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FINAL REPORT
OF THE
“STUDY ON THE FUTURE OF INTERNATIONAL COMMODITY BODIES”
VOLUME I: MAIN REPORT

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Foreword

This Study was made at the request of the European Commission, with additional financial support of the French Ministry of Foreign Affairs. The Terms of Reference are included as Annex 1.

The work for the Study was mainly undertaken in the period March-June 2006 and September-November 2006. After initial meetings with the European Commission, we benefited from an CFC-FAO initiative to have a meeting and a seminar with participation by nearly all ICBs in early April 2006. A series of meetings with the London-based ICBs followed in May and June, and the IGGs were interviewed in June. Further informative meetings were held with the CFC in Amsterdam, and WTO, UNCTAD and ITC in Geneva in June 2006. The other ICBs, IOOC in Madrid, IJSG in Dhaka, INBAR in Beijing, ITTO in Yokohama and ICAC in Washington were visited in September 2006. Thereafter and in between, we took some occasions to meet with private sector stakeholders and civil society organisations.

All ICBs and the other organizations have been most helpful. They showed strong interest in the study and provided all information that was asked for. The discussions were frank and open. This also applied to other international organizations. We are very grateful for their cooperation.

In the conversations with the ICBs we have taken the draft ProBa assessment form (which was annexed to the ToR) as a point of departure. This implied questions on the issue of:

1. representativeness
2. output in the fields of market transparency, product quality, traceability, trade issues, competition issues and generic promotion
3. special attention to environmental issues, Commodity Dependent Developing Countries (CDDCs)
4. (CFC) projects and project quality

In terms of material collected to substantiate the various forms of output of the ICBs, the secretariats provided us with the (lists of) reports published in 2005 (or another year if more representative), an overview of the statistics published, meetings held and projects attended to. In addition, documents pertaining to these meetings were provided as well as the texts on their mandates, the budgets and a review of the organizational structure.

We have structured the documentation into two volumes. This main report introduces the changes in commodity policy in Chapter 1, gives a review of all the ICBs in Chapter 2, evaluates their activities and structure in Chapter 3, and gives recommendations in Chapter 4.

Volume II contains two parts: the first part presents a theoretical approach to some issues that are relevant for ICBs, such as the value of collecting statistics, the need for government involvement, the issue of price forecasting; and the likely interest that various countries will have in the work of the ICB, given their positioning the market. The second part of Volume II deals with a descriptive review of the markets that the various ICBs are in, combined with a listing of their activities and structure. This functioned as an inventory of the ICB world.

We thank all our informants and the EC representatives for the highly interesting discussions we were privileged to have had. For her contribution to some of the interviews for this Study, we thank Dr Marijke D'Haese (Wageningen University).

List of abbreviations

Abbreviation	Name
ACP	Asian, Caribbean and Pacific group of developing countries associated with the EU
CCP	Committee on Commodity Problems (FAO)
CDDC	Commodity Dependent Developing Countries
CFC	Common Fund for Commodities
EC	European Commission, Community
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
ICA	International Commodity Agreement
ICAC	International Cotton Advisory Committee
ICB	International Commodity Body
ICCO	International Cocoa Organization
ICO	International Coffee Organization
IGC	International Grains Council
IGG	Intergovernmental Group
IJO	International Jute Organisation
IJSG	International Jute Study Group
ILO	International Labour Organization
INBAR	International Network for Bamboo and Rattan
INRO	International Natural Rubber Organization
IOOC	International Olive Oil Council
IPC	Integrated Program of Commodities
IRSG	International Rubber Study Group
ISO	International Sugar Organisation
ITC	International Trade Centre
ITTO	International Tropical Timber Organization
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USDA	United States Department of Agriculture
WTO	World Trade Organization

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Executive summary

The date of 30 May 1976 marked the adoption of Resolution 93(IV) at the UNCTAD conference in Nairobi. The resolution called for an Integrated Program of Commodities that aimed at reducing short-term instability of the commodity markets and at dealing with long-term developmental issues. Before and after this date commodity agreements were negotiated and implemented.

The roles of the organisations have changed over time, from institutions that intervened in the market by setting quota or managing a buffer stock to International Commodity Bodies that no longer aim at intervention but focus on providing a forum for consultations, on distributing statistics and other market information, and on implementing projects.

At the time before the UNCTAD IV Resolution, primary commodities were all that developing countries exported. Commodity policy amounted to export policy, and support to the commodity exports meant relevant support to export earnings. Supporting primary commodities has now become a means to reach out to a particular group of countries, namely Africa, and possibly to growers in the countries for which the export share is no longer a reason for concern.

With the inclusion of new issues in the Uruguay Round, like trade in services and intellectual property rights, came requirements on trade that not just referred to border regulation (like tariffs, taxes) but also to domestic regulation. This change coincided with two other redirections of economic policy throughout the world: the deregulation of the economy in many countries, combined with increasing regulation of social standards, relating to labour, environment, health etc. And secondly the rise in dispute settlements by the WTO that led to more concrete interpretation of the WTO rules with consequences for domestic regulations.

Traditionally, the international commodity policy focussed on the part of the supply chain from export to import. The inclusion of ‘new issues’ in the international economic relations implies that the relevant part of the supply chain now extends from producers (and their employees) to consumers. Figure 0.1 (is Figure 1.2 in the main text) sketches this change.

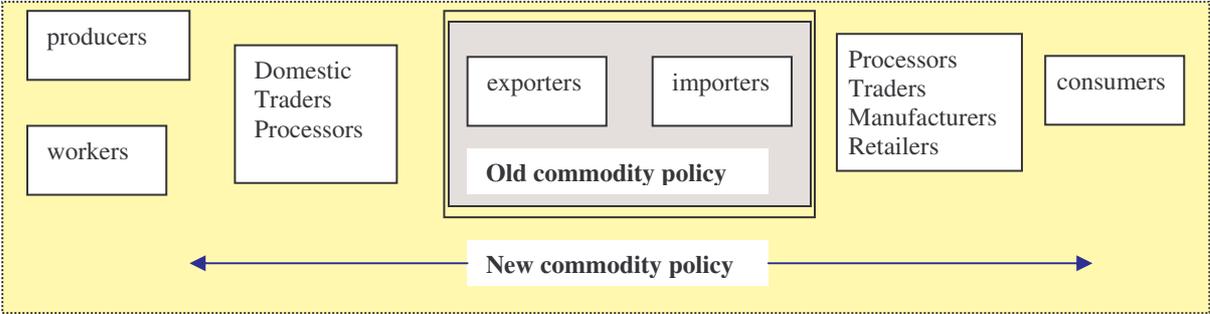


Figure 0.1 Increasing domain of international commodity policy.

This reorientation of the commodity supply chains has important consequences for the way international collaboration can be promoted.

First of all, more links of the chain are party to this collaboration. They should not just include the traditional stakeholders: exporters and importers and international traders, but also those further upstream and downstream.

In addition to the private sector and civil society stakeholders, governments must participate. They must come in not only in their capacity as trade-law makers and enforcers, but also as those responsible for the institutional environment that should facilitate trade in the new conditions. This requires not just input from Trade Departments, but also from Justice, Health, Industry, Agriculture.

Commodity organisations have a role to play in these longer supply chains.

Overview of the organisations and their work

The 10 independent agricultural ICBs, consisting of ICO, ICCO, IGC, ISO and IRSG in London, and IJSG (in Dhaka), INBAR (in Beijing), ITTO (in Yokohama), ICAC (in Washington) and IOOC (in Madrid) jointly have 136 countries (inc. the EC) as members. Of these countries, 33 are member of just one ICB and the membership of 2, 3 or 4 ICBs is held by around 27 countries. Only two are member of eight of the ICBs, namely the European Community and India. Three countries are member of seven of these ICBs, namely Switzerland, Côte d'Ivoire and Cameroon. Of the major other countries, USA and Russia are member of 5 ICBs, Japan of 4 ICBs and China of only 2 ICBs.

Table 0.2 (is Table 2.2) shows the country membership, and also includes that of the CFC.

Table 0.2 Country Membership

	CFC	ICO	ICCO	IGC	ISO	IRSG	IJSG	INBAR	ITTO	ICAC	IOOC
EU	x	x	x	x	x	x	x		x	10	x
USA		x		x		x			x	x	
Japan	x	x		x		x			x		
Russia	x		x	x	x	x				x	
China	x							x	x		
<i>Developing countries</i>											
Africa	45	23	6	7	15	3		13	11	14	5
Latin America	15	16	5	3	17			8	13	4	
Asia & Pacific	18	6	2	4	7	5	2	10	11	6	4

The countries' representatives serve in the councils of the organisations, and in the executive committees of half of these. These committees and the councils are often assisted by other targeted committees, typically focussing on economic issues (5 ICBs), finance (4), statistics (3) or promotion (3).

The independent ICBs have in most cases a special forum for contacts with the private sector. Seven of the ten ICBs have this, with IGC, ISO and INBAR doing without such special committee. The ICBs that form the Intergovernmental Groups in the FAO have no specialized committees. They do have a council, consisting of all member countries. Their council meetings are held once every two years; the independent ICBs meet at least once, and some (ICO, ICCO, IGC, ITTO and IOOC) twice a year. Table 0.3 (is Table 2.3) gives an overview of the structures of the various ICBs.

Table 0.3 Council and Committees

	ICO	ICCO	IGC	ISO	IRSG	IGG	IJSG	INBAR	ITTO	ICAC	IOOC
Executive Committee?	x	x	x	x	x			x	A	B	
Council meetings per year	2	2	2	1	1	H	1	H	2	1	2
Private Sector Committee?	x	x			x		x		x	x	x
Composition PS Boards	Prod 8 Cons 8	Prod 7 Cons 7			open 33		open 42		open	11	open
Council Committees	CFPQS	EP	EF	U	ES		C		EFIR		EFPT

Notes

A=ITTO has an "Informal Advisory Group" with no executive powers

B=ICAC has a standing committee for regular meetings; it includes all members

H=Council meeting once every two years

Committee codes: C=projects; E=Economic, inc. Market; F=Finance or budget; I=Forest Industry; P=Promotion;

Q=Quality; R=Reforestation; S=Statistics; T=technical; U=combined E and S and P (ISO)

The goals of the ICBs are formulated in their respective agreements. The newer agreements have many objectives, the older organisations make do with a lower number. Major objectives are to provide a forum for consultations; collect and disseminate market information; promote trade, transfer of technology and sustainability.

In the light of these objectives, the ICBs hold their council meetings. These are mostly bi-annual occasions where the commodity community can meet. They also devote substantial efforts to the collection and dissemination of statistics and market information. Many ICBs organize workshops and conferences. And they engage in projects aiming at research & development, transfer of technology, and market development.

Their human resources, totalling 212 persons, range from 7 to 45 persons per ICB, with IOOC being the largest, followed by ITTO and ICO with 33 persons. IRSG is the smallest in number of staff. Budgets available to cover the administrative costs of the organizations run from €0.4 million for the IJSG to €4.5 million for IOOC. ITTO and ICO have about €4.2 million each. Budgets are heavily affected by whether or not a host country provides the accommodation. IGG secretariats are very small, often less than 2 persons, but embedded in the Commodities and Trade Division of the FAO. The budget for their work directly related to IGG meetings is €0.3 million.

A few ICBs (IRSG, ISO and IGC) finance a part (14%) of their expenses from their own income, other ICB completely rely on the member contributions. These are for some ICBs partly divided equally over the members, partly assessed in relation to some measure of their interest in the commodity. IGGs receive a budget from the FAO.

Table 0.4 (based on Table 2.4) provides the details of the staff and budgets of the ICBs.

Table 0.4 Resources of the ICBs

	ICO	ICCO	IGC	ISO	IRSG	IGGs ^F	IJSG	INBAR	ITTO	ICAC	IOOC
Staff						together					
Total	32	18	17	11	7	13	14	11	33	11	45
Year	2004/05	2004/05	2004/05	2005	2005/06	2005	05/06	2005	06/07	05/06	2005
Total Expenses	4350	2646	2322	1671	933	330	347			1366	6500
Salaries	2550	2170	1339	1075	628		257	251	3694	901	4500**
Accommodation	1200	349	510	261	85	.	2H	125 H	H	84	H

**Administrative costs; H: accommodation costs for Host Country; €1=\$1.25; GBP 1=€1.5

^F Capacity data for FAO Groups by approximation only, as many people work part-time for the IGGs

Budget applies to direct costs of servicing the meetings and the secretaries.

The ICBs appear to have found their own niches regarding statistics and market information. The IGC and the ISO have a particular focus on short term (price) data, which obviously serves the traders among their clientele. They and most other ICBs publish statistics with a less short-term perspective, such as monthly or quarterly data. Few ICBs, notably IJSG and until recently INBAR, do not publish statistics.

Table 0.5 Statistics and market information of separate ICBs and their frequencies of publication

Statistics	ICO	ICCO	IGC	ISO	IRSG	ITTO	ICAC	IOOC
Daily	indicator	indicator	Prices	prices				
Weekly			news Indicators, Freight rates			Two-weekly Market info service	Cotton this week	
Monthly	Trade statistics; Market rep (6pp)		Grain Market report (47 pp)	Market Report (22 pp) Stat Bulletin			World statistics Cotton, extra-fine cotton stats	Market Report (2 pp.)
Bi-monthly					Stat. Bulletin; Industry Report (60pp)		Review of the World Cotton situation (20 pp)	
Quarterly	Statistical Bulletin	Statistical Bulletin Market review		Market Outlook (54 pp)		ITTO Tropical Forest Update		
Half-yearly		Meeting reports						World Olive Oil Figures
Annually	Green + processed coffee trade stats	Annual Report; Trends; 5 year forecasts	Grain Stats; Wheat, Coarse grains & Food Aid Shipments	Sugar Year Book	World Rubber Stats; Outlook for elastomers	World Timber situation	Market fundamentals; Long-term trends	Demand- Supply balances

The production of market reports varies depending on the ICB. The ICCO produces reports for their half-yearly meetings, but none of these are available to the public. At the other extreme, the International Grains Council and ICAC produce reports on weekly and monthly basis (and the IGC a daily price report), all offered (for sale) to the public. ISO (monthly), IRSG (two-monthly) and ITTO (two-weekly) are producing substantial market reports for their members. The ISO publishes also a quarterly market report. All these reports are available on subscription basis (ITTO's MIS is free). The ICO is currently publishing a six pages monthly market report, produced by the office of the executive director. This report is freely available on the ICO web-site. IOOC produces a 2 page monthly report. Most of the IGG reports and statistics are produced on a semi-annual basis. More frequent reporting is done for grains and other food. The food stuffs are included in FAO's Food Outlook and also in the OECD-FAO Agricultural Outlook 2006-2015. Otherwise reports are produced for the meetings that are held approximately every two years.

The ICBs are to a varying degree engaged in projects. The IGC has none at the moment, while the ITTO distinguishes no less than 120 projects. INBAR runs many projects too, about 50. ICO and the ICB on Fish Trade have around 10 projects. Typically, the other ICBs have a few projects. Most of the ICBs rely on the CFC for funding of their projects, with INBAR and ITTO as exceptions. These ICBs have other sponsors for their many projects which frequently have an environmental focus. Table 0.6 (based on Table 2.9) presents the CFC-financed projects of the ICBs.

Table 0.6 CFC-financed projects, total and on-going					
ICB	Total	Ongoing	ICB	Total	Ongoing
FIGBananas	4	3	ICAC	10	5
FIGCitrusFruits	3	2	ICCO	9	5
FIGGrains	8	6	ICO	16	12
FIGHardFibres	8	5	IGC	1	0
FIGHides&Skins	5	4	IJO/IJSG	8	2
FIGMeat	5	3	INBAR*	3	3
FIGOilOilseedFats	8	4	IOOC	4	3
FIGRice	2	2	IRSG	6	3
FIGTea	3	1	ISO	5	2
FIGTropicalFruits	6	5	ITTO*	9	6
FSCFishTrade	11	8			

Source: Basic Facts 2006 (CFC)

* These ICBs have many projects in addition to those (co)financed by CFC

Toward an evaluation

As was indicated above, the *new international commodity policy* should encompass the whole value chain, from producer to consumer. The demand for a commodity is not just dependent on its price, as new requirements are put forward, including social and environmental standards. The challenge is to make the value chains work for poor producers, and work for sustainable development. The Sustainable Development Strategy (SDS), that the EU Council adopted in June 2006, calls for ‘promotion of sustainable consumption and production patterns’, and ‘stepping up efforts to see that international trade and investment are used as a tool to achieve genuine global sustainable development’. As institutions and devices for international cooperation, ICBs can play an active role in meeting this challenge in four distinct ways:

- ICBs can help by *reducing transaction costs*. Relevant statistics and other market information and meetings facilitate trade, reduce transaction costs between the actors in the chain and should improve producer prices relative to consumer prices.
- ICBs can help by *governing competition* to facilitate the adoption of national environmental and social standards coherent with the EU SDS and to promote that benefits of reduced transaction costs reach producers.
- ICBs can help in promoting *a fair value distribution* within the value chains
- ICBs can support sustainable practices throughout the supply chain by *facilitating technology transfers*

The value chains have become longer, reach into producing and consumer countries. Environmental standards have come up, and new Technical Barriers to Trade seem to take the place of earlier trade policy. New policy measures, therefore, call upon a wider group of stakeholders, and a wider group of policy makers.

In the theoretical background document to the report (see Volume II) we show that both consumers and producers should benefit from reduced transaction costs. Initially, however, the higher level and more complex nature of new standards may increase (transaction) costs. The distribution of benefits of a relative decline in transaction costs between producers, intermediaries and consumers depends on the structure of the market and the conduct of the participants. For this reason the issues of competition and the fair value distribution in the value chain have gained in importance and demand closer monitoring, if not policy action.

Statistics help in monitoring these issues. They also help improve the knowledge of the market participants. The market works better with better information and this favours competition in the market. Market information and the organized meetings of industry and government and civil society also improve the conditions for trade in the commodities. Due to their intergovernmental nature, ICBs are in a privileged position to collect and disseminate statistics in a impartial manner and to organize the exchange of information between the wider range of stakeholders. Therefore, and because of the external effects on the functioning of the market, public support for this work is justified.

ICBs qualify for this support if they succeed in reaching out to the producers and consumers and in providing the relevant statistics, market information, studies, meetings and projects for all the stakeholders connected with the chain. They, and their activities, should serve a wider audience than before. As they cannot do this alone and with their present capacity, more and deeper cooperation with other organisations, international, public and private is needed.

The statistics to be collected by the ICBs should be geared toward the longer value chain and include the information necessary to evaluate the performance of chain in terms of efficiency and fairness of its value distribution. It should also include information – from time to time – on the

participants themselves and the institutions to contribute to better understanding. Such information requires surveys. At present, the ICBs have developed certain types of statistics: IGC and ISO typically serve the participants interested in short-term changes in the market, the other ICBs have only lower frequency statistics. The participants interested in long-term developments (governments, environmentalists) are not served well at present. This field should be further expanded with more information collected on environmental consequences, age profiles of tree crops, substitute crops open to producers, alternatives for consumers and manufacturers, etc. Survey data would also show more clearly the diversity of technologies that are used and could underpin projects aimed at disseminating the better technologies.

A specific issue that arises when the private sector is more deeply involved with the work of the ICB is the publication of forecasts of prices. The private sector argues against its publication, as it might distort the market prices and as it might arouse suspicion of anti-trust authorities. Yet, almost all ICBs make forecasts (though some do not publish the prices underlying them); the cocoa agreement even demands ICCO to make such forecasts; the World Bank is publishing price forecasts. We argue that publishing the price forecasts would be consistent with the other published forward-looking publications of any ICB; that many people, particularly outside the industry directly involved, might benefit from the publication of longer-term forecasts for their investment decisions; and that the disturbing influence on the futures market is bound to be small, if any. Hence, a balance is to be found between the interests of the private sector that is represented in the ICB and those of the wider community. If forecasts *are* published they better be so at fixed points of time and according to a clear mandate of the organisation.

