carbon credits as tradeable commodity. This was articulated by Members in a number of ICBs, and consideration could be given to reflect this as a new priority for international commodity development. It had been recalled that in 2005-2006 CFC financed Fast Track projects on (1) Carbon sequestration, with UNCTAD as Executing Agency; and (2) Clean Development Mechanisms, with Ghana Forestry Commission, ITTO and Switzerland. However, these Fast Track activities did not result in larger follow-up at the time. The development of new proposals would need to come from stakeholders via ICBs. Informal enquiries had been made in 2006 by the CFC to the UN Framework Convention on Climate Change (UNFCCC) concerning the possibility of including Certified Emission Reduction (CER) credits as a commodity in CFC-ICB framework. At the time it was indicated that UNFCCC would not be in a position to become an ICB, as this would interfere with its function as custodian of CER credits;
- the need to give greater attention to issues of common interest among ICBs, UNCTAD and the CFC, e.g. Foreign Direct Investment (FDI), climate change, market volatility etc. It was suggested that the organizations could consider setting up a system for exchange of information on development issues of common concern. The meeting noted UNCTAD's efforts to develop and maintain its INFOCOM information system on commodities; further, at one stage the CFC developed a blueprint of a commodity information indexing system, which had not

been taken to implementation phase as priority was given to communications and advocacy work. It was further noted that the resources of the First Account Net Earnings Initiative of the CFC could be used to finance work on the issues which hold significance across commodities.

#### **Item 11. Date and place of the Eighteenth (2011) meeting between CFC and ICBs**

49. A proposal had been made to hold the Eighteenth meeting at the Headquarters of the Metals Groups. Provided that the confirmation of such invitation had been received, the participants agreed that the Eighteenth meeting would take place in March-April 2011 at the headquarters of the Metals Groups in Lisbon, Portugal. The specific dates would be determined and agreed by correspondence at a later time. As had been the case with the current meeting, the participants would use the opportunity to promote CFC-ICB work with the authorities of the host country.

50. The meeting further noted an intervention by the representative of the FAO who indicated that the meeting of 2012 could be held at the FAO headquarters in Rome back-to-back with the meeting of the Committee on the Commodity Problems (CCP). Further details would be communicated in due time.

#### **Item 12. Any other business**

##### Departure of Executive Director of the International Coffee Organization and the Secretary General of the International Jute Study Group

51. The Executive Director of the International Coffee Organization, Mr. Nestor Osorio, informed the meeting that he would stand down from his post at ICO to take the position of Colombia's Ambassador to the United Nations in New York.

52. The meeting was informed that the Secretary General of the International Jute Study Group, Mr. Sudripta Roy would stand down from his post and return to his home country on completion of his term of appointment on 1 September 2010.

53. The Managing Director of the CFC, on behalf of participants of the meeting thanked Mr. Osorio and Mr. Roy for their hard work and valuable contributions to the international commodity development community, and wished them success in their new endeavours.

54. No further business was discussed.

**ANNEX I. Statement by the Executive Director of ITTO, Mr. Emmanuel Ze Meka**

**17th MEETING BETWEEN THE CFC AND ICBs  
31 August 2010, Yokohama, Japan**



**Opening Statement by the Executive Director of ITTO,  
Mr. Emmanuel Ze Meka**

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**Mr. Saint –Cyr Djikalou**, Chairman of the Governing Council of CFC and Permanent Representative of Côte d'Ivoire to International Commodity Organizations,

**H. E. Ambassador Ali Mchumo**, Managing Director of the Common Fund for Commodities,

**H. E. Ambassador Kwabena Baah-Duodu**, Senior Advisor to the Secretary General of UNCTAD,

**Heads of International Commodity Bodies,**

**Distinguished Colleagues,**

**Ladies and Gentlemen,**

It is, indeed, a great honour and a pleasure for me to warmly welcome you all to Yokohama, and to the Secretariat of the International Tropical Timber Organization, on the occasion of the Seventeenth Meeting between the Common Fund for Commodities (CFC) and the International Commodity Bodies (ICBs). This is the first time that this important event is being held here and on behalf of the Chairman of the International Tropical Timber Council and on my own behalf, I should like to thank the CFC very much for affording us the opportunity to host the meeting.

Excellencies, Ladies and Gentlemen,

ITTO is an intergovernmental organization established in 1986 with its Headquarters here in Yokohama to administer the International Tropical Timber Agreements (ITTAs) negotiated under the aegis of the United Nations Conference on Trade and Development (UNCTAD). Its overarching objective is to promote the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and the sustainable management of tropical timber producing forests.