What holds for statistics, also holds for market reviews. There is a need to come with information that helps the trade. This includes information on policies, and not just trade policies but also other policies affecting the institutions that facilitate trade. The regular trade policy reviews that the FAO groups on foodstuffs make should be expanded and adopted by other ICBs. Studies that take a critical look at the performance of the supply chain, such as the degree of competition, are better undertaken by the multi-commodity organizations, such as UNCTAD. The same holds for studies on horizontal diversification (to other crops, to non-agricultural employment), whereas studies on vertical diversification fall well within the scope of any ICB. Studies on environmental effects are needed, and so are studies on the poverty connection of commodity production and on market institutions. Both types of studies should be undertaken in collaboration with the appropriate international organisations, notably with the World Bank on the latter topics.

While ICBs in general have objectives in common with the CFC, their priorities are not exactly the same as those of the CFC where projects are concerned. Nor do they share the same membership: some 25% of the ICB members are not a member of CFC. Nevertheless the ICBs have had more than \$400 million worth of project proposals approved for funding by CFC since its start in 1989. There are complaints about the tedious procedures and especially about whose competence it is to approve proposals. In fact these are screened twice, and the projects financed by the CFC are seen more as CFC-projects than as their own projects. While procedures could be improved in the short run (more authoritative evaluation by the ICBs, mandated by the CFC for example), in the long run the governance structure for CFC should be reconsidered. The type of projects done by the ICBs with CFC financing shows a reasonable balance between producer oriented projects and marketing related projects. There are few environment-oriented projects, or projects (outside ITTO) addressing market institutions. What is also missing are projects to improve the statistical data collection at grass root level for the commodities in question. Apart from ITTO, no ICB appears to be undertaking such projects.

For their work, the ICBs have a joint budget of about €23 million per year financing a staff of 212 persons, accommodation, translation, travel and other costs. The number of staff ranges from 7 for IRSG to 45 for the IOOC. Looking at what can be done by the ICBs in terms of statistics, market information, studies, meetings and projects, a typical ICB should have a staff of 10-15 members. Those with smaller numbers of staff leave some of these activities undone; those with greater numbers of staff generally serve large numbers of member countries and either have a wider domain and many projects (ITTO), much technical advisory work (IOOC) or more general service provision to the public (ICO). Overall output per person appears to fall with the size of the ICB however. The IGG secretariats are much smaller than the average ICB. The statistics and market information output for some of them is, nevertheless, at a good level. Their project activity level is high. Studies are small. In terms of meetings and involvement of the private sector, the score is low. Their value-for-money ratio would certainly be the highest, however.

Salary costs are on average about €90,000 per employee, with substantially lower scores for INBAR and IJSG, mostly due to their location and the larger share of support personnel. Adjusted for this share, relatively high levels are recorded for ICCO, ITTO and IOOC and lower levels for IRSG, ICAC and INBAR. Accommodation costs per employee are rather high for the ICO and IGC (up to €30,000, but this includes conference facilities), average for ICCO and ISO and low for IRSG and ICAC (€8,000). Other organisations have their accommodation provided by the host country.

A clear residual of the ICBs' past is the distinction between exporting and importing members. Typically in many ICBs 50% of the votes is for either group. The adoption of the commodity supply chain concept implies that one should look at producers, rather than exporters, and at consumers, rather importers. Countries with limited trade but large production and consumption levels have something to gain from the ICB's work. If there must be a weight to the votes, this had better be the average of consumption and production. More recent agreements such as for jute and timber already distinguish other factors as elements of the weights, such as domestic production or forest area. The financial contribution can be related to these votes, or in the absence of votes be related to the UN norms for contributions, as INBAR does. It is important to keep the marginal fee for poorer new members low. IRSG's minimum contribution of some €30,000 is high, in most cases it is below €10,000.

The institutional lay-out of many ICBs is leaving almost all decisions to the highest authority, the council. There is only limited use of mandated committees or boards, or a strong mandate for the secretariat. INBAR is an example of an ICB with a small executive board. Council meetings in other ICBs are burdened with administrative matters, whereas the meeting time can better be used for more thematic discussions.

The EU is an important member of all ICBs but one (INBAR). The European Community is not a member of ICAC, but ten EU countries are. In some organizations EC is the representative of all EU countries, but in the IRSG the EC is a member next to some EU countries. If the EC is a member and other EU countries are member too, the competence as to voting or speaking may differ. In the case of the FAO groups, this even differs from one agenda item to the other. There is a clear lack of harmonization of the EU representation in the ICBs.

To solve this problem we suggest that the EC, which is the competent authority in matters of trade, should represent the EU. The argumentation is that the ICBs are organisations that should facilitate trade along the supply chain from producers to consumers, while respecting certain norms as to sustainability and fairness. And the ICBs do this for commodities that are produced by farmers in developing countries, i.e. relatively poor producers with limited other sources of income or uses of their resources, of which the sustainability is at stake. For these groups, special attention to facilitating their trade is warranted and the EU participation in the ICBs can be seen as an

expression of the concern of the EU for these producers. As trade is the instrument here (and to the extent it is), the EC is the competent authority.

We share the concern of civil society groups that the position of small farmers is receiving too little attention by the ICBs, and that this also holds for the environmental issues, and for the degree of competition and value distribution in the supply chain. The recommendations of the study, as indicated above, are to devote more attention to these issues. At the same time, it would be good to provide a forum for these groups. Special civil society advisory boards as installed by the ITTO for example, should be considered in other ICBs too.

The private sector boards, where these exist, function well, apart from the IJSG where participation on the consumer side is lacking. The open structure, as employed by ITTO and IRSG is better than the limited number of private sector representatives permitted in ICO, ICCO or ICAC. IRSG's two-tier system where the larger group of affiliate members is represented by a smaller group which has a say in the work programme, appears the more advisable form. In all cases, the chairs of the advisory groups should be given the opportunity to address the governing council.

When private sectors and civil society groups are directly represented in the organizations, the government representatives – in promoting overall welfare – can focus their attention more on defending the interests of those not otherwise represented. Depending on the situation, this will be future generations in one case, small traders in another, large retailers in yet another case; and in all cases the governments as demanders of information themselves.

The final considerations in the report relate to the international architecture of the work on commodities. UNCTAD has been the parent organisation of some ICBs and the CFC. It continues to work in the field of commodities, but has shifted from single commodity-focussed work to the wider issues of environmental concerns, diversification, institutions, standards and tariff & non-tariff barriers. The FAO has recently moved in the same direction: towards more cross-commodity work, and so has the World Bank. Much of the work done by these organizations is of great value and should be brought to the attention of the commodity-specific groups, the ICB-communities. The new tasks that lay ahead of the ICBs if the recommendations are adopted bring more work for their staff, which cannot be done, should not be done, without input from these large organisations. More harmonisation of the agendas of work between the ICBs and UNCTAD and FAO (and ITC and perhaps others) must be accomplished, for example by annual meetings of their chief officers. In this respect, the mandates given to these groups and their chief officers should be strong enough to establish such coordination. The present guidance given by the member country representatives in the various governing bodies appears uncoordinated and not quite adequate to the expertise of the people working in the organisations. Collaborative work of ICBs and UNCTAD/FAO would also benefit from more joint inter-ICB meetings on common issues, such as standards, traceability, carbon sequestration, collecting tree planting statistics, etc. Finally, from this joint work, a natural spokesman on behalf of commodities should emerge. The common organisation of the ICBs at present is CFC, but the mandate of its staff does not include research and it cannot therefore play a representative role. In the longer run, it would be good to combine the financial resources of CFC more closely with the intellectual resources such as are present in UNCTAD.

While acknowledging that all ICBs are different, the study advises a further change of many ICBs resulting in less emphasis on their intergovernmental nature and more emphasis on their role of serving the commodity community at large.

Convinced of the need for an over-all approach and an integrated program of commodities, which is a program of global action to improve market structures in international trade in commodities of interest to developing countries...
Preamble UNCTAD Resolution 93(IV), 1976

Chapter 1. Introduction

The date of 30 May 1976 marked the adoption of Resolution 93(IV) at the UNCTAD conference in Nairobi. The resolution called for an Integrated Program of Commodities that aimed at reducing short-term instability of the commodity markets and at dealing with long-term developmental issues. Before and after this date commodity agreements were negotiated and implemented. Many of the organisations established by the agreements still exist. Only the International Natural Rubber Organization was dismantled, while the organisations for tin and jute were converted into Study Groups.

The roles of the organisations have changed over time, from institutions that intervened in the market by setting quota or managing a buffer stock to International Commodity Bodies that no longer aim at intervention but focus on providing a forum for consultations, on distributing statistics and other market information, and on implementing projects.

This report provides an overview and assessment of the international commodity organisations as they are now. We include in our report the setting in which the organisations operate. Each market has its own characteristics. And commodities are not just 'looked after' by the ICBs. FAO and UNCTAD make substantial contributions in the same field. The Common Fund for Commodities is important as a funding agent for projects.

In Chapter 2, we give a descriptive overview of the structure and activities of the ICBs. In Chapter 3, we look at the characteristics against the background of what the stakeholders may need. In Chapter 4, we discuss the wider organisation of commodity work, we summarize the findings and list our recommendations. Background reports in Volume II provide details on the commodity organisations and the markets they operate in, and provide some background reference material. In this introductory chapter, we proceed with a short historical overview of commodity initiatives and we highlight the recent changes in the way the commodity market problems are approached by the international community.

History

Upon accepting Resolution 93(IV), it was agreed that UNCTAD entered into negotiations for the establishment of a Common Fund for Commodities (CFC) to finance international buffer stocks or internationally coordinated national stocks within the framework of International Commodity Agreements. Secondly, negotiations were launched on a wide range of commodities. The third component was the enlargement of the compensatory financing facilities (Mojarov & Arda, 2004).

Some agreements (coffee, cocoa, sugar, tin, wheat, olive oil) had already been established by that time and were later renegotiated in the light of IPC. Some (coffee, cocoa, tin) contained provisions for market intervention. On the whole progress was slow, however. Only for natural rubber an agreement was established (1979) with actual market intervention. For other commodities, agreements were slowly emerging; they did not contain economic provisions. The international agreement on jute dates from 1982 and that on timber from 1983.

A Common Fund for Commodities was agreed on in 1979, but with less endowments than originally envisaged. The same preamble of Resolution 93(IV) quoted above contains the text “Noting that there are differences of views as to objectives and modalities of a common fund” and this already predicted the lack of sufficient support for an own pool of resources, or for interventions in commodity markets not covered by Agreements.

Agreements with economic provisions met with mixed results. The tin agreement was unable to defend the price ceiling in 1977; the buffer stock manager managed to keep prices at the floor price level of the agreement until 1985 upon which prices collapsed dramatically.

Coffee Agreements were operational since 1962, first with provisions for export quota, between 1972 and 1976 without provisions, since 1976 (de facto 1980) with active withholding provisions again until the quota system was suspended in 1989.

Cocoa agreements were negotiated under the FAO umbrella as early as 1963, but an agreement was not reached until 1972. It contained provisions for buffer stocks and export quota which remained inactive. The 1981 Agreement contained only provisions for buffer stocks and started intervention in 1981 by buying the maximum of 100 thousand tonnes in 6 month time, which was less than the production surplus of that year. Under the 1986 Agreement 75,000 tonnes were buffer stocked in 1987 and again in 1988. Economic provisions were dropped in the 1990 Agreement. The stocks were gradually disposed of during the 1990.

The International Wheat Council, a predecessor of the IGC, was set up in 1949 with specific economic provisions, involving mandatory price ranges and supply and purchase commitments. These lasted until the late 1960s.

For sugar, an agreement with buffer stocks and quota was made in 1968, but prices did not warrant such interventions. Economic provisions were dropped in the 1973 agreement.

The International Natural Rubber Agreement was successful in keeping prices at the minimum level in the early 1980s and the stocks were sold in 1987 when prices breached the upper limit. Later purchases in early 90s were disposed of around the year 2000 after the discontinuation of the Agreement in the wake of the Asian currency crisis.

The fates of the Agreements led Herrmann *et al.* (1993) to concluding that “there is no reason to continue striving toward international commodity agreements of this type” and led Chris Gilbert (1995) to writing “an obituary notice”.

Initiatives as to compensatory finance are as old as 1963, when the IMF established the Compensatory Financing Facility (CFF). This provides assistance to countries in the event of sudden drops in their export earnings. It was extended in 1979 to include also changes in earnings from tourism and migrants’ remittances; in 1981 the imports of wheat could be included in the calculation and in 1988 an element of forecasting was introduced to improve the timeliness of the disbursement. At that time it was incorporated into the Compensatory and Contingency Financing Facility (CCFF) and only countries with structural adjustment programmes were eligible for credits. The compensatory finance is given as a loan with a low interest rate. The facility was revised again in 2000, but has not been used since (UNCTAD, 2007).

The European Union also introduced a stabilization mechanism Stabex for the ACP countries in 1975. It compensated more explicitly the shortfall in earnings from commodity exports, first largely in the form of loans later as grants. Stabex was in 1987 extended (as Compex) to all least developed countries.

The CFF is no longer used. The Stabex mechanism is no longer included in the Convention of Cotonou, where it was succeeded by FLEX. This has a better design, but the same slow disbursement and less funds (Griffith-Jones & Gottschalk, 2005).

The two mechanisms suffered from rather long delays in disbursements to the countries, which meant that the initial shortfalls were only compensated after the fact. In their evaluation of the two

stabilization mechanisms, Herrmann *et al.* (1993: 252) conclude that “no stabilization, or hardly any, has been provided by the international arrangements”. Nevertheless considerable transfers were effected from rich to poor countries. Among the recipients, this transfer did not, however, reach poorer countries more than richer countries. It thereby failed, they claim, to meet the objectives of development aid.

In addition to the Stabex, the EU had some commodity related support programs – legacy of the colonial market organization – for the ACP countries, the so-called commodity protocols, related to rice, bananas, rum, beef and veal, and sugar. The advantages offered under these protocols will be eroded by liberalisation of the EU agricultural market, in particular the changes in the EU sugar policy. The banana protocol is now part of the 2006 EU Banana regime which permits tariff-free access (within a quota) for ACP bananas.

Change in regional focus

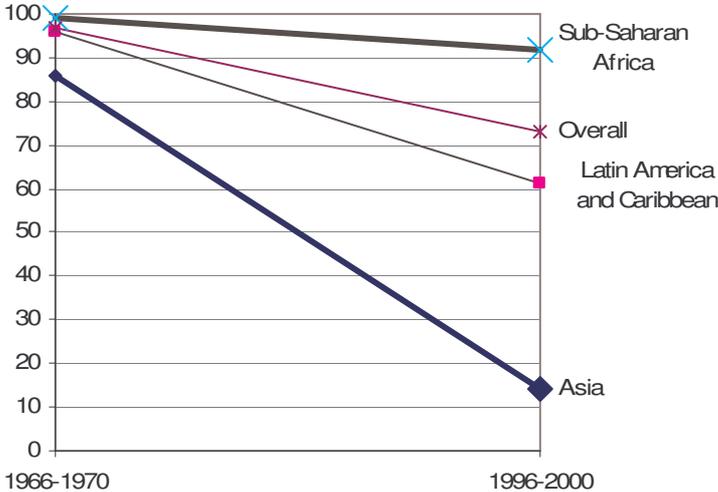


Figure 1.1 Share of primary products in total exports, median scores per group (source: Bonaglia & Fokasaku, 2003)

At the time before the UNCTAD IV Resolution, primary commodities were all that developing countries exported. Commodity policy amounted to export policy, and support to the commodity exports meant relevant support to export earnings. Figure 1.1 shows that this importance of primary commodities has come down: the countries’ overall share in export earnings of developing countries reached a median score of 73% at the end of the century. More remarkably, the shares are widely diverging over time: For Asian countries, primary commodity exports have lost relevance, for Latin American the importance is substantially reduced too. Only for Sub-Saharan Africa have primary commodities retained their relevance. Supporting primary commodities has now become a means to reach out to a particular group of countries, namely Africa, and possibly to growers in the countries for which the export share is no longer a reason for concern. These changes in importance and regional focus imply that a commodity focus has lost some of its relevance as a means of reaching the poorer countries and producers. Commodity problems have become less uniform and less separable from national economic problems. It has thereby become less obvious that a commodity approach helps in solving the problem.

Changes in the approach

The quote at the start of this chapter from the Resolution 93(IV) mentions ‘market structures in international trade in commodities’. These were indeed the main focus of the arrangements and agreements. Since then, life has changed. With the inclusion of new issues in the Uruguay Round, like trade in services and intellectual property rights, says Sylvia Ostry (2000), came requirements on trade that not just referred to border regulation (like tariffs, taxes) but also to domestic regulation. The new Technical Barriers to Trade (TBTs) refer to domestic procedures and laws, that used to be in the domestic, national sphere only. This change coincides with two other redirections of economic policy throughout the world: the deregulation of the economy in many countries, combined with increasing regulation of social standards, relating to labour, environment, health etc. And secondly the rise in dispute settlements by the WTO, that led to more concrete interpretation of the WTO rules with consequences for domestic regulations. These changes infringed on what used to be sovereign domains of individual countries (Ostry, 2000:11).

The increased attention for social standards of commodities also led to the emergence of private standard setting, some by specialized trading organisations (e.g. Fair Trade), some by large groups of retailers (e.g. Eurepgap). These standards oblige producers and other actors in the supply to adhere to certain practices in order for their products to qualify for sale to the (rich country) consumer. But the imposition of labour and other standards was not limited to labelled products only, there is a tendency to impose these standards on all products.

Traditionally, the international commodity policy focussed on the part of the supply chain from export to import. The inclusion of ‘new issues’ in the international economic relations implies that the relevant part of the supply chain now extends from producers (and their employees) to consumers. Figure 1.2 sketches this change. Commodity policy can no longer deal only with what happens between export harbour and import harbour, it needs to deal with production conditions, transport and processing conditions, international trade (as before), requirements of retailers and processors on the consuming end, and the consumers themselves (their health for example).

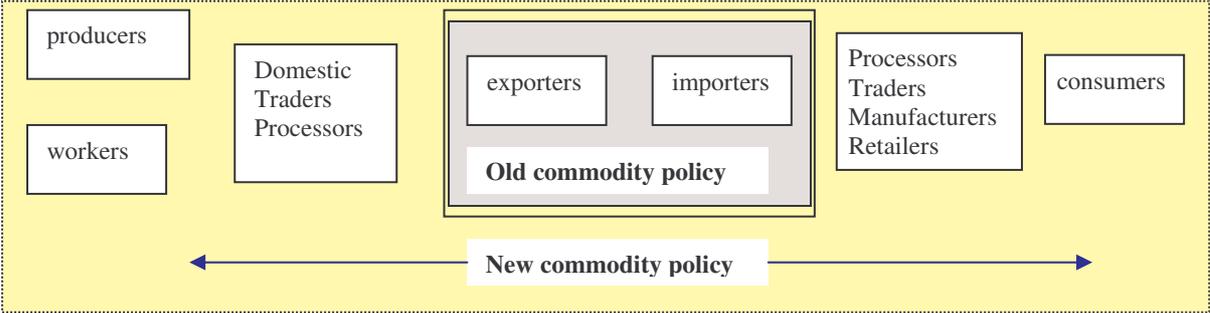


Figure 1.2 Increasing domain of international commodity policy.