On the basis of this mandate, ITTO has been at the forefront in assisting developing tropical countries in the actual implementation of sustainable forest management (SFM) on the ground as a practical means of addressing the continuing and growing global concern over the fate of the world's tropical forests that have, since the formative years of ITTO in the 1970s and 80s, remained extremely fragile and vulnerable to degradation and destruction. By the same token, ITTO has striven to promote enabling conditions for a flourishing international trade in tropical timber that can play a direct and meaningful role in the socio-economic and national development of developing tropical countries and which is also legal and sustainable, in order to ensure the perpetuity of tropical forests as the resource base.

For these reasons, the ITTAs and ITTO have a uniqueness of their own which makes them quite distinct from other international commodity agreements (ICAs) and international commodity bodies (ICBs) established under the aegis of UNCTAD. The ITTA contains no economic (i.e. price support) provisions and is certainly not merely administrative in character. On the contrary, the ITTA and activities carried out under it contribute directly to the sustainable development of the tropical forest sector, the socio-economic and national development of developing tropical countries as well as the expansion and diversification of trade in tropical timber from legal and sustainable sources. At the same time, ITTO's work promotes the conservation and sustainable management of tropical forests as well as the maintenance of their protective functions which contribute to the overall protection of the environment.

Unfortunately, deforestation and forest degradation in tropical forests have reduced their developmental and environmental potential. The rate of loss of tropical forests is estimated at 12.9 million ha per year leading to significant loss of goods and services, including timber, non-timber forest products and biodiversity. The area of degraded tropical forests is estimated at 850 million ha. The rehabilitation of a significant fraction of these degraded areas, through plantation establishment and/or enrichment planting, could result in a tremendous development of forest-based commodities and environmental services, thereby enhancing sustainable livelihoods and lifting of rural communities from poverty. However, the negative perception of tropical timber fostered by some environmentalists and accepted by some markets requires that substantial resources must be invested in raising public awareness. Tropical forests must be seen as renewable natural resources, which if well-managed can be a key to sustainable development.

Advocacy for tropical timber should be primarily based on four components:

1. The advances achieved in implementing sustainable forest management;
2. achievements with regard to governance and legality of tropical timber;
3. characteristics of wood as an environmentally friendly commodity vis-à-vis concrete, iron and plastic; and
4. success story of the impact of forest-based industry to sustainable development.

I am pleased to note that CFC has decided to establish a Joint Communication Strategy. ITTO is very supportive of this initiative and will be willing to provide inputs to any messages developed on tropical timber.

Mr. Chairman, in pursuit of its objectives, ITTO undertakes operational activities in the form of policy work and project activities. ITTO provides a forum for policy discussions, consultations and development among its members and ITTO funded pre-projects, projects and activities are implemented mainly in producing and developing consuming member countries to put approved policies into practice.

The amount of funding mobilized by ITTO is very modest in relation to the enormity of the task of assisting its member countries in addressing the pressing problems and



challenges confronting the tropical forest and timber sector. Fund raising has always been an item high on our agenda with a view to securing adequate and more predictable funding of our operational activities. This has become increasingly important considering the declining trend in the flows of Overseas Development Assistance (ODA) and other forms of aid to developing countries that has been exacerbated by the recent global economic and financial crisis.

In this regard, the founding fathers of ITTO deemed it fit to include a specific provision in the ITTAs calling for the Organization to take full advantage of the facilities of the CFC in funding relevant parts of its work. It is my hope that this should serve as a strong foundation for continuing and strengthening collaboration between ITTO and CFC particularly in the context of our common aim to alleviate poverty in developing countries. In the presence of the Chairman of the Governing Council of CFC himself this morning, allow me to put on record ITTO's sincere appreciation to the CFC for having approved and funded twelve ITTO projects with budgets totaling US\$5 million dollars.

Ladies and Gentlemen,

I am a genuine and ardent believer of the relevance and potency of the partnership between CFC, the ICBs and the FAO intergovernmental commodity groups in advancing commodity sector development as the key strategy towards improving economies and livelihoods in developing countries. The potential synergistic value of collaborative action involving these bodies and groups is enormous despite the different commodities each specializes in. Under the umbrella of UNCTAD and with the strong support of CFC, meaningful joint actions by these bodies and groups can be initiated for the betterment of the commodity sector in developing countries. One possibility in this regard is the experience of ITTO in the verification and certification of legality and sustainability of tropical timber and timber products which can be shared with other ICBs and FAO intergovernmental commodity groups whose commodities like coffee, palm oil and cocoa are beginning to face similar market pressures and requirements.