The authorities involved with the old commodity policy were the States, that set the export taxes and import tariffs, and other restrictions on trade. Private sector was only involved to the extent it actually traded the commodities. The new commodity policies are not just determined by the governments. In many markets, the traditional trade instruments are no longer used, but so much the more are standards introduced pertaining to product quality and to production, processing and handling conditions.

This reorientation of the commodity supply chains has important consequences for the way international collaboration can be promoted.

First of all, more links of the chain are party to this collaboration. They should not just include the traditional stakeholders exporters and importers and international traders, but also those further upstream and downstream. Domestic traders and processors must be included, in both producing and consuming countries. Producers and their organizations, and, where applicable their workers (unions) and input suppliers should participate. Downstream, an increasingly important role is reserved for the retailers. The large retail chains in USA and Europe now can structure their supply chains to their own liking, rather than relying on the market to do this for them. The introduction of own standards, or joint standards such as Eurepgap is testimony to the power of this group. Consumers are voicing their preferences as to social standards more and more loudly. In this respect they act more in their capacity as civil society member than as 'consumer'.

In addition to the private sector and civil society stakeholders, governments must participate. They must come in not only in their capacity as trade-law makers and enforcers, but also as those responsible for the institutional environment that should facilitate trade in the new conditions. This requires not just input from Trade Departments, but also from Justice, Health, Industry, Agriculture.

Not all links of the chain can be included in the discussion as easily as, say, the multinational enterprises. Producers in developing countries often lack representational organisations strong enough to voice their views in international forums. The same holds for the other end of the chain: consumers are not particularly strongly organised. While traders and processors on the consuming side have now well established internationally operating representational organisations, this applies less to their counterparts in the producing countries. Governments, as representatives of their countries' inhabitants should recognize this and in particular heed the interests of those that are not by themselves adequately represented in the international arena.

The new issues of social standards include attention to working conditions, environmental consequences, and fair trading practices, as might be visible from the value distribution over the links in the supply chain. They also include standards relating to food safety or security, that require process control, traceability and facilitating institutions. Information is key in these issues. The present set of statistics typically collected by commodity organizations falls short of these new requirements. No systematic collection of information on environmental and social conditions of production and processing is done, and the same can be said of information on trading practices.

Commodity organisations have a role to play in these longer supply chains. In the next sections, we shall see to what extent they need to 'reach out' to the upstream and downstream ends of the chain.

Chapter 2 Characteristics of the ICBs

In this section, we give an overview of the various characteristics of the International Commodity Bodies (ICBs). We start with the mandates, then the institutional layout, followed by resources and – in section 2.4 – various measures of outputs of the ICBs.

2.1 Mandates

There is a strong heterogeneity in the vocabulary used to define the objectives of the different agreements. For example, the coffee and the sugar agreement strive to “facilitate trade” while the grains agreement wants to “promote the expansion of trade”. Table 2.1 compares the objectives of the agreements on a “generic” basis.

Every international agreement defines international cooperation as its first objective. However the agreements differ regarding the object of the cooperation: “Matters” for coffee, “World economy” for cocoa, “Trade” for grains and “matters and related issues” for sugar. The grain agreement is the only one limiting explicitly “international cooperation” to the trade issue. For the others, the object is broader and seems to include potentially every problem existing in the value chain, including problems “located” within the countries.

The provision of a forum for intergovernmental discussion is also a common objective (or instrument).

Collection and dissemination of information also rank highly among the objectives. In fact, the oldest organisations, ICAC and IRSG, have the forum function and information as their sole objectives. The next popular objective is expansion of trade and/or consumption. The coffee and the cocoa agreements are both mentioning the idea of “balance”, “between supply and demand” for coffee, “of the world economy” for cocoa. The grain agreement mentions “the stability of international grain markets”. These are the only remains of the historical market intervention perspectives that the organisations had.

The grain agreement has very different objectives compared to the other agreements. It mentions “freer trade” and “food security”. Actually both objectives are also the objectives of more generalist international organizations (OECD, WTO, FAO ...). The grain agreement is also the only one to explicitly bring up the development issue of the commodity dependent countries (though its present-day relevance is next to zero). Other agreements with specific objectives are the one on Olive Oil with ‘protection of geographical indications’, on Timber with ‘promote further processing’ and on Jute with ‘improve productivity’. The Jute Agreement is, perhaps surprisingly, the only agreement with poverty alleviation explicitly mentioned.

A full list of the objectives is given in Annex 2.

Table 2.1: Generic “objectives” of the different ICBs, as explicitly mentioned in their basic documents

	ICO	ICCO	IGC	ISO	IRSG	IGG	IJSG	INBAR	ITTO	ICAC	IOOC
To promote international cooperation	X	X	X	X			X	X	X	X	X
To provide a forum for intergovernmental discussion	X	X	X	X		X	X		X	X	
To provide a forum of consultation with the private sector	X				} X		X				} X
To promote expansion of international trade	X		X	X		X	X		X		X
To promote transparency	X	X					X		X		X
To collect and provide information	X	X		X	X			X	X	X	X
To promote research	X	X						X	X		
To contribute to a balanced market or to stability of the market	X	X	X								X
To contribute to the elimination of trade barriers and unfair and discriminatory practices			X						X		
To enhance world food security			X								
To contribute to the development of countries whose economies are heavily dependent on exports of the commodity			X								
To promote consumption	X	X		X							X
To promote sustainable commodity economy	X	X						X	X	X	X
To analyse and/or prepare commodity development projects	X	X						X	X		
To promote quality	X						X				X
To promote training and information for technology transfer	X					X	X	X	X		X
To improve productivity							X				
To promote increased domestic processing									X		
To address issues of poverty alleviation							X	X			
To create increased awareness of environmental friendly nature							X	X	X		
To contribute to the elaboration of standard and the protection of geographical indications											X

The Intergovernmental Groups (IGGs) are included in the table only piecemeal. Though they have Terms of Reference, they do not have written objectives. The groups function under the umbrella of the Committee on Commodity Problems of the FAO. This CCP and the FAO as a whole have poverty alleviation as their main objective. The Commodity Strategies that have been written for the CFC in their role as ICB do mention objectives, but these are geared toward projects and do not always include roles such as a *forum for discussion*, which features in the Terms of Reference. *Expansion of the market* and *use of improved technology* feature among the more common objectives in these Strategies.

2.2 Membership and Institutional layout

Table 2.2 lists the membership of the various organizations. As the CFC is so important for the financing of projects and by way of comparison, we have also included this organization. The IGGs are not included here, as all countries are member of the FAO and thereby, if they are also registered as member of the CCP, of the Intergovernmental Groups.

Among the major industrialized countries, the EU stands out as member of nearly all organisations. Only INBAR lacks EU membership and the European Community is not a member of ICAC, though 10 EU countries are. China is a member of INBAR and the ITTO only. Within each organisation, the EU is an important member, not least because in a number of organizations the EU-share of the votes is the sum of the shares of its members. Thus, in the IJSG, the EU holds 1059 of the 2000 votes. In the ICCO, the EU holds 921 of the 1000 votes on the importers' side. In the ICO they add up to 675, while in the other organizations its share is in the order of 40%. In the IRSG, 6 of the 18 members belong to the EU, and 4 of the 9 Executive Committee members. More details on EU membership are in Table 3.7 in the next section.

Developing country membership is highest (after the CFC) in the ICO with 55 members, followed by ISO with 39, ITTO with 35. The IJSG has only two members in this category, India and Bangladesh.

Table 2.2 Country Membership

	CFC	ICO	ICCO	IGC	ISO	IRSG	IJSG	INBAR	ITTO	ICAC	IOOC
EU	x	x	x	x	x	x	x		x	10	x
USA		x		x		x			x	x	
Japan	x	x		x		x			x		
Russia	x		x	x	x	x				x	
China	x							x	x		
<i>Developing countries</i>											
Africa	45	23	6	7	15	3		13	11	14	5
Latin America	15	16	5	3	17			8	13	4	
Asia & Pacific	18	6	2	4	7	5	2	10	11	6	4

Council and Committees

The institutional layout of the ICBs is largely similar over all separate ICBs, although the names may differ. There is a council of all members as the highest decision making body. The members have voting rights often based on their share of exports (or imports or other measures) in the total of the members, with equal weights for the category of exporters and importers. The IRSG, INBAR, ICAC and the IGGs offer exceptions to this rule as their voting procedure is based on one member – one vote.

As to the basis of the votes, there are differences as to what should be included. In the cases of coffee, these are gross exports or imports, in the case of cocoa net exports/imports of beans plus gross exports/imports of cocoa products. For grains a long-term average is taken of the trade in grains (and oilseeds), while for sugar a weighted average of free market trade and special arrangements is made. The ITTO uses forest area as an element in the calculation and IJSG bases weights on production, and not just exports of jute.

Councils of ICBs have regular meetings as detailed in Table 2.3. Special sessions could be held at the request of Executive bodies or members. For instance, ICCO had two special sessions during

the 2004/2005 cocoa year. Council sessions are opened to members. Non-member countries, intergovernmental organizations and in some cases, private organizations could also attend regular and special meetings, as observers.

Table 2.3 Council and Committees

	ICO	ICCO	IGC	ISO	IRSG	IGG	IJSG	INBAR	ITTO	ICAC	IOOC
Executive Committee?	x	x	x	x	x			x	A	B	
Council meetings per year	2	2	2	1	1	H	1	H	2	1	2
Private Sector Committee?	x	x			x		x		x	x	x
Composition PS Boards	Prod 8 Cons 8	Prod 7 Cons 7			open 33		open 42		open	11	open
Council Committees	CFPQS	EP	EF	U	ES		C		EFIR		EFPT

Notes

A=ITTO has an "Informal Advisory Group" with no executive powers

B=ICAC has a standing committee for regular meetings; it includes all members

H=Council meeting once every two years

Committee codes: C=projects; E=Economic, inc. Market; F=Finance or budget; I=Forest Industry; P=Promotion;

Q=Quality; R=Reforestation; S=Statistics; T=technical; U=combined E and S and P (ISO)

The Executive Body is normally elected from the council and is composed of equal number of members from both categories. An exception is the ISO where the ten largest contributors are in the executive body with 8 others being elected by the remaining council members. The IRSG stipulates there to be 2 from natural rubber producing countries, 2 from consuming countries of which at least 1 synthetic rubber producer. INBAR has quite a different type of executive board. Its board is only partly based on membership; other members are selected on the basis of expertise. ICAC has in stead of the Executive Committee a Standing Committee which comprises all members.

Some of the ICBs also have Council Committees to deal more efficiently with details of budget or work program. Many have Finance Committees, some have economic or market committees. Only ICO, ICCO and IOOC have Promotion Committees.

The private sector participation is formalized by the ICO, ICCO, IRSG and the IJSG, whereas ITTO, ICAC and IOOC have advisory committees established by the Council. As shown in the Table, numbers are occasionally limited, or with equal numbers from producer and consumer side. The private sector also appears in committees such as the statistical committees of ICO and IRSG, a Working Group on Stocks of the ICCO and the Economic Committee of the IRSG.

The IGGs have a common institutional layout. Under the umbrella of the CCP the Groups are guided by their own members. Membership is open to all FAO member countries. They select a chairperson and two vice-chairpersons among themselves. As the Groups meet only once every two years or even less frequently, these officers play an important role in dealing with current matters (including project proposals) in the intermediate period. There is no official private sector involvement; the industry is often present as members of delegations. Other stakeholders including NGOs could attend as observers once they have such status with the FAO. In practice they seldom do.

2.3 Resources

To implement the mandate and serve the Council bodies, the ICBs have personnel employed in the secretariats. In this section we review the budgets that sustain these secretariats.

Total members' contributions to all these organizations amounted to approximately €23 million, financing almost €18 million for the salaries of the staff, whose total number in 2005 was 212 persons, of whom 87 considered as 'professional staff'.

The IOOC is the largest independent ICB with 45 employees and a budget of €6.5 million. The ITTO employs 33 persons in its secretariat and has a budget of €4.2 million. Third is the ICO with 32 employees and a budget €4.3 Million. The IRSG is the smallest in numbers with 7 employees and a budget of €0.9 million. The IJSG has the smallest budget of less than €0.4 million. The IGGs have much smaller numbers (in general 1 to 3 people per IGG) and budgets. In fact, the staff input into all 11 IGGs is in the order of 15 persons on a full-time basis.

The budget is mostly financed by the member contributions. For most ICBs (ICCO, IGC, ISO, ITTO), the national contributions are calculated on the basis of a subscription per vote. The IRSG has 60% of the budget paid in equal amounts per member and the remainder in amounts proportional to production or consumption of rubber. The ICO (18%), IJSG (50%) and ICAC (40%) first allocate a share of the costs equally over the members before applying votes or trade as the key for assessment of contributions. The IRSG, ISO and IGC have similar and relatively high ratio of "self-financing" with about 14% of their incomes generated by private members contributions, conference fees or subscriptions. For the other organisations this ratio is very limited.

For every ICB, salaries form the major expense: from 80% (ICCO) to 58% (ICO and IGC). Organisations such as the IJSG, INBAR, ITTO and IOOC are in a special position as their offices are made available by the host country. For ICO and IGC, accommodation represents a high expense and an important share of the total expenses, respectively 27% and 22%. On a per person basis, ICO spends about €37,000 on accommodation (€33,000 if *net* rents are taken; recently reduced to around €25,000), followed by IGC with €30,000, and ISO and ICCO with €24,000 and €19 000. The oldest ICBs spend less: IRSG in London €12,000 per person and ICAC in Washington €8,000. In the ICB for which it is relevant, document translation represents more or less the same level of expenses: between €76,000 and €96,000.

Table 2.4 Resources of the ICBs (IGGs here taken together)

	ICO	ICCO	IGC	ISO	IRSG	IGGs ^F together	IJSG	INBAR	ITTO	ICAC	IOOC
Staff											
Total	32	18	17	11	7	13	14	11	33	11	45
Professional	12	9	7	5	4	3	1	3	16	7	20
Support	20	9	10	6	3	10	13 ^S	8	17	4	25
Year	2004/05	2004/05	2004/05	2005	2005/06	2005	05/06	2005	06/07	05/06	2005
<i>Total income (€1000)</i>	4350	2850	2550	1650	1011		366	1630	4236	1289	6500
Member contributions	3540	2550	1903	1400	864		366	412		1161	6500
Interest	135		150					2		15	
Other income	585	168	319	217	147			1215*		113	
<i>o w: subscriptions/publications</i>		19	115	52	45					45	
<i>conferences/seminars</i>			204	165						51	
<i>from Reserves</i>	435										
Total Expenses	4350	2646	2322	1671	933	330	347			1366	6500
Salaries	2550	2170	1339	1075	628		257	251	3694	901	4500**
Accommodation	1200 ^R	349	510	261	85		2H	125 H	H	84	H
Travel	78			27	39		29	25	140	57	
Translation	97	87	79	87	none		none			76	

*Unrestricted contributions China, CIDA; **Administrative costs; H: accommodation costs for Host Country; ^R Recently reduced to €0.8 million. €1=\$1.25; GBP 1=€1.5; ^F Capacity data for FAO Groups by approximation only, as many people work part-time for the IGGs Budget applies to direct costs of servicing the meetings and the secretaries. ^S IJSG staff includes 3 national professionals

Note that the above staff does not include staff that is employed through the projects that are organised by the ICBs. Some, notably INBAR and ITTO, have so many projects and for so many years, that they actually employ dozens of persons on a more or less permanent basis.

2.4 Outputs

Outputs of the organizations come in many forms. They produce statistics, studies, market reports, but also seminars, meetings, web-sites etc. Here we review statistics (2.4.1), market reports (2.4.2), studies (2.4.3), meetings (2.4.4.) and projects (2.4.5).

2.4.1 Statistics

We start with statistics, for all organizations the major visible output, into which a considerable input is made in the form of staff time. The amount of detail and frequency of the statistical publications range from a weekly publication (and daily reports) of the IGC, ISO and ICAC, quarterly bulletins of the ICCO and ICO to annual or even biennial publications by some FAO groups.

Table 2.5 a Statistics of separate ICBs and their frequencies of publication

Statistics	ICO	ICCO	IGC	ISO	IRSG
Daily	Prices and indicator	Prices and indicator	IGC monitor	recent prices	
Weekly			Grain Market Indicators Ocean Freight Rates		
Monthly	Trade Statistics			Statistical Bulletin	
Two-monthly					Rubber Statistical Bulletin
Quarterly	Coffee Statistics	Bulletin of Cocoa Statistics		Market Outlook	
Annually	Green Coffee Trade Statistics Processed Coffee Trade Statistics		World Grain Statistics Wheat and coarse grain shipments Food Aid Shipments	Sugar Year Book	Summary of World Rubber Statistics Outlook for Elastomers

Table 2.5b Statistics of separate ICBs and their frequencies of publication

Statistics	IJSG	INBAR	ITTO	ICAC	IOOC
Daily					
Weekly				Cotton this week	
Two-weekly			Market Information Service		
Monthly				- World Statistics - Cotton this month - Extra Fine cotton this month	
Half-yearly	FAO statistics				World Olive Oil Figures
Annually		UN-COMTRADE database adapted on-line	Annual Review and Assessment of world timber situation	- The outlook for cotton supply - World Textile Demand - World Cotton Trade	Demand-Supply Balances

The ICBs make considerable efforts to enhance the quality of their statistics. They employ between one (for the IGGs) and five (IGC) officers dealing with statistics to collect the information, complete this, ensure consistency etc. Members of the ICBs are asked (or obliged by the Agreements) to furnish the data, but considerable work often remains to complete the information and to adjust the data provided. Some use Atlas as the provider of trade data, while others rely on UN Comtrade. The main job is to harmonize trade, production and consumption data and especially so for smaller producing and consuming countries. A major variable in the statistics of IRSG, ICAC, ICO, ISO, IGC and ICCO is the level of worldwide stocks, and much work goes into

deriving this level and squaring the production and consumption data with any direct sources of information on stock levels.

The statistics cover trade in the first place, i.e. exports and imports including their values. Production is of course included and occasionally producer prices. Information on consumption and on stock changes is more difficult to collect and the ICBs differ in their approaches toward estimating stock changes in particular. While country questionnaires are a tool to collect information from member governments, other questionnaires are sent out to private sector, include warehouses, to collect data on stocks. Private sector participation is indispensable in this field. The ICCO appears particularly successful in estimating stock figures.

The Intergovernmental Groups publish a large range of statistics. They benefit from the FAO system in terms of collecting trade and production statistics. In addition, the Groups make an effort to collect the more specific information on their commodities. These vary from one group to the other in terms of detail and frequency. The IGGs on grains and rice have a rather high frequency of publications; the IGG on Jute and Hard Fibres publishes half-yearly statistical bulletins on the markets for these fibres; most other groups publish annual or biennial updates of statistics. A specific output of the FAO is the inclusion of some commodity markets into the Agricultural Outlook 2006-2015 (together with OECD). This biannual publication includes the statistics and medium-term outlook for major food commodities, including coarse grains, rice, oilcrops, dairy and meat. Some groups (tropical fruits, bananas) only publish new editions on a biennial basis. The groups dealing with grains, rice, oilcrops and meat & dairy provide monthly updates on the prices of their commodities. The website of the Division provides links to price updates. Table 2.6 below provides an overview of these data.

Table 2.6 Statistics of separate IGGs (and FAO) and their frequencies of publication

Frequency of publication	Grains	Rice	Tropical Fruits	Citrus fruits	Jute, kenaf hard fibres	Meat and Dairy	Oils and Fats	Tea	Hides & Skins	Fish Trade
Weekly	Data from IGC and USDA/Trade		*	*	*	*	Soya oil data from USDA	*		
Monthly	News report	Rice price update ^G				Data from USDA	Data from Oil World			Globefish
Bi-monthly	Crop Prospects and Food Situation									
Half-yearly	Food Outlook				Statistical Bulletin	Food outlook			Update emailed	
Annually	-----				FAO Statistics	-----				
Biennial				Banana Statistics						State of World Fisheries and Aquaculture
General		Commodity Market Review;		the State of Agricultural		Commodity Markets				

* These data are available, but not up to date. ^G In addition, a quarterly publication and an annual review is produced on the rice market

2.4.2 Market Reports

The production of market reports varies depending on the ICB. The IJSG only publishes a few pages on the market development in the past year in its annual report. The ICCO produces reports for their quarterly meetings, but none of these are available to the public (that is, until the recent redesign of the web-site). At the other extreme, the International Grains Council and ICAC produce reports on weekly and monthly basis, all offered (for sale) to the public. The IGC also publishes a daily price report for members only. ISO (monthly), IRSG (two-monthly) and ITTO (two-weekly) are producing substantial market reports for their members. The ISO is also publishing a quarterly market report. All these reports are available on subscription basis (ITTO's MIS is free). The ICO is currently publishing a six pages monthly market report, produced by the office of the Executive Director. This report is freely available on the ICO web-site. IOOC produces a 2 page monthly report.

The production of market reports by IGG depends on the group. As the IGGs meet only once every two (or more) years, the reports for those meetings, while providing a relevant assessment at that time, can hardly serve as ‘current market reports’. The secretariats, however, produce market reports on a more frequent basis. An example is the Rice Market Monitor that appears 4 times per year or the ‘market news’ provided by the IGG on Grains. A recent initiative is the setting up of email-based networks through which market news is compiled and disseminated. This applies to the Groups on Meat, Hides & Skins and on Oilcrops. The subgroup on Bananas maintains a Banana-Forum with a similar function.

Table 2.7 Market Reviews of separate ICBs and their frequencies of publication

Statistics	ICO	ICCO	IGC	ISO	IRSG	ITTO	ICAC	IOOC
Weekly			Grain market news (3 pp)					
Monthly	Coffee Market Report (6 pp)		Grain Market report (47 pp)	Market Report (22 pp)				Market Report (2 pp.)
Bi-monthly					Industry Report (60 pp)		Review of the World Cotton sit ((20 p)	
Quarterly		Market Review Annual Report; Trends		Market Outlook (54 pp)		ITTO Tropical Forest Update		
(Semi)-Annually							- Market fundamentals Long-term trends	

Web-sites

At this point it is worth mentioning that the dissemination of information by the various ICBs takes many forms. One can distinguish between printed documents and web-based publications and between products that are offered free of charge or for sale, and between products for members only or for the general public. The IGGs offer all their documents, including the documents for the meetings, free of charge via their web-site. So do the ICO, IJSG (meeting docs) and ITTO (with some limitations as to meetings documents).

The ICCO sends the reports on (and documents for) the meetings to a list of persons, but did not publish these in any form. Recently their web-site has been changed, however, and now features many documents free of charge. The Grains Council operates a web-site with a large members-only section containing short-term price information and other information, geared toward the needs of the members. At the same time some information is made directly available to the private sector. The Sugar Organization has a similar Members-only part on the *sugar-online* website, for their clients even distinguished into *silver*, *gold* and *platinum* assortments. The IRSG and ICAC are also serving their clients through a members-only part on the web-site. INBAR’s website gives a good overview of the activities, and provides links to on-line accessible trade data (that are however difficult to download). ITTO’s website is rather complete and open to the public without a fee. IOOC’s website provides little information about (old) prices and volumes.

The general public is served fully, therefore, only by the web-sites of the FAO groups and the ITTO and ICO, with ICCO joining recently. The other web-sites strike some balance between offering all information free of charge and offering all of it to members only and/or at a price; or are not informative.

2.4.3 Market Studies

Many ICBs produce studies on their markets. These differ from the market reports in that they take a longer-term perspective, appear more on an ad-hoc basis and focus on a smaller issue. A common type of study refers to a special product, or a specific region, or a certain policy

development. Policy and environmental issues are also addressed in studies. Studies can take the form of substantial reports, printed in collaboration with publishing companies or small studies offered to the participants of ICB meetings. Some ICBs are much more active in this field than other. The most active is the ISO, that published some 7 studies and two CD-ROMs on a workshop ('Sugar Politics') and a conference ('Socioeconomic role of sugar in development'). ITTO published an opus magnum *Status of Tropical Forest Management* in 2005, in addition to Reviews of the French and Italian Timber Markets and studies on ecosystem services; restoring forests; improving law compliance and a few more. IRSG recently published a series of studies on the rubber market in Asian and Pacific countries. The IGC published in 2005 a study on the world meat market-trends. The ICO made small reports on the issue of coffee price volatility, obstacles to consumption growth, and on sustainability issues, including a status report on the common code. The ICCO 'published' (for their members) small reports on custom tariffs, taxes, determinants of cocoa prices and a review of chemicals used. ICAC has, next to its regular publications, the Proceedings of this year's Conference. ICAC produced as annual publications, projections of world textile demand, world cotton trade and Production and Trade policies. The triennial Study on Cotton Production Practices was updated in 2005 for the plenary meeting, the proceedings of which were also published. Other ICBs did not produce substantial studies in 2005 apart from their regular publication series, including proceedings of any conference. The FAO groups, or rather their parent Division published a number of studies, listed in Annex 3.

Other information services

ICBs also function as centres of information on all issues related to the commodities. This gives rise to undertakings such as Questions & Answers (as on the ICCO web-site), or a large on-line bibliographic databases, offers of DVDs and videos (as on the ICO site). ICAC maintains a quarterly *Recorder* relating to scientific and technological developments.

2.4.4 Other activities

Meetings of any kind are also output of the work done by ICBs. There are meetings of the official bodies of the ICB, such as the Council, Executive Committee if any, special committees; but there are also many meetings organized for the target groups in the private sector or the government. Table 2.8 shows their occurrence. These numbers are only approximate and include workshops within projects.

Table 2.8 Meetings organized by the ICBs

	ICO	ICCO	IGC	ISO	IRSG	IGGs	IJSG	INBAR	ITTO	ICAC	IOOC
Workshops (no. per year)	2		1	1		a few	2	6	4	1	
Seminars (no. per year)				1					1	1	
Conferences (1/no. of years)	1/3		1/1	1/1	1/1	few			1/1	1/4	

ICAC, ITTO (and INBAR until recently) run fellowship programmes that enabled persons to spend some time with centres of expertise in their commodity. INBAR also runs a volunteers program.

Finally the extensive travelling to numerous meetings, seminars and conferences of many of the senior officers and especially the heads of the ICBs deserve mention. This helps establish and cement the links that hold the commodity community together.

2.4.5 Projects

The Table 2.9 below gives an overview of the numbers of projects that the various ICBs have had financed by CFC (since 1992), and those that have not been closed yet.

Note that for some organizations this number of projects gives a vast underestimate of the total number of projects that they do. There can be many projects done by the ICB which are not financed by the CFC. This is particularly true for ITTO and INBAR. ITTO has about 120 ongoing projects and INBAR some 50. ICO is the organization with most CFC projects (16), followed by the FAO group on Fish Trade (11) and ICAC (10).

ICB	Total	Ongoing	ICB	Total	Ongoing
FIGBananas	4	3	ICAC	10	5
FIGCitrusFruits	3	2	ICCO	9	5
FIGGrains	8	6	ICO	16	12
FIGHardFibres	8	5	IGC	1	0
FIGHides&Skins	5	4	IJO/IJSG	8	2
FIGMeat	5	3	INBAR*	3	3
FIGOilOilseedFats	8	4	IOOC	4	3
FIGRice	2	2	IRSG	6	3
FIGTea	3	1	ISO	5	2
FIGTropicalFruits	6	5	ITTO*	9	6
FSCFishTrade	11	8			

Source: Basic Facts 2006 (CFC)

* These ICBs have many projects in addition to those (co)financed by CFC

Among the IGGs, it is particularly those on grains, on hard fibres, on oilseeds, oils and fats and the sub-committee on fish trade that have an important number of projects ongoing (4-8).

In dealing with projects, the ICBs play many roles. They often initiate project by suggesting topics to prospective beneficiaries or executing agents, they help formulating proposals, mediate between various interested parties, discuss the quality of the proposals in its meetings, negotiate with CFC and other sources for financing the projects, supervise the implementation of the projects and disseminate the results of projects. Yet, their status vis-à-vis the projects is unclear. Whereas the list of activities would justify that the projects are *owned* by the ICB, the CFC too sees the projects as the fruit of their work, and the implementing agency considers itself also as the unit responsible for the project. The interaction among the various “owners” is a complex one. The ICBs have formulated *Commodity Strategies* to have a basis for the project proposals to be submitted to CFC. These are not all of good quality, as often they are geared towards the projects of that time. The CFC has its own guidelines for priorities among the proposals, and its own structure for the evaluation of the proposals. These guidelines are not in all cases the same as those that the ICBs would like to adopt. Yet, the ICBs are the only vehicles for project proposals to the CFC. The links are strong and bi-directional, but the policy guidance is not the same for CFC on the one hand and the ICBs on the other.

2.5 Summary of the Overview

The 10 independent agricultural ICBs, consisting of ICO, ICCO, IGC, ISO and IRSG in London, and IJSG, INBAR, ITTO, ICAC and IOOC elsewhere jointly have 136 countries (inc. the EC) as

members. Of these countries, 33 are member of just one ICB and the membership of 2, 3 or 4 ICBs is held by around 27 countries. Only two are member of eight of the ICBs, namely the European Community and India. Three countries are member of seven of these ICBs, namely Switzerland, Côte d'Ivoire and Cameroon. Of the major other countries, USA and Russia are member of 5 ICBs, Japan of 4 ICBs and China of 2 ICBs.

Their representatives serve in the Councils of the organisations, and in the executive committees of half of these. These Committees and the councils are often helped by other targeted committees, typically focussing on economic issues (5 ICBs), Finance (4), Statistics (3) or Promotion (3).

The independent ICBs have in most cases a special forum for contacts with the private sector. Seven of the ten ICBs have this, with IGC, ISO and INBAR doing without such special committee. The ICBs that form the Intergovernmental Groups in the FAO have no specialized committees. They do have a council, consisting of all member countries. Their Council meetings are held once every two years; the independent ICBs meet at least once, and some (ICO, ICCO, IGC, ITTO and IOOC) twice a year.

The goals of the ICBs are formulated in their respective agreements. The newer agreements have many objectives, the older organisations do with a lower number. Major objectives are to provide a forum for consultations; collect and disseminate market information; promote trade, transfer of technology and sustainability.

In the light of these objectives, the ICBs hold their council meetings. These are mostly bi-annual occasions where the commodity community can meet. They also devote substantial efforts to the collection and dissemination of statistics and market information. Many ICBs organize workshops and conferences. And they engage in projects aiming at research & development, transfer of technology, and market development.

Their human resources, totalling 212 persons, range from 7 to 45 persons per ICB, with IOOC being the largest, followed by ITTO and ICO with 33 persons. IRSG is the smallest in number of staff. Budgets available to cover the administrative costs of the organizations run from €0.4 million for the IJSG to €6.5 million for IOOC. ITTO and ICO have about €4.2 million each. Budgets are heavily affected by whether or not a host country provides the accommodation. IGG secretariats are very small, often less than 2 persons, but embedded in the Commodities and Trade Division of the FAO. The budget for their work directly related to IGG meetings is €0.3 million.

A few ICBs (IRSG, ISO and IGC) finance a small part (14%) of their income from their own income, other ICB completely rely on the member contributions. These are partly (and for some ICBs) divided equally over the members, partly assessed in relation to some measure of their interest in the commodity. IGGs receive a budget from the FAO.

The ICBs appear to have found their own niches regarding statistics and market information. The IGC and the ISO have a particular focus on very short term (price) data, which obviously serves the traders among their clientele. They and most other ICBs publish statistics with a less short-term perspective, such as monthly or quarterly data. The same holds for the other market information. Few ICBs, notably IJSG and until recently INBAR, do not publish statistics.

The ICBs are to a varying degree engaged in projects. The IGC has none at the moment, while the ITTO distinguishes more than 100 projects. INBAR runs many projects too. ICO and the IGG on Fish Trade have around 10 projects. Typically, the other ICBs have a few projects. Most of the ICBs rely on the CFC for funding of their projects, with INBAR and ITTO as exceptions. These ICBs have other sponsors for their many projects which frequently have an environmental focus.

Chapter 3 Toward an evaluation

In this chapter, we make an effort to evaluate the information shown in Chapter 2. What are examples of ICBs doing certain activities particularly well, and should the ICBs be doing what they do? In answering these questions, we go through the listings of activities again, but in a more evaluatory way. To this end, we need a basis for the evaluation and we devote the first paragraph to this issue. We then move on to assessing the statistical work and other market information, then discuss projects, followed by a discussion of the institutional lay-out of the ICBs. We end with a evaluation of the mandates themselves, and hold these against the light of the changed priorities of international action.

3.1 Needs for international cooperation on commodities

From international price stabilization to sustainable development

International price stabilization has been, for a long time, the main objective of International Commodity Agreements. It has been, for the first time, clearly stated in the Chapter VI of the Havana Charter. According to the article 5 the principal objective of ICAs is “to prevent or to moderate pronounced fluctuations in the prices of primary commodities with a view to achieving a reasonable degree of stability on a basis of such prices as are fair to consumer and provide a reasonable return to producers, having regard to the desirability of securing long-term equilibrium between the forces of supply and demand...” This objective was once again reconfirmed by the first UNCTAD conference in 1964.

In Chapter 1, and in the Background Report of Volume II, we made clear that by end of the 1980s, policy changes, especially in the USA, and the cumulative experience of the existing ICBs contributed to reduced interest in intervention. The price stabilization objective was progressively moved out of the agreement texts during the 1980s and 1990s. The EU position has followed the same evolution with the adoption in 1999 by the Council Group on Commodities of the so called “Helsinki principles” stating that direct market intervention must avoided.

The ICBs, except INRO, are still in existence however. What reorientation would be needed? The EU action plan states that “*With respect to objectives and functions, the Commission considers that ICBs should become more oriented towards sustainable development, incorporating a clear focus on environmental and socio-economic sustainability into their current focus on market functioning.*”

This orientation toward sustainable development can be specified by referring the “ambitious and comprehensive renewed” Sustainable Development Strategy (EU SDS DOC 10917/06) adopted by The European Council in June 2006.

Beside the need for a clarification of the objectives, ICBs need to be more visible as a potential instrument to build a positive link between trade and development. This is far from being the current situation (see Volume II for indicators).

Making value chains work for sustainable development

To be included in the EU SDS and more generally in the debate and negotiation about trade and sustainable development, ICBs need an enlargement of the object of international cooperation they are dealing with. Their aim was to guarantee coordination between national trade policies. The sovereignty principle was strictly respected. What was happening within the countries was not part of the ICB mandate. Today if the objectives of sustainable development are seriously taken into account, EU could hardly participate in ICB with such a limited mandate. Our proposal is to enlarge the object of international cooperation organized by ICB from trade to value chain, i.e. from the farmer to the consumer. Thus, making value chains work for sustainable development would be the general common objective of ICBs.

As institutions and international cooperation devices, ICBs can play an active role in making value chain working for sustainable development in four distinct ways:

- ICBs can help to promote sustainable development by *reducing transaction costs*
- ICBs can help by *governing competition* to facilitate the adoption of national environmental and social legislation coherent with the EU SDS and development policy.
- ICB can help in promoting *a fair value distribution* within the value chains
- ICB can support sustainable production by *facilitating technology transfers*

The value chains, as we showed in Chapter 1, have become longer, reach into producing and consumer countries. Environmental have come up, and new Technical Barriers to Trade seem to take the place of earlier trade policy. New policy measures, therefore, call upon a wider group of stakeholders, and a wider group of policy makers.

The ICBs can serve these stakeholders by activities, akin to their traditional work: providing a forum for discussion; producing relevant statistics and other information; and promoting actions that help realize some of the goals above (reduce transaction costs and promote sustainable development with fair distributional outcomes).

With this in mind, we now turn to considering the role played by the ICBs.

3.2 Should ICBs collect statistics?

For the majority of ICBs, the collection and dissemination of statistics and market information is one of the first objectives. In this section, we deal with three questions:

- Is this objective relevant?
- Are the ICBs dealing effectively with this objective?
- Should ICBs charge for the information they provide?

The value of information, as we show in the background report on theory, lies in the reduction of the uncertainty about the market that this information brings. Information, in the form of statistics or otherwise, helps traders and other stakeholders in the market in assessing the current situation. This makes their own behaviour also more significant, and makes the resulting prices more meaningful. This contributes to correct decision making of the direct market participants, and of all these who use the information for decisions about the future.

Thus, good information has positive externalities. As private participants do not take these into account, there is likely to be underprovision of information, if left to the market. The objective, or better, the instrument of collecting statistics can therefore be useful.

It would not be useful, however, for the ICBs to do this, if other parties already fulfilled this role.

For most of the agricultural commodities, statistics and market information are provided by national administrations, USDA being the main source, and private enterprises (see Table 3.1). Coffee is a very good example of the variety of sources available. USDA is publishing every quarter a bulletin dedicated to Tropical Products including very goods statistics on supply, demand, prices, and stocks and so on. This publication is accessible free of charge on the internet. Besides USDA, there exist two main private providers: LMC international and F.O.Licht. LMC international is publishing two products, a monthly Coffee Bulletin of about 12 pages and a very detailed Coffee Quarterly of about 70 pages. F.O. Licht is publishing a bi-weekly International Coffee Report (about 40 pages) particularly useful to get access to trade and consumption data. We can also mention two less famous sources of information: J.Ganes Consulting who is providing something very similar to LMC international and Best Investment with a daily short coffee newsletter. Obviously, private enterprises publishing statistics and market information are selling this at a price. Table 3.1 also provides some of the subscription prices.

Table 3.1: Major sources of statistics and market information on coffee (not exhaustive)

Source	Product	Price per year
USDA/FAS	Tropical Product: World Market and Trade (quarterly)	Free access on internet
LMC	Coffee Bulletin (monthly)	€ 975
	Coffee Quarterly	€ 5250
F.O. Licht	International Coffee Report (every two weeks)	€ 1493
J. Ganes Consulting .	Coffee Weekly Update	\$ 775
	In-depth Coffee (bi-monthly)	\$ 850
Best Investment	Daily Coffee Newsletter	\$ 360

If there are these private sources of information, why should governments and intergovernmental organizations be involved in collecting and disseminating information? Five arguments can be given to justify public action (again, details are in the Background Report on theory):

1. Information is a club good: use by one person does no rule out other use; access can be denied to non-members, or offered at a price. Marginal costs of extra customers are next to nil, so there is a danger of monopolies.
2. Ability to collect data: better data may be collected by governments
3. Neutrality: governmental organisations may be better trusted
4. Reputation: an ICB, once it has established a reputation is in the best position to continue.
5. Generation of specific information: some information is not effectively demanded by the private sector, but has high value to the government, e.g. environmental information, or information relevant to the poor.