The regular meetings between CFC and ICBs constitute an excellent modality for the partnership to forge ahead with new ideas, plans, synergies and actions. On this note, I

would like to welcome you all once again to Yokohama and wish this 17th meeting every success in its deliberations.

Thank you.

**ANNEX II. Statement by Amb. Ali Mchumo, Managing Director, CFC**

**Yokohama, Japan**

**31 August 2010**

***Opening Statement***

***Amb. Ali Mchumo***

***Managing Director***

*Our Host, Mr. Emmanuel Ze Meka, Executive Director, ITTO,  
Distinguished Heads of the ICBs and other representatives of ICBs  
The distinguished representative of the European Commission, Mr. Enzo Barattini  
The distinguished representative of UNCTAD, Mr. Kwabena Baah Doudu  
The distinguished representative of the FAO, Mr. David Hallam,*

*Ladies and Gentlemen,*

At the outset I would like to express my sincere gratitude to Mr. Ze Meka, the Executive Director of the ITTO for hosting this 17<sup>th</sup> meeting of the Common Fund for Commodities (CFC) and the International Commodity Bodies (ICBs) here in this great city of Yokohama.

This is the 17<sup>th</sup> Meeting between the CFC and the ICBs. These annual meetings provide an excellent opportunity to reflect on our common goals on how we have collaborated in the past year and on ways and means to move forward with our agendas. The ICBs and CFC have one common agenda which is commodity development and I hope that the discussions today will enhance our co-operation in terms of going forward on our shared agenda. The meeting is also an excellent opportunity for the CFC Secretariat to brief you on recent developments and trends regarding the operations of the Common Fund. But we would like to also hear from you on the current priorities of your respective commodity agendas. At this session we have included an agenda item on the impact of the financial and economic crisis on commodities and this will be an opportunity for the ICBs to comment on the priorities for the commodity development agenda. As you are aware, the ICBs are CFC's main stakeholders and collaborators and therefore form the cornerstone of the work carried out by the Common Fund not only because you as ICBs endorse the projects financed by the Common Fund, but most importantly because you also have the authoritative commodity expertise, information and knowledge which is an important pre-condition for successful commodity development interventions.

*Dear colleagues,*

Before I highlight the main issues in the agenda for this meeting, let me apprise you on some major developments in the Common Fund between our last meeting in Beijing last year and our meeting today. Concerning the project operations of CFC in the year 2009, I am happy to report that the Executive Board of CFC approved a total of 13 regular projects, with a total amount of approximately 47 USD million, of which the Common Fund contributed as grant USD 24.5 million. The projects approved in 2009 cover 27 countries comprising commodities such as coffee, sesame, jute, vegetables, cassava, other tuber crops, sorghum, fisheries, cotton, sugarcane and fruits. In 2009, I also approved 5 Fast Track projects, with a total cost of 910,000 USD with CFC contributing 545,000 USD.

The Consultative Committee (CC) of CFC, which met in January and July 2010, had appraised and recommended 11 regular projects with a CFC contribution of about 16 million USD for approval by the Executive Board. The last batch of these projects will be submitted for approval to the Executive Board in its forthcoming meeting in October 2010. Commodities covered in new CFC projects in 2010 are coffee, livestock development, dairy, bananas, soya, biofuels, tropical timber, bamboo and fisheries. A total of 6 Fast Track projects with a CFC contribution of about 600,000 USD were endorsed by the Consultative Committee for approval by the Managing Director. We hope that these project interventions will have a direct impact in the livelihood of many commodity producers contributing in the development process and in the achievement of the Millennium Development Goals (MDGs). It should be noted that our financial outlay for the years 2011 and 2012 will be reduced for reasons on which we will elaborate under agenda item 7 in our report on the Third Five-Year Action Plan (2008-2012). As you know, this Action Plan was the direct result of the close collaboration and consultation between the CFC and ICBs and it is very relevant in a meeting like this to take stock of the implementation of the plan and assess progress made so far.