3.2.1 Are ICBs collecting and disseminating statistics and market information effectively?

To be able to evaluate the ICBs effectiveness in statistics and market information recollection and dissemination, it is useful to distinguish between different kind of needs and demands. An important distinction can be introduced regarding the different “temporality” of the different actors in commodity chains. Traders are clearly dealing with short term information, information regarding prices, exchanges, stocks production and consumption for today and the coming weeks. Farmers, manufacturers and governments, in order to guide their investment and their

interventions, need more medium term information (quarterly and annual information). Finally, long term information, especially in tree crops, is necessary to plan heavy investment in planting, infrastructure, research and training.

ICBs are basically supplying only information for the short term and medium term. IGC is the ICB most involved in the supply of short term information with a daily and two weekly publications. Its members demand such information, *inter alia* for day-to-day alignment of trade policy measures. ICAC and ITTO are also providing short term information in respectively a weekly and a bi-weekly publication. Other three ICBs, ICO, ICCO and ISO, are just publishing on the website some daily prices indicators. However, ISO has its connection with Sugar-online, offering short to very-short-term information at a corresponding price. INBAR, IJSG and IOOC, and IRSG are not providing any short-term information.

Regarding medium term information, a good job is done by ICAC, IRSG, ISO, IGC and ICO. All of them publish annual, quarterly and monthly (or bi-monthly) documents with statistics and/or a review of the market. IGC provides forecasts of supply and demand in their monthly and several annual publications. ICCO and ITTO publish an annual review and, respectively, a quarterly statistical bulletin and market review and a bi-monthly publication.

Information for the long term relates to investments, in trees or processing plants, and the determination of trends in consumer tastes, trade flows and the like. Apart from the trend type of studies, no hard information is provided by the ICBs.

Table 3.2 A qualitative assessment of the statistics and market information supply

	ICO	ICCO	IGC	ISO	IRSG	IGG	IJSG	INBAR	ITTO	ICAC	IOOC
Short term	+	+	+++	+++	-	-*	-	-	++	++	-
Medium term	++	+	++	+++	+++	+	-	-	+	+++	+
Long term	-	-	-	+	+	+	-	-	+	+	-

* IGGs on grains and rice.

3.2.2 Should ICBs collect other statistics and information?

A second distinction regarding statistics and market information is about the topics covered. Perhaps as a remnant from the past, ICBs' information supply is very much geared toward the international trade. The implicit objective is to describe and explain the evolution of international prices, imports and exports. But, as we explained in Chapter 1, this is a small part of the total supply chain.

The needs of the stakeholders are different. The stakeholders range from the poor producer to the rich consumer. In-between are many vertical steps in the commodity supply chain. Each step involves people. These people have their need for information about how best to do their work on this commodity, and how to reach their suppliers and customers. The statistics, market information and studies of the ICBs do not inform the market on these links in the chain. They do not, or rather little, tell who the people are in the supply chain, what their position is, what information they use, what costs they make, what other incomes they have, etc. Working toward a reduction of the transaction costs implies that it need not matter so much where, in the supply chain, the reduction is brought about. More efficient retailing at the consumer end may contribute as much as more competitive trading at the producer end. Statistics must be collected, therefore, all along the supply chain. Starting with price data, later extensions can be considered, such as introducing statistics on measures of quality: as much as participants in ICB meetings discuss quality issues, so little is done to collect good time series on qualities of farm production.

A second field of information concerns the long run. For tree crops in particular, it is of great importance that better data be collected on planting and discarding of trees. For all crops, it holds that for the long term information on substitute activities on the supply side, and substitute commodities on the demand side are of great importance. Yet, statistics and other information to this end are difficult to find. Examples are studies of synthetics so as to inform the markets of their natural alternatives (cotton, jute, timber, bamboo, rubber). And studies on the extent to which farmers can switch to other crops, and to non-agricultural activities. Here, one commodity organisation may help the other: switches from coffee to cocoa, from cocoa to rubber, from rubber to palm oil, etc. Such information is indispensable for any assessment of economic sustainability of commodity production in a country.

The third field has also to do with the long run, but then from an environmental point of view. There is a lack of data and other information on the environmental impact of commodity production. The hard evidence of such effects (or the absence thereof) is missed dearly in many a debate on the sustainability. Data on commodity-related bio-diversity are needed, data on soil quality.

A fourth field has to do with the horizontal dimension of the work of ICBs. There is lack of information about the differences between farmers, how diverse their positions are, how the alternatives open to them differ from group to group. Such survey based information is not only welcome about producers (and consumers for that matter), but also about the agents between these extremes of the supply chain. Surveys among traders can reveal the degree of competition. Surveys among processors can show where improvements are most easily found.

Such survey data are the more needed where diversification is considered. The issue of diversification has featured on the ICBs and UN agenda for decades, and the issue is still relevant today. Without knowing what the present farmers and other agents are doing for their living, not much can be said about feasible, relevant alternatives for them. Another reason to focus more on survey data is the issue of labour and the quality of the working conditions. How safe is the actual use of chemicals? How good are ILO standards applied? While some large firms have already embarked on setting standards to this end, statistical information about the extent to which this actually is problematic is not collected.

Unfortunately, the widely used World Bank LSMS data are in most cases not reliable enough to characterise a specific commodity-producers group. New data should be collected. There is however much expertise in the producer countries in doing survey work.

In addition to the information described above, ICBs could do much more toward collecting the right information about government policies for their commodities. What export taxes apply, what import tariffs, how has this changed compared with last year? What tax deductions apply? The IGGs on major foodstuffs had the tradition of publishing trade policy reviews of the commodity. This is extremely useful, and the ICBs are in the best position to do so.

Finally, the quality of the statistics needs some improvement. ICBs should not rely on the single source of the member government, but also try – with the help of the private sector – to improve the statistics. The ICCO is a good example of this collaboration in relation to data on stocks. This is a rather time consuming and requires dedicated statisticians. If there is one field where the reduction of staff of the FAO is felt, it is in the quality of their statistics. And as explained above, the reputation of the supplier of statistics is important in order to reach the beneficial effects on the

market. We think ICBs could benefit from a stronger mandate for the secretariat to go for the best statistics on their commodity.

The list of missing information seems long and staff time is limited. Two comments are in order here. The first is that the surveys are only needed once every 5 years (say). The second is that much information does not need to be collected by the ICBs themselves; it often is available already and only needs compilation (data on tariffs for example). And much of this work should be done in collaboration with other intergovernmental organisations such as World Bank, UNCTAD and FAO. The ICBs have a responsibility to promote that the data come available, rather than an obligation to do all this on their own.

3.2.3 Should ICBs charge for the information provided?

We guess yes. Charging could seem contradictory with the intergovernmental nature of ICBs and wider availability of market information is useful by itself. However three arguments are clearly in favour of charging.

The first argument is in relation to membership. For ICBs, restricted access to information is one of the few incentives available to secure membership. As demonstrated by Mancur Olson (Olson 1965) years ago, in large groups, participation in collective action is only possible if some private incentive is provided to the member. By charging and limiting access to information, ICB get the possibility to offer a valued output to their member. Indeed, we see that an ICB that does not charge a fee, the ITTO, is an organization that is for another reason well endowed with funds and membership.

The second argument is related to the evaluation of the quality of their statistics and market information outputs. Selling the publication is a very simple way to evaluate their relevance. If an agent of the commodity chain is really interested by the information, he will buy a subscription. The equity argument could be raised here to point out that low income agents would not get access to the information. However, we think that providing some subsidy to the low income actors is certainly a more efficient and a more “preference revealing” system than offering publications free of charge.

The last argument is in relation to the structure of the market for market information. Charging for information provided by the ICB will keep other information providers in the market. This is beneficial in view of securing some competition and thereby greater diversity of sources.

3.2.4 Should ICBs publish price forecasts?

One stakeholder whom we interviewed on the usefulness of the data published by an ICB responded that a disadvantage of these data was that they referred to the past only, whereas his business was dealing with the present and the future. This underscores that a great part of the usefulness of data is in helping to predict the future. If past data would not have any relevance for the future, there would not be much use in collecting them.

Most ICBs have in their objectives or list of activities some form of forward looking activity. The clearest example is the ICCO which is asked to come with forecasts of production and consumption for the next 5 years. All ICBs publish short or longer term outlook studies. Even those that do not have this explicitly in their terms of reference, such as the Grains Council or the

Sugar Organization, publish forward looking studies. Also the International Lead and Zinc Study Group published forecasts for the short and medium term. And so do the FAO, OECD and other organisations. The World Bank presents forecasts of commodity prices for 2007, 2008, 2010 and 2015 on its website (www.worldbank.org/globaloutlook).

There is hardly any doubt that such efforts are appreciated by the members, including the private sector participants in committees where these exist.

The issue is actually if the ICBs should publish *price* forecasts. The Lead and Zinc Study Group and the IRSG do not publish price forecasts.

The opponents to publishing forecasts give two reasons for this. One is that publishing such forecasts may lead market participants to take positions in the futures market and thereby affect the prices. This is a rather extreme situation as it requires the participants to have 100% confidence in the published forecast, and taking into account that futures markets do not go beyond a few years ahead. In the case of the commodity markets, there is little reason for concern. Most of the forecasts refer to longer term projections and are known to be based on a wide range of assumptions on the contextual variables such as overall economic growth, exchange rates and inflation. As these assumptions may turn out to be quite wrong, so will the forecast. Reviews of their own forecasts made by the IRSG and ICAC show that the errors in the forecasts are considerable (but not thereby avoidable). Hence, as a basis for taking positions in the futures market, these forecasts are of little value. If the private sector responds by increasing or decreasing their investments, then this is precisely what they should do. This may invalidate the original forecast however, unless the wise forecaster had taken such response into account. To clarify what is, and what is not taken into account, the best policy for the forecaster is to be clear on the assumptions underlying the forecast.

The other reason is again linked to the scale of the associate-member enterprises. They feel that their involvement in the work programme of the ICB makes them also in one way or the other involved with the forecast itself. And what matters here is not so much that this might actually be the case, but that competition authorities might be led to think they are. The International Institute of Synthetic Rubber Producers (IISRP), has on its website (www.iisrp.com) a set of guidelines reminding their staff and members of the potential sensitivity of discussions held in the framework of the organization. The competition laws of the USA and the EU both condemn the formation of combination that have the *purpose* of effecting a certain price. In that case the *per se* rule in the USA would apply and no further investigation would be needed. Otherwise, the *rule of reason* applies, which provides more scope for permitting the assistance in reaching price forecasts, the more so if it can be made clear enough that the consumers will eventually benefit.

There are on the other hand clear disadvantages of not publishing price forecasts, particularly when these are in fact made. In the first place, the ICBs do publish forecasts of variables that are closely related to prices, and in fact based on their internally forecasted price. In the second place, there are users, perhaps not involved with the ICB, who would like to benefit from the expertise of the Secretariat. In the case of the IRSG, there are planters considering setting up a new plantation, for example. They stand to gain from knowing the price forecasts that the Secretariat believes are good (even though conditional on future economic context). By not publishing price forecasts, while maintaining other forward looking studies, some stakeholders are condemned to using inferior sources of information.

It seems to us that presenting price forecasts meets the demand from quite a large group of stakeholders in the ICBs, a group that goes beyond the private sector members. The size of this wider audience relative to the private sector membership of the ICB is typically small for groups

dedicated to minerals and metals, but can be large for groups focussing on tree crops. In such cases, not presenting longer term forecasts would reduce the value of the ICB's work.

Could the ICBs publish such forecasts and not expose their private sector associate members to the risk of being challenged by competition authorities? There are some suggestions that this should be possible. And there is, of course, the example of other organisations that do publish forecasts without the private sector's opposition (ICCO, ICAC), and the presence of other providers of forecasts for the same commodity, privately or publicly (World Bank).

Additional measures that might help avoid any appearance of conspiracy are to

- Make abundantly clear how the forecasts are arrived at.
- Establish an outside (scientific) board to oversee this procedure
- Define a mandate for the secretariat to make the forecast
- Avoid discussing the forecast in council and committee meetings prior to publication
- Publish the forecasts on fixed dates of the year
- Publish the basic forecast widely, beyond the current membership.

3.2.5 Studies

In Chapter 2, a short survey of studies was provided. Some ICBs make extensive studies, many do not. Studies are a good way to explore future possibilities in various markets. Obviously, statistics cannot be brought to bear on this issue, and studies provide a reasoned way of extrapolating the available information into the future.

Three recommendations can be proposed.

First, the number of studies and the number of topics covered should be expanded. A more commodity chain orientation would necessitate ICBs to be able to deal with topics like:

- technical barriers to trade
- environmental impact evaluation of the commodity
- oligopoly and market power
- building right market institutions

Second, ICBs should seek, with the studies they realise, some academic standards to be able to publish in scientific journals. Academism is not an end *per se*. The objective is to get access to the evaluation process already organized by the scientific community. The creation of an academic advisory board, or scientific committee, could also be a way to give support and advices to the ICBs staffs dedicated to studies.

Finally, the workforce that makes studies for ICBs should be expanded. In most of the ICBs qualified staff is lacking. However, outsourcing could be done more often (ITTO is a good example of such a strategy). A good option would be for ICBs to collaborate more closely with other international bodies, like UNCTAD and FAO, or with the private sector.

A review of the commodity related work, done by UNCTAD, FAO and the World Bank is provided in Annex 3. All three organisations have drastically reduced their staffs working on commodities. The FAO Commodities and Trade Division is now in a process towards less commodity-specific work in favour of cross-commodity work. UNCTAD's Division on Trade in Goods and Services, and Commodities has expanded work on detailed multi-commodity work relating to trade and non-trade barriers; on standards; on environmental issues; and on diversification. Both groups work on the repercussions of the Doha Round (when completed) for

the agricultural commodities. The World Bank has a focus on commodity price risk management. It also keeps track of commodity markets and publishes projections.

3.3 Projects

CFC and the ICBs

The Common Fund for Commodities started its activities in 1989, and approved the first project in 1991. The origin of CFC was closely linked to International Commodity Agreements which brought some of the ICBs into existence. In the Integrated Programme on Commodities, the CFC was meant to be the fund to be used by the commodity organisations for market intervention. Its first account was established for this purpose. The second account, for financing of projects, came at the request of producing countries. It is filled with some initial capital and by voluntary contributions of member countries and, since 1995, by the net earnings on the first account (which itself is not used).

After its birth, the CFC designated the existing International Commodity Organisations as ICBs, which gave them the opportunity to submit proposals for funding by the CFC *and* gave the CFC the opportunity to receive proposals (as these can only be submitted through ICBs). Other ICBs were added since then. To become an ICB, the organisation must meet the criteria of article 7.9 of the Agreement establishing the CFC, and Schedule C:

- intergovernmental basis with membership open to all UN members
- concerned on a continuous basis with trade, production and consumption of the commodity
- membership comprising producers and consumers which shall represent adequate shares of exports and imports
- effective decision making process
- ensure proper discharge of responsibilities arising from its association with CFC

CFC has a Governing Council, with representatives of member countries, as the highest authority, providing direction to the Fund, and an Executive Board. It has an Consultative Committee (13 experts) to advise on the projects. The Board and Committee meet twice a year, the Council meets annually.

The ICBs benefit from CFC. The facility to apply for CFC funding gives them an advantage over other organisations. While some ICBs have a large portfolio of projects outside those financed by CFC (such as ITTO and INBAR), for many ICBs the CFC is by far the major sponsor.

The typical procedure is that a draft proposal is submitted to an ICB. Its secretariat evaluates this (possibly in interaction with experts, or a designated committee), gives feed back to the authors and may contact CFC to check the eligibility of the proposal and get comments. The ICB's Council may evaluate the proposal, and upon its approval the ICB submits it to CFC. Occasionally the ICB Council is left outside this procedure. CFC has the proposal evaluated by its Consultative Committee. Their comments are sent to the ICB, which revises the proposal in collaboration with the author. It is then resubmitted to CFC and re-evaluated by the Consultative Committee. If positive, the Executive Board may decide to approve the project, after which a contract is drawn up involving CFC, the Project Executing Agent and the ICB in a supervisory role. Financial arrangements are made directly between CFC and the Agent. The ICB is paid for their supervisory role and expenses by CFC (\$15,000 per year, recently increased to \$20,000).

Table 3.3 lists the CFC projects by ICB (numbers and value) until May 2006.

Table 3.3 Number and value of all CFC Projects by ICB, excluding fast track.

ICB (FAO Groups)	Number of CFC projects	Total amount \$	ICB (other)	Number of CFC projects	Total amount \$
FIGBananas	4	23,338,158	ICAC	10	62,139,852
FIGCitrusFruits	3	10,266,645	ICCO	9	45,346,912
FIGGrains	8	19,019,104	ICO	16	72,001,707
FIGHardFibres	8	13,670,574	IGC	1	4,088,345
FIGHides&Skins	5	10,898,913	IJO	8	8,810,498
FIGMeat	5	14,637,276	INBAR	3	6,231,088
FIGOilOilseedFats	9	29,495,933	IOOC	4	7,059,637
FIGRice	2	3,336,468	IRSG	6	11,876,710
FIGTea	3	12,048,284	ISO	5	9,804,331
FIGTropicalFruits	6	17,699,139	ITTO	9	12,282,251
FSCFishTrade	11	11,648,128			

Source: Basic Facts May 2006 (CFC)

The Table shows not the amount that CFC made available (either grant or loan) but the total amount, including contributions by the counterpart and third parties, if any. On the whole, the CFC share in the total is 49.6% and the counterpart contribution 27.9%. The FAO Intergovernmental Groups as a whole have realised \$166 million worth of projects out of a total for the listed ICBs of \$409 million. The ICO is the largest single recipient with \$72 million, closely followed by ICAC with \$62 million. INRO is of course no longer existing, and its projects have been taken over by the IRSG. Similarly the projects of IJO are now supervised by IJSG. The IJSG is not otherwise represented here; CFC financed two IJSG-projects in the fast track.

In dealing with projects, we noticed differences between ICBs in the extent to which they are geared toward projects. ITTO is a project-oriented organisation *par excellence*. Its manual for project proposals dates from before CFC had its manual. ITTO has an expert group that advises on the project proposals, and the Council makes the final decisions. INBAR, too, is involved with many projects, some handled by the head office, some by the regional offices. Their own staff evaluates proposals and the Board of Trustees decides.

On the other end of the range, an ICB like the IGC has had one project finance by the CFC but is currently not undertaking a project. It should be noted here that the IGG on grains has also an ICB status and a precise scope for IGC-endorsed CFC projects is not clear: much of its attention goes to international trade, including that between developed countries, and less to the ends of the supply chain (both consumers and producers in this case) in developing countries. The same – but to a lesser extent – holds for ISO and the IRSG. Though these organisations have had a handful of projects financed by CFC, their main focus and expertise is not just the developing countries. The sugar market is quite dependent on rich countries policies and these require attention. In IRSG's case, though natural rubber receives more of the secretariat's attention than synthetic rubber, their focus cannot be so particular on development.

ICAC, which is in a similar situation, does many more projects. This is helped by ICAC's focus on research and development, more so than the above ICBs.

Most CFC projects are done by ICO, with ICCO not far behind. Many of their projects involve agricultural research too, some relate to marketing and promotion. The ICO has a special committee to review the proposals, similar to ITTO but smaller.