*Dear colleagues,*

For the last few months the CFC Secretariat has been preparing for the Fourth United Nations Conference on the Least Developed Countries (LDC-IV) which will take place in Istanbul, Turkey, in 2011. CFC has been invited by the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, which has the overall responsibility for the organization of the LDC-IV Conference to participate in the preparation of this event along with other International Organizations. In the course of the consultations among the International Organizations preparing for the conference, a proposal has been made to examine measures for reduction of the vulnerability of commodity dependent LDCs in the face of global economic volatility. UNCTAD and CFC have been asked to identify possible measures to reduce the said vulnerability of LDCs. In doing so we would like to receive the inputs from the ICBs. A document has been prepared under agenda item 3 to assist in the discussion. The end result will be a suitable set of instruments to be considered by the LDC-IV Conference to reduce the vulnerability of commodity dependent LDCs to the global economic volatility. The related issues are expected to be fully discussed during a side event and on the basis of the findings of the side event, the LDC IV Conference may adopt an Action Plan on Commodity Dependence of LDCs. At this stage we are in the preparation stage and the inputs of the ICBs in this regard will be very useful and therefore very much welcomed.

*Dear colleagues,*

At our last meeting last year, I briefed you on the intensive cooperation of the Common Fund with the All ACP Agricultural Commodities Programme financed by the European Union. I am pleased to report that we are currently implementing nine activities co-financed by CFC and the European Union in the areas of cotton production, cotton fibre instrument testing, prevention of seed cotton contamination, grain warehouse receipts, quality coffee certification, protected vegetable production and root and tuber crops development. These activities benefit from an EU contribution of 9,044,000 Euros and a CFC contribution of approximately 12,700,000 US dollars. The projects are located in the Caribbean, West African and East and Southern African regions. The All ACP Agricultural Commodities Programme is expected to complete its activities by the end of 2011 but we hope to continue commodity related cooperation with the European Union in the coming years. As in previous years we have the privilege of having Mr. Barattini among us and under agenda item 4 he will give a presentation on the EU commodity policies and their linkages with CFC and the ICBs. CFC has also become a regular guest speaker at the meetings of the EU committee on commodities, PROBA. CFC was invited to make a presentation to PROBA in December 2009 at the request of the Swedish presidency while for the October 2010 PROBA meeting, CFC has been invited by the Belgian presidency. It is hoped that, as a result of our interaction with the European Commission and the EU member states interested in the commodity development agenda, the EU will continue to provide financing for CFC/ICB commodity development interventions in future years.

*Dear colleagues,*

As was the case last year, the most important agenda item for our meeting in 2010 is a briefing on the discussions in our Executive Board on the future role and mandate of the Common Fund and its financial sustainability in the coming decades. This discussion is scheduled under agenda item 6 and an informative paper has been prepared by CFC Secretariat on the status of the consultations. As you know, at the end of the current Five-Year Plan in 2012 the CFC will require new resources to enable it to carry on its mandate. Together with the emerging changes in the commodity paradigm, Member countries are reviewing the operations of the Common Fund and are also redefining its future role. It is in this context that the Governing Bodies of the Common Fund have asked the Secretariat in 2007 to begin discussions and consultations on the future role and the long-term financial sustainability of the Common Fund for Commodities.

In this regard, in October 2009, the Executive Board of the Common Fund, decided to form an *ad hoc* Working Group of the Executive Board to make recommendations on “The Future Role and Mandate of the Common Fund for Commodities and its Long Term Financial Sustainability”. The *Ad hoc* Working Group in its meeting held in December 2009 mandated the Managing Director to appoint a Consultant, and accordingly, the MD has appointed the Tripleline

Consulting, UK as the consultant to provide backstopping to the Working Group on the relevance, functioning and future of the Common Fund for Commodities. The first interim report of Tripleline Consulting was considered by the Ad hoc Working Group in April 2010. The second and final report and the mid-term review report of the Third Five Year Action Plan will be reviewed in October 2010. On the basis of interaction of Tripleline Consulting with Executive Directors of CFC, the ICBs, the Consultative Committee of CFC and the CFC Secretariat reports received so far from the consultants underscore the continued relevance of CFC and its comparative advantage vis-à-vis other international organisations. We hope to count on your further views on these discussions.

*Dear colleagues,*

In the area of advocacy, the Common Fund continues to play its role as the “voice” of the commodity community trying to inject the commodity angle in major international conferences and meetings. I earlier referred to the role of CFC and the ICBs in the preparation of the LDC-IV Conference. I am also pleased to inform you that I continue to attend the United Nations General Assembly sessions to follow up on resolutions on commodities. I am also happy to report that CFC will be represented at the special session of the UN General Assembly on the MDGs to be held in New York at the end of September 2010. In future, we will need to work more closely between CFC and ICBs in the international policy dialogue on issues relevant to our concern so that we could more effectively influence the shaping of the international policies and actions on commodities.