In Annex 4, we provide a longer discussion on the relationship between CFC and the ICBs. Topics discussed there include:

- 1 the discrepancy between the objectives of CFC and those of the ICBs. Any friction between their sets of goals obviously implies that some of the projects wanted by the ICB are not financed by the CFC (in the field of market promotion for example), and CFC may have a focus (on least developed countries for example) that is not shared by the ICBs.
- 2 The differences in membership. Around 75% of the ICB member countries is also member of CFC. Least developed countries are members especially of INBAR, ITTO and ICO (and CFC).
- 3 The advantages for the ICBs: since CFC came into existence, their opportunities for projects have increased enormously.
- 4 The tedious procedures of CFC: many months go by waiting for committees to meet, or revisions to be effected, or approved. ICBs have difficulties coping with the double screening of proposals, both by the ICB and the CFC Consultative Committee; some also find the financial arrangements difficult to work with. All find the writing of proposals and getting these approved by CFC very time consuming.
- 5 This leads the ICBs seeing projects more as CFC-projects than as projects of themselves.
- 6 The Annex suggests to address this issue by
 - a. changing the organisational structure of CFC, giving the ICBs more say in the doings of the Fund or
 - b. change the mandate of CFC opening it for requests by other organisations than just the ICBs

In Volume II of this study we provide theoretical considerations about the type of project that countries may want. It explains that projects aiming at production increases should be particularly supported by the consuming countries, as most of the benefits will eventually accrue to them. Projects targeting the transaction costs should be more welcome to both consumer and producer countries. As many commodity markets are characterized by high concentration of production in some countries, it is also noted that major exporters should, in particular, favour projects that lead to horizontal diversification.

The choice of projects submitted by ICBs and financed by the CFC shows a reasonable distribution over producer oriented projects.

Looking at the CFC funded projects with this point of view, we could classify the 145 projects of Table 3.3 into 52 projects aiming at farmers; 60 projects targeting trade and processing; and 33 projects focussing on promoting consumption (which includes innovation of consumer products). The numbers of projects per ICB are too small to draw firm conclusions about any specific orientation. The FAO is generally more focussed on the producer, with the exception of the IGG on Fish Trade that targets the consumer. Most ICO and IOOC projects also target the producer. Overall, the CFC-projects for the ICBs are for 39% aiming at producers, for 39% targeting the market and marketing, and for 23% the consumer demand. While most of the producer oriented projects aim at enhancing their production, including R&D in this field, the market oriented projects are divided as given in the following Table 3.4

Processing	21
Trade, marketing, inc warehousing, risk mgt	14
Development in general	15
Information collection, dissemination	2

What is striking in this division of market oriented projects is the limited number of projects in the field of market information. This is the mainstay of many of the ICBs, it is emphasized in numerous documents and many a report calls for more information to become available. Yet, projects in this field are not among the CFC sponsored set of projects. The ITTO currently implements some 20 non-CFC projects in the field of market information, including setting up systems for forest and timber statistics.

Among the other projects, the ‘market development’ projects most likely encompass the commodity chain perspective. But issues of corporate governance and traceability are hardly (if at all) visible among the projects undertaken. They appear in some of the studies of the ICBs however. The issue of market structure, and the degree of competition in domestic and world markets, is not addressed at all, neither in projects, nor in studies.

A look at the CFC-projects of the ICBs shows that diversification projects are rather few (see Table 3.5). While some of the vertical diversification may not show up in this table, but rather in the ‘processing’ item above, the horizontal diversification projects should be visible here, but number only two.

Table 3.5 Producer oriented CFC projects

Production increasing	36
Disease reducing	12
Vertical diversification	3
Horizontal diversification	2

The distribution of producer oriented CFC-projects shows that many of the projects aim at improving production, either through R&D, such germ-plasm projects, or through reducing the exposure to diseases.

The conclusion seems warranted that ICBs may not be in the best position to develop proposals that would help horizontal diversification. Their focus on one commodity only is not conducive for such projects, and UNCTAD should be in a better position to do so.

Environmental concerns

Some of the CFC sponsored producer oriented projects and a few of the processing projects have environmental goals. These include rubber agro-forestry (IRSG), forest management projects (ITTO), bamboo market development (INBAR) and projects focussing on integrated pest management, waste recycling and organic product development. In total about ten projects (out of 146) focus on environmental issues.

ITTO and INBAR have many projects in the realm of environment sponsored by other donors than CFC. ITTO has about 60 projects running in the field of sustainable forest management, while INBAR has a number of projects on bio-diversity, erosion control and sustainable bamboo production. For other commodities, initiatives have been developed more or less outside the ICBs. Few ICBs have undertaken studies, or developed projects to make use of the Clean Development Mechanism and apply for carbon credits under the Kyoto protocol. There might be scope for tree crops and for crops that can serve as alternative source of fuel. ISO looks into this in relation to bio-fuel. The ITTO works on the topic and so does INBAR. The FAO and UNCTAD have published studies in this field.

Outside the ICBs, more activities in the field of sustainability are emerging. There are many initiatives to ‘better’ commodity production. Table 3.6 lists these initiatives, but cannot be exhaustive. In many of them, the WWF plays a constructive role. ICO is represented in some

coffee initiatives, and the IRSG was involved in the Eco-rubber project, but otherwise the ICBs are not active in this field. The various initiatives are discussed in council and other meetings, though.

Table 3.6 Sustainability initiatives

Commodity	Initiative	Initiator
Coffee	Common Code for Coffee Community (4C)	GTZ, German industry
	Utz-Kapeh	Ahold and other N.Eur retailers
	Starbucks	Starbucks
Cocoa	World Cocoa Foundation WCF	Industry
	International Cocoa Initiative	US senator and congressman, industry
Cotton	Better Cotton Initiative	WWF and textile industry (GAP, Adidas...)
Grains	Round Table on Responsible Soy	WWF
Palm Oil	Roundtable on Sustainable Palm Oil	WWF, Unilever
Sugar	Better Sugarcane Initiative	WWF
Rubber	Rubber-eco project	IRSG Industry Advisory Panel
Tea	Ethical Tea Partnership	UK Tea companies
Timber	Forest Stewardship Council FSC	US Traders, NGOs: WWF, GreenPeace, ...
	Program for Endorsement of Forest Certification PEFC	European woodland owners
Multi-commodity	Fair Trade	Max Havelaar et al.
	Sustainable Tree Crop Program	USAID, WCF
	EurepGap	Northern European Retailers
	Sustainable Agriculture Initiative Platform	Food Industry
	Ethical Trade Initiative	UK NGOs
	Sustainable Commodity Initiative	IISD and UNCTAD
	IFOAM	Organic
Rainforest Alliance standards	Rainforest Alliance	

3.4 Resources

This section is dealing with the comparative efficiency of the ICBs, i.e. the relation between the resources used by every ICB and their outputs. Because their outputs (information, discussion...) are quite difficult to quantify, this evaluation is mostly qualitative. We tried to identify some indicators allowing us to compare the different ICBs and their efficiency. We tried also to identify “good practices” or “best practices”, by pointing out, for the different outputs, the ICB(s) which seems to be the most efficient. The two main resources used by ICBs being labour and office, we will analyze the efficiency issue for both inputs putting more emphasis on the labour issue.

We use the information from Table 2.4 in Chapter 2.

If we first compare the resources used *without taking into account the different level of output* produced by the different ICBs we can rapidly make two observations:

Without going into the details of their activities, we can point out that some organizations have a large number of support staff compare to the number of professional staffs. This is the case for IJSG, INBAR and ICO. For IJSG and INBAR, this situation can be interpreted in relation with their localisation is low income countries (Bangladesh and China) where local labour practices, and low wages, imply the employment of an abundant low skill workforce (drivers, cleaners, guard...). For ICO the high ratio of support staff is due to activities in the field of communication and perhaps also a remnant from the past. In some ICBs the distinction is less relevant however.

The wage cost per employee varies between €120,000 (ICCO) and €18,000 (IJSG). There are many reasons for these differences, including whether or not the ICB follows UN standards and the concomitant post adjustment multipliers. As a crude measure, we only adjusted the wage cost

per employee by taking account of the ratio of support staffs. We did so because, if ICBs were paying the same wages (same for professional staff and same for support staff), we should expect a linear relation between both variables¹. Graph 3.1 presents the different ICBs and a simple linear regression line.

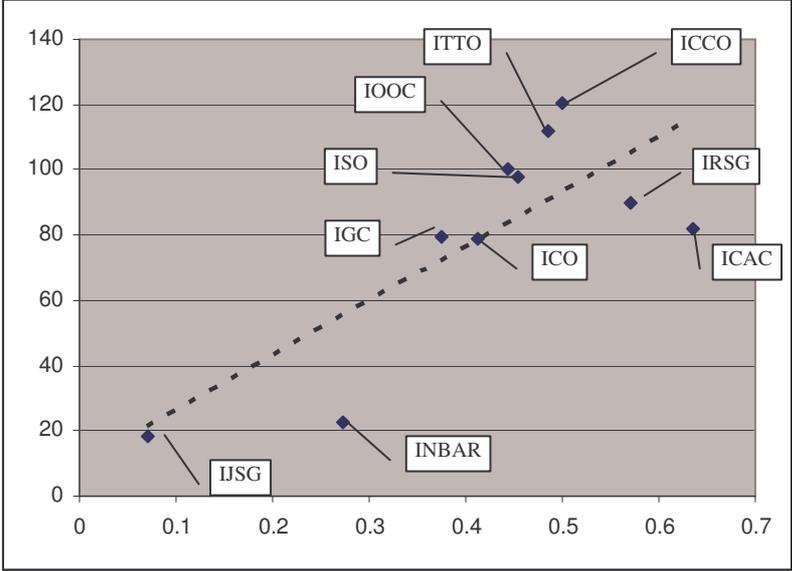


Figure 3.1 : Wage cost per employee (€1000) and share of professional staff in total number

This graph shows that apparently:

- ICCO, ITTO, IOOC and ISO staffs are higher paid, i.e. wage cost per employee is high taking into account the number of support staffs
- ICAC, IRSG staffs are lower paid, i.e. wage cost per employee is low taking into account the number of support staff.

The cases of IJSG and INBAR are quite specific because of the large number of support staffs employed on the basis of national wages (UN national scale in the case of IJSG). The ITTO situation can also be explained in relation to high level of international wages in Japan. Then only four ICBs would need a more detailed assessment of the situation regarding wage cost: on the one hand, ICCO and ISO hypothetically overpaid and on the other hand, IRSG and ICAC hypothetically underpaid. We must emphasize here the special position of the IGGs. The dedicated FAO staff uses a budget for the expenses related to the meetings only (including the salary of the secretary) which is less than the budget of the smallest independent ICB.

Accommodation

Four ICBs do not incur any expenses on accommodation: IJSG, INBAR, ITTO and IOOC. Their accommodation is provided free of charge by the host country. For the others, accommodation expenditures vary between 6% (ICAC) and 28% (ICO) of the total expenses. The accommodation cost per employee varies between €8000 (ICAC) and €37000 (ICO, now adjusted to €26,000). The average is about €21000. Two ICBs have high accommodation costs: ICO and IGC. They have also conference facilities. Two ICBs are paying a low price: ICAC and IRSG.

¹ If $WC = \text{wage cost per employee}$; $a = \text{average wage of professional}$; $b = \text{average wage of support staff member}$ and $\% = \text{percentage of professional staff in total staff}$
 Then, $WC = a*\% + b(1-\%)$ and $WC = b + (a-b)\%$

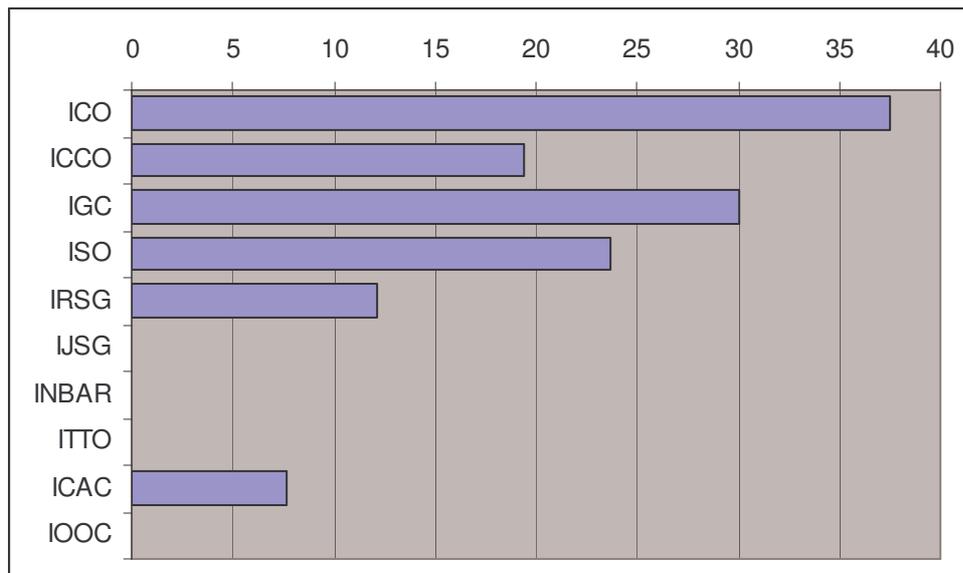


Figure 3.2 Accommodation costs per employee (€1000)

Staff size

The size of the staff is related to the output of the organization. Those that do many projects have many officers devoted to projects (6 at the ITTO for example), those that produce many statistics have many people working on statistics (IGC for example). No general benchmark can therefore be provided. In addition, large organizations in terms of number of members require more administrative staff. And some ICBs have specific tasks (IGC for administering the Food Aid Convention for example) that require staff.

Handling project apparently requires about one person per 10 to 20 projects (ITTO). Handling statistics in all organisations requires 2 persons; and more if more short-term statistics are provided. Producing market information, again depending on its volume and frequency, requires 2 persons or more. Studies require about the same input. Other personnel are needed for the organisation of events, including all official meetings. Some organisations, ICO for example, have a library and people devoted to providing information to whomever approaches the organisation. Finally, there are other support personnel including drivers, guards etc. and the management. The typical size of an ICB running a fair amount of projects, publishing statistics, market information, studies and organising a meeting or two per year in this way comes at some 10-15 persons.

Two ICBs are close to this typical ICB: ICAC and ISO, each with 11 staff members. IRSG is smaller, but handles only few projects and does less research. IGC and ICCO are somewhat larger. IGC produces much more statistics, also serves the Food Aid Convention, but handles no projects. ICCO handles projects, but produces less market information. ICO is substantially larger, but without showing commensurately more visible output. ICO has a larger membership, however. ITTO and INBAR are somewhat specific because of the very large number of projects they run. Both employ actually many more people through their projects than are included in the administrative budget. Finally, IOOC activities lie mainly in technical support, training and promotion and are all quite specific. The IGG secretariats are much smaller than the average ICB. Their statistics output is, nevertheless, at par with some other, but not with the better ICBs. Their project activity level is high. Studies are small. In terms of market information, meetings and

involvement of the private sector, the score is low. Their value-for-money ratio would certainly be the highest, however.

Part of the differences in efficiency (relation between outputs and resources) can be interpreted in relation with the “positioning” of the different ICBs. Historically, some ICBs were living and working with a “diplomatic positioning” where national administrations were the exclusive players. This positioning is expensive. It is associated with a certain style of living, which is the product of a tradition viewing international organizations as instrument for the management of interstate conflicts. For this tradition, the high costs of international organizations are justified by the even higher cost of potential interstate conflicts. This view of the ICBs today is less relevant because interstate conflicts on commodity issues are less probable, also as a result of reduced government interference. ICBs should evolve toward a “commodity chain positioning” where governments are in a more equal relation with enterprises (including farmers) and civil society organizations. This positioning can also be less expensive.

Funding

While most administrative costs are borne by all members, some of the expenses of ICBs are financed by few members or outside donors. As mentioned above, accommodation of the organisation is one of them, and some staff is occasionally also financed from special membership funding. Special studies may be financed by special donors and project income may also sustain some staff members. With many studies and many projects, a more or less permanent staff can be maintained in addition to the core staff of the ICB. Through such dedicated funding, members can express their concern for a particular type of study or project, beyond their membership of the ICB as such. Providing adequate funding for particular studies or projects is a direct way for country members to influence the output of an ICB. The donor countries already do so by setting priorities for, say, CFC funding, and in providing recommendations for some ICB projects and not for others. But they also do this by directly supporting some ICB work. To make the ICBs pay more attention to particular issues, as highlighted in this study (competition, small producers, environmental issues), a simple procedure is to come with initiatives from members such as the EU in this direction. These then should come with the appropriate funding.

3.5 Institutional lay-out and Representation in the ICB decision making

The most common format of the governing structure of the ICBs outside the FAO framework is to have a council, with representatives of the member governments. Some ICBs have an Executive Board of some kind for more daily decisions, as the council typically meets only twice or once a year. Councils occasionally have committees to discuss particular issues, like statistics, or economics, or projects. In this section we shall discuss the various ways in which the ICBs have organized their decision making framework.

We address the following topics

- division of members into exporting and importing members with corresponding voting structures and the basis for allocation of votes
- assessment of contributions and membership
- representation, in particular by the EU
- Structure for private sector participation
- NGO participation
- frequency of meetings, and the role of mandated committees

Weights of the votes (if any)

In the historical sketch given in Chapter 1 of this report, we indicated that the international discussion on trade issues has moved from the mere discussion of regulation pertaining to the movement of commodities from country A to country B, to a wider discussion in which the domestic situation in producing and consuming countries becomes subject of discussion. This change in focus did not just come about because of the recognition that domestic policies and standards play an increasingly important role; they have also become more relevant because producing countries increasingly consume their own products. For example, Brazil, which is a major coffee and cocoa producer, consumes about a quarter of its production of coffee, and has become a net importer of cocoa; Malaysia, the third largest producer of natural rubber, consumes one third of its production.

The more the ICBs extend their work into what used to be regarded as domestic issues, the more it becomes important to have a representation in the governing bodies of the people concerned. The importance of the country is no longer proportional to the export or import of the country (if we can talk about proportionality at all), but rather to the production and consumption of the commodity. A better weight of the votes in the ICB councils might therefore be to take the average of consumption and production, rather than exports or imports.

The improvements of the statistical basis also made it possible to change the way votes are distributed. Whereas in the past trade data were much more reliable than production or consumption data, these latter data have improved (excepting some commodities) thus enabling another basis for the calculation.

We can see such a change in weights of the votes by looking at recently concluded agreements. The agreement on the International Jute Study Group (2002) allocates votes to producing countries on the basis of 40% related to production, and 60% related to exports (of jute and jute goods); non-producing countries receive votes based on net imports only. As to the International Timber Organization (2006), the votes allocated to the members are split into importers and exporters of tropical timber (but counting those with tropical forest resources among the producers, even if they do not export so much); within the two groups, the votes are distributed with a view to continents, forest area and trade. The African group preferred an equal allocation among its producing members. The two examples show the weight given to other aspects than trade alone. The IOOC provides for shares being calculated on the basis of production plus imports, with equal weights. The IRSG uses the maximum of production and consumption of any member as a basis for allotting 40% of the budget.

Even when adopting a voting arrangement with more weight to consumers and producers, rather than importers and exporters, does this do justice to the stakes that the members have in the outcomes of the deliberations of the ICBs. The immediate impact of the activities of the ICBs is, nowadays, small compared with the days of actual intervention in the past. A successful ICB is likely to contribute to a decrease in the transaction costs of getting the commodity from producer to consumer. Any decrease in these costs will benefit both consumers and producers (unless fully captured by the trading and processing companies, which would signal an unhealthy lack of competition). The distribution of gains over producers and consumers is not likely to be equal, and so is not likely to be in proportion to the volumes consumed or produced. Demand and supply elasticities determine how the gains will be distributed. The lower the supply elasticity in comparison with the demand elasticity, the more the producers will benefit from a reduction in transaction costs. In other words, if consumers can easily adjust their demand to lower prices while producers find it very difficult to adjust their supply, then producers have more to gain from a reduction in transaction costs than consumers.

The stakes of the various member countries are dependent on the type of activities of the ICBs. The above reasoning applies to ICBs that contribute to social welfare by their effect on the transaction costs of trade in the commodity. If, however, the ICB largely works on projects (think of INBAR, for example) then the impact of the activities is not so much a reduction of transaction costs, but rather that some farmers now produce better and/or more products. This typically helps the farmers involved, and its benefits will accrue to consumers too, whereas the competing producers who were not involved with the project may lose a little. If we can ignore the effects on prices, the only beneficiaries are the producers concerned. In this case, why would a member country with more consumption or production carry more weight in deciding on a project proposal? It would be more appropriate to give them equal votes, or more votes to countries that contribute more to the project account.

In fact, voting hardly ever takes place. Many of the agreements have explicit rules stating that consensus should be sought first. An important reason for not voting is that the decisions of the international organizations are not enforceable. Any individual member country may refuse to do what the council decides. Maggi and Morelli (2003) show, that there are plausible reasons why unanimity is in such cases the preferred decision rule. In some cases countries have hardly an option not to go along with a majority decision, for example with the appointment of a new head of the organization. It is often in these cases that the agreements call for qualified majority decisions.

Summarizing the above points on the voting, the argument is as follows. There are more stakeholders than just the international traders who have a stake in the organizations; there is therefore no reason anymore to base votes on the exports and imports of the member countries; these had better be based on the average of consumption and production. Where ICBs move into projects in addition to the traditional activities in the field of market transparency, there is even less reason to take consumption and production as the basis for distribution of votes; equal distribution of votes (as is the rule in INBAR, IRSG and in the UN organization and the IGGs therefore) is the more logical choice in this case. While the distribution of votes can be important, even if only at the background, the actual practice of consensus decisions can be justified on the grounds of the unenforceability of decisions.

Financial contribution

The distribution of votes is, with the exception of INBAR and ITTO, also the basis for the assessment of each member's contribution to the organization. Thus, if a country has x% of the votes, it is also charged for x% of the administrative budget. The various organizations have additional rules that provide for minimum and maximum shares of the votes and the contribution. The minima thus agreed also establish the minimum entry fee for new member countries. It thus may act as a deterrent to new members if that minimum fee is set high.

The following table 3.7 lists the minimum votes and the (corresponding) minimum contribution of the ICBs. The table also provides an overview of the basis for calculation of the votes, or contributions.

An important element of the minimum contribution is its signal to prospective members. An amount of below €10,000 is less of deterrent than, say, IRSG's €30,000.

INBAR managed to introduce membership contributions in 2005. Before 2005, the secretariat was financed from projects and voluntary contributions only. Members decided to follow, with some adjustments, the rules for UN contributions, which links contributions in a progressive manner to GDP per capita. The ITTO does not just use the votes as a basis for the assessment of the contribution. In the new agreement, a division is made of the budget into a purely administrative

part (paid in proportion to the votes) and a part related to implementation of projects (paid mostly by consuming countries). For the IOOC, where no votes are distributed, an index based on production and imports establishes the contribution of members. The EU contributes 75% of the administrative budget and over 80% of the promotion budget.

	ICO	ICCO	IGC	ISO	IRSG	IGGs	IJSG	INBAR	ITTO	ICAC	IOOC
Exporter-importer balance of votes	X	X	X	X				X	X		
1 member 1 vote					X	X		X		X	n.s.
Minimum votes	5	5*	5	6					10**		
Minimum contribution (€1000)	9.1	6.3*	4.6	4.5	30.0		7 [^]	4 ^L	21**	11 [^]	2
Basis for contribution: initial equal share	18%				60%		50%			40%	
Basis for remainder:	trade	trade	trade	trade	Prod cons		Prod, trade		Trade**	Trade	Prod, trade
EU(25) votes of 2000 or #/total (inc EC)	675	921	402	380 ^s	7/19		1059	0	333 ⁿ	10/40	3/15
Eur Com. or members	C	C	C/M	C	M ^R	C/M	C		C/M	M	C

* producing members; **consuming members; n.s.: no voting specified; ^L for least developed countries; ^REC is member in its own right; [^] approximately, depending on number of member countries; ^sat the start of agreement 1992; ⁿ1994 agreement

Representation of EU countries

The EU, as Table 3.7 shows, is an important member of all but one (INBAR) of these organizations. The form of their representation differs however from one organization to the other. While in ICO, ICCO, ISO, IJSG and IOOC, the EC speaks on behalf of the members, and pays their contribution, in other organizations there is a mixed competence, which gives EU member states on some points competence in addition to the Community; in yet other organizations the Community is ‘just a member’ (IRSG) or the member states are themselves member, and not the Community (ICAC). The IGC is a typical case, as the EU is signatory to the Grains Convention, but EC and the members states jointly signed the Food Aid Convention. As shown elsewhere, the EU is member of the CFC, but France and ten other EU countries are not.

The explanation for the differences lies partly in the EU internal agreement on competences. The Treaty on the European Union (Maastricht Treaty) contained articles 133 and 300 that made the EC to have the exclusive competence in the case of the Coffee Agreement of 2001, followed by the Cocoa Agreement and the Agreement on the Jute Study Group.

Barattini (2002) comments on this use of the articles that the European Court had already in 1978 stated that the joint Common Agricultural Policy should be considered broad enough to encompass policies as intended in the International Natural Rubber Agreement, which included buffer stocking. The court also considered that the element of aid present in many agreements (which, as financial interventions, would be the competence of the member states) was there fundamentally to bring about an improvement in the terms of trade and export earnings. Such trade-related goal then could justify that exclusive competence lies with the Community. Orebech (2003: 130) elaborates this point showing that the mere financing by member states does not justify Member State competence if the financing was orchestrated by the Community.

In the case of the IGGs, and the FAO as a whole, the EU is represented by the Community and the Member States with competences that are clarified before any meeting. This leads to statements by the EU delegation in the FAO Committee on Commodity Problems as follow (taken from the CCP meeting 11-13 April 2006).

1. Organizational matters
 - (a) Election of Chairperson and Vice-Chairpersons
(*Competence Member States, vote Member States*)
 - (b) Adoption of the Agenda
(*Mixed Competence, vote Member States*)
 - ..
 3. The State of World Agricultural Commodity Markets
(*Mixed competence, vote European Community*)
 4. Policies affecting Agricultural Commodity Markets and Trade
(*Competence European Community, vote European Community*)
- Etc.

Competences and votes, apparently, can differ from one agenda point to the next and one *mixed competence* can be combined with Community votes, the other with Member State voting.

Providing clarity about the internal division of competences is not always done, however. The European Court of Justice even ruled in 1978 that ‘it is (...) not necessary to set out and determine (...) the division of powers (...) between the Community and the Member States’(quoted by Björklund, 2001). Björklund comments that this involves difficulties for third parties.

In a comment to the European Court of Justice (ECJ) ruling on an FAO-related competence dispute, Beate Rudolf (1997) calls for “a new provision in the Treaty enabling the Community to speak with one voice”.

If this voice came from one mouth, say that of the Commission, it would help in giving the Community a say in all deliberations where mixed competence applies (a consideration of the ECJ in the above case); it would prevent giving the impression that members state voting implies member state authority (*idem*); and it would make clear whom to contact in case that further clarification is sought. A disadvantage of giving more room to the Community in representing the EU is the reduced democratic transparency (Leal-Arcas, 2004).

The ICBs themselves are caught between two perspectives. One is to have the EU as the sole member, but this runs the danger of reducing their contribution to the organization, if the EU were counted as one member (at present EU is counted as 25 members). The other is to have only EU Member States as members, with the likelihood of not having all of them as member (as now is the case in ICAC). Finally, the option remains of an ‘independent’ membership of the Community (as in the IRSG), next to Member State membership.

Weighing the various options and arguments, it seems to us that the functioning of the ICBs is best served by having the EC as a member, representing the EU Member States. The main argument is that the ICBs are typically *commodity* organizations, and as such deal with tradable commodities. Hence the perspective of trade, linking farmers to the international market and reducing the transaction costs of moving goods from producers to consumers, is the fundamental *raison d’être* of the ICBs. Given, then, the competence of the EC on trade issues, the appropriate representation of the EU would be by the EC.

Private sector participation

Over the past years, many ICBs have accommodated more private sector participation. Table 2.3 gives an overview. The recent changes in the ICO and ICCO are felt by the private sector as great improvements over the past. Although close contacts were maintained at that time, they were not

formally heard in the deliberations, which – they claim – occasionally led to inferior decisions, especially where technicalities of trade are concerned. In the case of the ICO (and unlike the ICCO), the private sector stressed, that still more say in the agenda and work program of the organization would be desirable.

In the negotiations that led to the establishment of Private Sector Consultative Boards in the ICBs, the consuming countries, more than producing countries, stressed the need for such involvement. Some even dreamt of further reducing government involvement and leave the ICB to the private sector all together. Producing countries were not as keen, however.

For ICBs like ICO and ICCO, which operate in markets with high degrees of concentration (in countries, and in firms) of supply, trade and processing, the involvement of firms in the deliberations proves efficient. The firms have information and skills that may help the ICBs pursue their goals of improving trade conditions. As indicated in Chapter 1, the supply chains are, however, longer than just from exporter to importer. They extend from producer (and the production factors involved) to the consumer. Hence, the private sector involvement should not include only traders and processor, but also representatives of producers, manufacturers, retailers and consumers. Some of these groups in the supply chain are more difficult to include than others in the process, because they may lack sufficiently endowed representative organizations. Smallholders on the one hand, and consumers on the other end, are among them. Plantation workers also fall in this category.

Roles of government in case of private sector participation

Governments have a dual role in representing their countries. They are stakeholders by themselves, as their decision making is helped by the work of the ICBs (if these do their work well); they are also representing their citizens as stakeholders in the commodity chain. In the latter role, they represent consumers and producers (and the industry and trade); they should even represent *future* consumers and producers, thus guarding the sustainability of the commodity chain. Over time, the consuming governments have reduced their policy involvement with the markets for many commodities. Hence, their stakes in the work done by the ICB have also diminished. But their stakes in the ICB work in their capacity as representatives of producers and consumers has not diminished, and this responsibility cannot be left that easily to the private sector. Consumer health, their preferences for fair trade in the commodity, their concern for social and environmental conditions, and for the degree of competition among the private sector participants, all such considerations can now be expressed only through the government representatives in the commodity organizations. Similarly, the many small producers and other stakeholders in producing countries need representative organizations (and in their absence preferably their government) to make their voices heard.

Government representatives have a role to play in the ICBs, even if the private sector is sufficiently represented in the decision making. In these cases, their role is to represent the interests of all the other stakeholders.

In the old situation, where private sector involvement was nil, government representatives were understandably putting great emphasis on representing the interests of the trading and processing private sector. With more direct involvement of this group, the focus of the governments can now switch to emphasizing the stakes that other stakeholders (consumers, farmers) have.

One element of the ICBs' work in reducing transaction costs is formed by aligning the government regulations with efficient solutions that the private may have. This requires consultations between governments and private sector participants, and the ICBs are well situated to provide this opportunity. ICBs should be the vehicle for private sector representatives to talk to the governments, and vice versa. Safeguarding open channels between one group and the other is an important role for the ICBs. The official representation of the private sector in the ICBs has helped

to improve the mutual understanding between private sector and (in particular producing country) governments. Open channels, and improving mutual understanding requires participation of the right sort of representatives. On the private sector side, they should ideally be persons closely involved with the trade and industry; on the governments' side they should be persons involved with policy making. There are some second-best solutions on either side in this ideal situation. On the one hand, private sector representatives are occasionally persons that know the actual trade and industry work not particularly well; on the governments' side, the frequent representation by Embassy personnel (or by parastatal companies) is not considered optimal by many a private sector contact.

Here again, the private sector that should enter into the discussion with the governments, should ideally encompass the whole supply chain, from the small producers to the final consumer. In particular, it is the retail sector that is now completely missing in the debates on the commodities, even though they play an increasingly important role in setting standards for products, and in translating consumer preferences into demand on suppliers.

Independent roles for governments and private sectors, as we advocate above, is more easily implemented in and by the developed consuming countries than in many of the producing countries. Ties between government and private sector are often more close in producing countries, even to the extent that the private sector represents the government in the ICB. In these cases, the same persons show up in the private sector boards of the ICBs and in the Council meeting. In the olden days, this was particularly pronounced; it was at the same time, a way to include the private sector. With more independent private sector participants on both consuming *and* producing side, the representation in the ICBs should change too, with lower incidence of double role playing.

While all ICBs show themselves happy with the involvement of the private sector, there is room for improvement. The stakeholders in organizations with limited membership (ICO, ICCO, ICAC), who are not a member feel this as a constraint, as a closed shop. This is confirmed by the associations that *are* members: they feel that the membership and the privileged access to the meetings and publications boost their role vis-à-vis their own members. In the common way, the restricted membership provides a rent. Benefits accrue to the private members. The more open structure of the IRSG enables a wider audience to gain access to information, at a certain fee; a large selection of these associate members (presently 33 out of 95) are admitted by the Economic Committee (one of the Council Committees) to the Industry Advisory Panel which has a say on the work program etc.

The private sector structure of ITTO is also open, their Trade Advisory Group also advises on all issues they want, including projects and work program. The difference lies in the access to statistics and studies. At the IRSG, this is free once the membership fee of GBP 1000 is paid, and the ITTO makes its information freely available to anyone. In terms of organizations structure then the two organizations achieve the same thing: private sector participation in the decision making structure of the ICB, with a strong voice, open access, and the final word is still with the Council.

The Grains Council and the Sugar Organization are open to the private sector in quite a different manner. They gear their work towards the users of their information, in particular the private and (para)statal sector. They have subscriptions to their information services; in the case of ISO with a fee varying according to the extent of detail and timeliness. The focus on their clients keeps their work programs targeted. The formal organization of the ICBs does not include a private sector consultation. Obviously, private sector participants feature in the delegations. This solution of including private sector representatives in the delegations has the disadvantage of lack of clarity as to whose voice is expressed, that of the government in its general role, or of the private sector. Often these interests coincide, but not in all cases.

Involving civil society

The ITTO has, in addition to its Trade Advisory Group, a Civil Society Advisory Group (CSAG), which is open to all kinds of organizations from the civil society. The ITTO secretariat supports the Group and ITTO calls for sponsoring the participation of the Group.

ITTO is unique in this respect. The other ICBs have no such more or less formal groups. But the contacts with active civil society groups are well established. Their degrees of activity in the international arena differ from one commodity to the other. There are strong coalitions active with respect to coffee, cocoa, sugar, timber and tropical forests, cotton, palm oil and bananas. Among the main groups, there are trade-oriented and sustainability-oriented NGOs (and dual-focus groups). Among the former are groups focusing on fair trade, aiming at changes in world trade policies in favour of small producers in developing countries; Oxfam is a notable NGO in this field, the Fair Trade Organization too which establishes direct links with producer organizations and marketing products certified to have not just inherent both also social characteristics, such as good social conditions, higher producer price etc. These conditions may also include environmental safeguards. The second group focuses more explicitly on sustainability issues. These include the WWF and Rainforest Alliance to mention a few. They work *inter alia* on standards for sustainable production for crops and forest.

What role for these organizations in the ICBs? They are demanding access. Oxfam requests access to ICO meetings to present their ideas on improving the position of small coffee growers; Euroban and a host of other organizations/stakeholders in the banana economy request to be heard in the IGG Bananas (if it were to meet ...) and come with a concrete plan for a multi-stakeholder forum on bananas, that should come in addition to the 'normal' IGG forum. In this wider forum, there should be ample room for governments, civil society, private sector and other interested parties. For both Oxfam and the Euroban group it holds that they do feel assisted by the ICB (with data, information, etc.) but want more access to the governments and industry than is presently catered for by the institutional arrangements of the ICBs.

Such civil society initiatives are signs of a rather widespread feeling of discontent with the existing international structures. They put the finger on some aspects of the commodity chain that are insufficiently covered or discussed in the existing ICBs.

- An important aspect is the position of small producers, and the position of workers in the plantations. The focus of the ICBs on the *commodity* rather than the *actors* now turns against them: there is a general lack of information collected by the ICBs about the social conditions (incomes, working conditions, etc.) of the actors in the chain.
- A related aspect is the environmental effects of the present production system. The sustainability of the present system is feared to be too low. What have ICBs to offer in terms of statistics and studies on the issue?
- There is concern about the degree of competition in the international market (and also in the domestic markets on both ends of the supply chain). ICBs have in general not collected enough relevant data or done studies to answer to such concerns.

The civil society organizations are thus demanding attention for aspects of the commodity chain that are – in most cases – close to the heart of the ICBs' missions.

One answer to their demands could be to start addressing these issues more seriously. ICBs are well placed to address some of the issues. Statistics on the firms and farms and their owners and workers fall well within the scope of ICBs. The information helps improving the understanding of the market. Addressing the environmental consequences of the present production systems should also be considered a dearly needed expansion of the work done by the ICBs. For the last point of

concern, the structure and conduct of the market, the ICBs are not well-placed. As their membership covers precisely all the actors in the supply chain (ideally, that is) a critical study on the performance of some of their members will encounter strong opposition, and may jeopardize other useful activities. Such studies on competition can better be done by organizations with a wider angle, such as UNCTAD. In fact, their track record in this kind of studies is substantial.

Another question is if ICBs should open up to the civil society. The ITTO sets the example of a dedicated advisory group. This may indeed be an example to be followed by other organizations. The open structure of the Advisory Group avoids having to make a difficult selection of organizations to be admitted. The FAO Intergovernmental Groups are at a disadvantage as their ostensibly rigid structure within the FAO framework does not facilitate setting up advisory bodies of this kind.

An alternative to membership - following the line of reasoning of the above paragraph on the private sector - is that the government representatives pay much more attention to these issues (on behalf of their consumers and producers).

Finally, the concerns can be voiced in forums organized by the ICBs but not part of the ICBs' structures themselves. Such is actually the case for many ICBs. Yet, addressing a conference, or one meeting, may not carry the same weight as, say, proposing a council resolution.

Board – Council – Director - General

There are clear differences as to the distance between the Council and the Secretariat. On one extreme, we have INBAR's construction, in which the Council meets once every two years, and the Board of Trustees is the more daily supervisory body, and 'sounding board' for the Director-General. INBAR's Board differs from Executive Committees in that the members are not all chosen from the Council member countries, but some on the basis of their expertise only.

The Councils of the IGGs, and its parent body the FAO Committee on Commodity Problems meet once every two years too. In between, the secretariat keeps in touch with the Bureau, consisting of Chair and two vice-chair persons. ICAC has a 'standing committee' (which maybe as large as the council) for discussion on current matters. Some ICBs (jute, olive oil, timber) have no executive committees and the Council takes all decisions.

In the negotiations for the new Timber Agreement, a proposal to install an Executive Committee and reduce the frequency of Council meetings did not make it.

The general picture that emerges is one of very reluctant transfer of authority to an executive committee and, even less, to the organization itself. Countries may like to become member, but appear not willing to give up any say in whatever matter may arise. Again with the exception of INBAR, the construction of the ICBs gives but a weak mandate to the executive committee or the secretariat itself. In practice, quite naturally, the secretariats must find ways to have decisions taken (or sounded out) in time. ITTO's Informal Advisory Group and the Bureaus of the IGGs can be seen as practical solutions for the absence of an executive committee.

While this construction may be favourable to the involvement of the member countries in the actual work done by the organization, it hampers the efficiency of the organization and its flexibility to respond to new events. In some ICBs project proposals, or publications must wait for Council approval before they can be implemented or published. This adds to the delays already encountered in securing funding for the projects. The Council involvement does not usually lead to better projects or publications, leave alone to better statistics. Do the few occasions that it does, justify the efforts that go into these meetings?