*Dear colleagues,*

Regarding CFC work in the area of information dissemination, I would like to inform you that the Common Fund website will be redesigned to accommodate more detailed itemized information. Users and visitors will be able to browse and access project background information, technical papers as well as the upcoming digital photo gallery on commodities. More links to ICBs, PEAs and NGOs will be included as well. We noted that some of the CFC press releases are also shown on some of the ICB websites. We will reciprocate and also include important press releases from ICBs on the CFC website. We hope that the revamped website will continue to be an important tool in the enhanced advocacy role of the Fund, as well as in promoting the commodity development policy agenda.

You will also recall our earlier discussions on the need for a common communication strategy. Under agenda item 8 we will discuss a proposal for a joint ICB/CFC communication strategy. The CFC Communications Officer is present at this meeting and will introduce the paper. CFC hopes that this exercise will assist us in exploring possible avenues of co-operation and synergies for CFC-ICBs communications strategy as we have emphasized in past meetings. For the initial stage, it is recommended that a credible London-based public relations consultancy be engaged to conduct a full scale commodities sector *SWOT* analysis and provide feedback, in order to highlight priority “communications” issues to be addressed in the joint strategy. The analysis to be prepared by the consultant should pave the way to the development of a complementary action plan.

*Dear colleagues,*

It is my hope that the discussions during this 17<sup>th</sup> CFC-ICB meeting will sediment our close relationship and pave the way for a stronger co-operation in matters of commodity development in the years to come.

Finally, I would like to thank you for your attendance and once again let me express my sincere gratitude to Mr. Emmanuel Ze Meka, Executive Director, International Tropical Timber Organisation (ITTO), and the entire ITTO staff, for hosting and organizing this meeting which we hope will set the right tone for the continuation of our already very close co-operation between the CFC and the ICBs.

I thank you for your attention.

**ANNEX III. List of Participants**

**17<sup>th</sup> Meeting between  
The Common Fund for Commodities and the  
International Commodity Bodies  
Japan, 31 August to 1 September 2010**

<b>ICB</b>	<b>REPRESENTATIVE</b>
International Network for Bamboo & Rattan (INBAR)	Ms. Jolanda Jonkhart Director, Trade Development Programme
International Cocoa Organization (ICCO)	Not coming
International Coffee Organization (ICO)	Mr. Nestor Osorio Executive Director
International Copper Study Group (ICSG), and International Nickel Study Group (INSG) International Lead and Zinc Study Group (ILZSG)	Mr. Don Smale Secretary General
International Grains Council (IGC)	Not coming
International Jute Study Group (IJSG)	Mr. Sudipta Roy Secretary General
International Olive Council (IOC)	Mr. Mohammed Ouhmad Sbitri Executive Director
International Rubber Study Group (IRSG)	Mr. Stephen Evans Secretary General
International Sugar Organization (ISO)	Mr. Lindsay Jolly Senior Economist
International Tropical Timber Organisation (ITTO)	Host Mr. Emmanuel Ze Meka Executive Director
Food and Agriculture Organisation of the United Nations (FAO)	Mr. David Hallam Principal Officer, Economic and Social Development Department



<b>ICB</b>	<b>REPRESENTATIVE</b>
United Nations Conference on Trade Development (UNCTAD)	Mr. Kwabena Baah-Duodu Senior Adviser to the Secretary-General of UNCTAD and Officer-in-Charge of the Special Unit on Commodities
European Union (EU)	Mr. Enzo Barattini Governor of CFC for European Community Deputy Head of Division, DG VIII/B/1
Chairman of GC	Mr. Saint-Cyr Djikalou Chairman of Governing Council Permanent Representative of Côte d'Ivoire to International Commodity Organizations
Toyo Cotton (Japan) co. (to represent ICAC)	Mr. Kenichi Yamaoka President Toyo Cotton (Japan) Co. 8-2, Utsubo-Honmachi 1-Chome Nishi-Ku, Osaka 550-0004 Japan

## Common Fund for Commodities

<b>Name</b>	<b>Position</b>
Amb. Ali Mchumo	Managing Director
Mr. Parvindar Singh	Chief, Policy, Programme Management and Evaluation Unit
Mr. Guy Sneyers	Chief Operations Officer
Mr. Andrey Kuleshov	Senior Project Manager
Mr. Charles Jama	Communications Officer