The Council meetings are political meetings, in which member countries can express their views before the other members/stakeholders in the commodity. This is an important, perhaps *the* important role of the council meeting. But to the Council are also submitted numerous pieces of

paper dealing with issues of minor importance. These issues require considerable meeting time, quite some staff time, and lots of time of the representatives involved. Time, which can be used for better purposes. It should be possible to indicate which matters are put before the Council and which matters can be dealt with by small committees or the organization itself. The formulation of clear mandates for the organization could help to diminish the amount of paper work and time involved. It would also acknowledge the professional expertise present in many ICBs. The Council time thus saved could be used for more substantial thematic discussions, or – certainly where meetings are held twice a year – the frequency of Council meetings can be reduced.

Smaller committees to oversee the work (and coordinate)

The structure chosen by INBAR, to have a Board of Trustees, accountable to the Council, but with its own mandate, and consisting of some Member country representatives complemented by experts, has the benefit of bringing in relevant expertise on much of what the organization actually does. The Council members of an ICB, though ‘owners’ of the organization, are not for that reason the best judges or advisors of the organization. The same can be said of the Committees governing the work programs of UNCTAD’s Commodity Branch, or of FAO’s Commodities and Trade Division. While care must be taken to ensure that eventually the member countries do have the final word, it seems attractive to mandate committees, small in number but large in expertise, to provide the short-term guidance to the commodity work done. Such small committees would also be in a better position to help coordinate the work between these two organizations, and potentially with the work done in the ICBs and the CFC. At present, the country representatives in UNCTAD’s Committee on Trade, in FAO’s Committees on Agriculture, and on Commodity Problems, and in the Councils of all the ICBs are in a very difficult position to coordinate their actions. Even if members of one committee may be able to coordinate their efforts, their colleagues in other committees may not be able to do so. Even coordination of actions of representatives of the same country is difficult, as they are in many cases not linked to the same Ministry or Department.

The basic idea behind this line of thinking is to see the councils discuss more on political, longer-term and thematic issues, while small, mandated committees take care of short-term guidance, inter-organizational coordination and administrative matters. And even these can be scrutinized: for example, there is no need for a *credentials committee* for ICBs, as Crispeels (2002) makes clear.

3.6 Mandates

To summarize the current situation in a nutshell we can say that, today, ICBs are characterized by too large a number of objectives without any clear hierarchy. This situation, problematic for managing an ICBs, but also for evaluating their activities, can be seen in relation to the disappearance of the historical objective of ICA: the stabilization of international prices. Confronted, on the one hand, with the growing contestation to and the declining relevance of this historical objective, and, on the other hand, with the absence of a common view regarding a new “big” objective, the negotiators have introduced an increasing number of “small items”. The more recent the agreement, the larger the number of « items » listed as « objectives ». This is clearly the impression one can get in reading the text of the ICAs in a chronological order. From this point of view, the comparison of the 1953 Sugar Agreement with, for example, the 2001 Coffee Agreement or the 2005 Olive Agreement is particularly revealing.

We think that there is a strong need to reduce the number of items qualified as ICBs objectives. To do so, it is necessary to identify the redundant items. Two different problems, related to two kinds of overarching items, can be pointed out:

- The survival, in a hidden way, of the price stabilization objective
- The confusion between aims and means

The survival of the price stabilization objective

Today, the International Coffee Agreement is the only one explicitly mentioning “prices” in its objectives (“fair prices”), but the historical objective of price stabilization is still discernible in several agreements. For example, one of the objectives of the “International Grain Agreement” is “the stability of the grain market”. Even if the word “price” is not used, it is implicit. Otherwise what would be the “variable” of the market to be stabilized? Moreover the “price stabilization objective” is also hidden in two other objectives frequently mentioned:

- The promotion of consumption (or demand) (coffee, cocoa, sugar, rubber, olive oil): when price stabilization was the very objective of ICAs, the promotion of consumption, beside the control of supply, was a clear and logic sub-objective (even if it was a sub-objective very difficult to reach). But the promotion of consumption cannot be an objective *per se*. Why promote the consumption of sugar if sugar would entail public health problems or the consumption of coffee if more coffee cultivation would contribute to the destruction of tropical forests? Clearly, consumption promotion cannot be unconditional.
- The objective “promotion of international trade” raises the same kind of question. Is it a relevant objective if price stabilization is no more the major one? Certainly not. The expansion of trade was promoted as a way to balance the market. But trade can be a source of social problems (pollution created by long distance transportation for example) and can generate social cost superior to social benefits (if trade is supported by a large use of subsidies for example).

Confusion between aims and means

A large number of items currently mentioned in the ICBs objectives are in fact means. “The promotion of international cooperation”, which is, in most cases, the first item proposed as an objective, is a very good example of the current confusion between aims and means. “International cooperation to do what?” is the first question. “International cooperation between whom?” is the second one. Both are quite related.

ICAs and ICBs have been created as an instrument to organize discussion and coordination between national administrations in relation to the international trade of a specific commodity. They have been created to limit the number of conflicts between national administrations when national administrations were controlling in several ways international trade, and when the decision taken by one country was likely to have a negative impact on other countries. In this context, the simple existence of “powerful” national administrations made “the promotion of international cooperation” an objective *per se* because of the necessity to reduce the potential of conflicts. In other words, “the promotion of international cooperation” is a relevant objective when and where national administrations keep some influence, when and where national administrations are “real” actors likely to get conflictive relations. For many agricultural commodities this is no more the case. After twenty years of liberalization, national administrations lost much ground or have been just eliminated. They are less and less able to manage or control external trade. International cooperation between national administrations cannot anymore be an objective *per se*. It does not mean that today “international cooperation” is not necessary. It means that it is a means

to be justified in relation to a “superior” objective. The last remark applies to the objectives “to provide a forum for intergovernmental discussion” and “to provide a forum of consultation with the private sector” as well. Such activities must certainly be organized by ICBs but cannot be justified *per se*. “Discussion” and “consultation” to do what?

Another series of items are also clearly activities to be implemented by ICBs but are not objectives: “to collect and provide information”, “to promote and support research”, “to analyse and/or prepare commodity development projects”, “to promote training and information for technology transfer”. Erik Crispeels, in Chapter 32 of his edited book on International Commodity Organisations commented “The text of an ICA should be confined to a statement of principles. Provisions implementing the principles should be removed from ICAs.” (Crispeels, 2002:354).

If we screen the current objectives with this in mind, Table 3.8 shows what objectives fall under the headings ‘old’, ‘instrument’ or ‘regular objective’. This first selection eliminates more than half of the items defined as objectives in ICAs (12 of 20). If we agree with this selection we should notice that several ICBs – sugar, rubber, cotton and the IGGs – do not have any relevant objective left! This paradoxical situation is, partly, just a question of terminology. The adoption of a more generic formulation like “promotion of market transparency” would give to these ICBs a framework to justify and organize a large part of the activities today listed as objectives (“To collect and provide information”, “To provide a forum of consultation with the private sector” for example). But this situation also reflects the too low importance given to the sustainability issues in the current definition of the objectives of five ICBs: ICAC, IGC, IGG, ISO and IRSG. The poverty issue is even less taken into account. Today only one ICB – the IJSG – is explicitly mentioning poverty alleviation as one of its objectives.

Table 3.8: A first selection of the generic “objectives” of the different ICBs

	Survival of the historical objective	Means, rather than aims	Objectives
To promote international cooperation		X	
To provide a forum for intergovernmental discussion		X	
To provide a forum of consultation with the private sector		X	
To promote expansion of international trade	X		
To promote market transparency			X
To collect and provide information		X	
To promote and support research		X	
To contribute to a balanced market or to stability of the market	X		
To contribute to the elimination of trade barriers and unfair discriminatory practices	X		
To enhance world food security			X
To contribute to the development of countries whose economies heavily dependent on exports of the commodity			X
To promote consumption	X		
To promote sustainable commodity economy			X
To analyse and/or prepare commodity development project		X	
To promote quality			X
To promote training and information for technology transfer		X	
To improve productivity			X
To promote increased and further processing of the commodity			X
To address the issues of poverty alleviation			X
To create increased awareness of environmental friendly nature			X
To contribute to the elaboration of standard and the protection of geographical indications		X	

IGC and ITTO need a special discussion.

Two of the IGC objectives are very specific, i.e. not shared by the others ICBs:

- food security
- the development of countries whose economies are heavily dependent on commercial sales

Food security could certainly be one of the very objectives of IGC. Food security is clearly still an important issue and quite distinct from other global issues. The concern here would be more about the potential overlap with the activities of the others IGOs dealing with food security, mostly the World Food Program and the FAO.

The grain agreement is the only one explicitly bringing up the development issue of the commodity dependent countries. It states that one of its objectives is “to contribute to the development of countries whose economies are heavily dependent on commercial sales of grain on grains”. It is surprising to see this mentioned for this commodity when we compare the share of grains in total exports with those of coffee, cocoa or even sugar. The level of dependence on grains exports is limited even for the most dependent countries. The maximum share of grains in total exports is 8% for Argentina and 7% for Uruguay.

ITTO is introducing another specific and historical objective: the promotion of an increased and further processing of the commodity in the exporting countries. There are two aspects to this. One is the aspect of trade policy in which case the possibilities for international discussion and cooperation are limited to tariffs negotiation. Increased processing can be promoted by decreasing the tariff escalation in importing countries. Is WTO not a more effective place to negotiate such rights than ICBs? The other aspect to the issue of domestic processing is that the transaction costs from producer to consumer can be reduced by having more processing done locally, which at the same time helps producing countries generate more value added. To the extent that such domestic processing is not done now for reasons of ignorance, lack of skills, infrastructure or institutions, the ICB is well placed to come with projects in this field.

3.7 Do ICBs meet the needs of the specific commodity and its market participants?

As we detailed in chapter 2 of the study and elaborated above, the various ICBs follow different approaches toward the realization of their objectives. How opportune are these approaches in view of the markets, and institutional contexts in which they operate?

The first point to note is that one rationale for government involvement is the extent to which poor producers and consumers are among the stakeholders. No ICBs exist for goods, such as toys, textiles or semi-conductors. Why then have separate ICBs for the commodities we considered here? The rationale for maintaining an organisation dedicated to these commodities is that so many poor producers are involved, with limited alternative sources of income and with considerable concern about sustainability. Thus, the rationale is not that such organisations are the *best* way to help the poor farmers. The farmers may be helped more adequately by more and better education, infrastructure, non-agricultural employment opportunities and perhaps migration. While this should certainly be considered, the commodity-focussed organisations have a role to play in facilitating and sustaining the income generation from their existing – and in the short run fixed – resources. Thus tree crops, such as coffee, cocoa, rubber and tea are typical examples of commodities of producers with limited short-run alternatives. And coconut an example of a

commodity not specifically covered. The same applies to crops where no good alternative is available, such as cotton in semi-arid zones; or where a processing industry is established that also fixes supply. These investments form the specific capital that in the transaction costs theory can be a reason for specific contracts. This applies to dairy, cotton, jute, sugar, oils and some other commodities.

The second point is the extent to which government involvement can make a difference for the contribution of the ICB. We argued above that the intergovernmental status of the ICBs helps them to collect statistics (as the assistance provided by member and other countries may be better) and helps them to disseminate these with a neutral reputation. This applies to all those commodities where no other statistics providers are doing the same job. The review of Volume II gives an indication of the extent to which other providers are active. ICBs are, with FAO and USDA, the major suppliers of statistics, but in many cases other providers are prominent. Private sector statistics providers are active in almost all major commodity markets, including coffee and cocoa market, the market for oils and fats, sugar and rubber. ICBs' statistics are particularly strong in showing the developments of volumes, whilst prices are more easily covered by other providers.

The third point concerns the degree to which industry itself could organise the services now provided by ICBs, including the forum function, data collection and special attention to the market. In almost all major commodity markets, there is a high degree of concentration of the industry. Cotton and timber may provide exceptions here. Such industry or their associations are certainly capable of establishing institutes to cater for their jointly felt needs. Disadvantages of such private initiatives would be that smaller industry partners may have difficulty to enter, that governments themselves may have less easy access to the information, and that establishing a reputation of neutrality and of being no threat to competition may require substantial effort and time. Due attention to social standards and environmental issues is also not easily undertaken, while free riding behaviour of firms is likely to impair such private initiatives.

The fourth point is the need for the governments themselves to have access to such information. Many of the country members of ISO or ICG take a strong interest in the data these ICBs collect, for the operations that they or their parastatal companies undertake. They are thus immediate clients of the organisations. As sketched in Volume II, for many commodities direct interference of governments is relevant still and the information needs of these countries might be met by the ICBs, if not otherwise provided for.

ICBs that deal with tree crops (ICO, ICCO, IRSG, ITTO, IOOC, IGGs on fruits, oils) generally fall short of providing sufficient insight into the activities that shape the longer term, notably the plantings and uprooting of trees, and the alternatives open to the producers.

The environmental dimension of these activities is particularly important for them, and special attention should therefore be given to what constitutes sustainable crop production (cf. Roundtable on sustainable palm oil). The WWF is an active partner in this respect. Carbon sequestration and the CDM can be important elements here.

These crops typically pass through a number of traders before reaching the exporters or processors. The market performance at this stage of the supply chains requires attention. There are large differences between and within countries which suggests scope for improvement. This may also apply to the institutional economics of this stage: the types of contracts used, degree of competition and the institutional enforcement of contracts.

ICBs that deal with commodities that mostly undergo domestic processing, such as cotton, jute and other fibres, timber, oils, sugar, dairy, meat, hides & skins, have a natural focus on the efficiency of the processing stage. International and national benchmarking of such enterprises provides a helpful tool for improving their performance. Where states support such sectors, the benchmarking

helps in setting standards for performance too. The institutional economics of the relationships between producers and processors require specific attention, as spatial monopsonies are likely.

The more concentrated the industry is, and the larger the major companies therefore are, the lower the need for such benchmarking type of information. Thus, in international trade or overseas processing, the scale of operations has increased so much that there is less need for such studies. Closer collaboration with major industries may now prove helpful in generating the required statistics and market information. At the same time, statistical evidence pertaining to the degree of competition and the distribution over the value chain becomes more relevant for governments and the civil society. With less and larger companies, the issue of price discovery and the performance of futures markets gains in importance. Finally, corporate social governance and the setting of social standards emerge as points for discussion.

ICBs dealing with important food crops such as grains and rice must closely watch developments over time as the costs of shortages are high. Stock changes, price developments in various markets, trade and supply conditions around the world all contribute toward the overall picture.

Finally, an ICB like INBAR deals with a commodity, bamboo and rattan, which is being developed into a more widely traded commodity. Setting up processing and supply chains is more of a focus for such organisation. This may also hold for other, as yet, smaller commodities.

The ICBs in general show the orientation of their activities they are expected to display. Their interaction with the governing bodies and stakeholders apparently steers them sufficiently well into the 'right' mix of activities, albeit that attention for competition, institutional economics, small firms and farms and the environment should be higher. These are typically the elements that are not of immediate interest to the individual trading and processing industries, but are important for the overall performance of the market. It should typically be government representative, as custodians of the overall welfare, who should ask for a better profile of the ICBs in these domains.

The organizational structure of the ICBs reflects, to some extent, their orientation. The rather independent mandate of the INBAR secretariat and its Board of Trustees, and the one-country-one-vote befits an organisation dealing mostly with projects. Where trade is at stake, as was the case in ICO and ICCO, a trade related voting system is appropriate. As argued above, now that adherence to quality, social and environmental standards and the relevant information on all this along the supply chain become more important, a weight reflecting consumption and production becomes appropriate.

Chapter 4. The Future Role of the International Commodity Organizations

In the light of the analysis of Chapter 3, what are the implications for the future work of the ICBs? And what do they imply for the future organisation of the commodity-related work in a broader setting? In this chapter, we follow the steps and arguments in the report thus far and highlight the consequences that these may have for the ICBs.

We make a distinction between the functioning of the ICBs as they are, and with the mandates they had, and later on in this chapter the functioning of the “ideal” ICBs.

The overriding challenge for any ICB, as we see it, is to improve the performance of the whole commodity chain and to contribute to sustainability. While reducing transaction costs between producer and consumer has always been important, the commodity chain concept has gained in importance due to increased vertical integration in the supply chain, and due to the greater attention for social and environmental standards affecting commodities. New international commodity policy cannot limit itself to regulating international trade only; it must deal with the conditions under which commodities are produced, processed and traded, and with the institutions governing these conditions. This brings in new attention to competition and the distribution of the value added in the supply chain. This provides a rationale for government involvement. Concerns about the environment and about the livelihoods of the producers are important for all governments too. Also for this reason, they should participate in and actively promote discussions on how to address these issues.

Commodities that are the subject of this report are mostly produced by farmers in developing countries. Concerns for their income and sustainability of their production demand specific attention. Targeted organisations that adequately address the performance of the supply chain of these commodities, the environment and the position of farmers in developing countries can be the right vehicle for discussions on improvements in the sectors.

ICBs can and should contribute to reducing the transaction costs over the supply chain. They can do so by improving the transparency of the market. Such transparency helps market participants do their business at lower costs, and facilitates new entry of participants too. It can be accomplished by providing reliable and relevant statistics, market information and studies; and by bringing the stakeholders together. These stakeholders include all the participants in the chain, from producer to consumer, and the governmental and non-governmental organisations concerned with the commodity. ICBs can, in the field of data collection and neutral market information, and in the field on meetings of stakeholders do a better job than the private sector, provided governments and private sector collaborate. This is – by the same token – another justification for government involvement with the ICBs.

It is important that the commodity organisations ‘reach out’ to both ends of the supply chain. They should document what is going on throughout the chain and inform the participants of their findings. The underlying motives are a) to reduce transaction costs for each link in the chain by increasing the knowledge, and b) to provide examples of how things can be improved. In most cases, the present mandates of the organisations do not preclude this and improvements in the performance can be reached rather quickly.

4.1 Within the present mandate

Activities: statistics

The coverage of the supply chain by the statistics collected and disseminated by the ICBs should be complete. The price data should inform about the prices prevailing at the producer level, and at

later stages in the supply chain up to the final consumer. They should help document the impact of prices of other goods and services that are combined with the commodity into final products. The influence of exchange rates, tariffs and taxes should be made clear. FAO's work on supply-utilization balances for commodities is important to trace the flows of the commodity. Their general web-based data base does include some producer prices, but not consistently so. As to tariffs and non-trade barriers, collaborative work with UNCTAD could prove very fruitful.

Some ICBs regularly publish producer prices. The ICO and ITTO (to some extent) provide good examples of public information, and the ICCO of information restricted to the members. ISO and IGC provide even more detailed information to their clients. A major challenge is to reach along the whole chain and to bring qualities, stages of processing and corresponding prices into a single framework. FAO's IGG on jute, kenaf and allied fibres provides a good example of the stages at which prices are measured: at farm gate level (including those of competing crops), at processed level for various jute goods, export level and consumer level (again including the competing commodity, in this case synthetics).

A new field that requires coverage in terms of statistics relates to the environmental effects of commodity production and processing. The ever growing importance of climate change and sustainability calls for more information being collected, but operational definitions and ways of collecting good statistics are still to be established.

Studies that address the long term require relevant data on substitutes available to farmers and consumers. This should include synthetic alternatives on the consumer end, as well as alternative crops and the age profile of trees on the supply side. IRSG is an example of combining work on natural rubber with that for synthetic. The issue is also relevant for cotton and other fibres and timber.

Activities: surveys

While prices are one way to describe the system of the supply chain and to provide input into assessing its performance (in terms of efficiency and in terms of value distribution along the chain), improved understanding of the conduct of the market participants helps the actors themselves operate in the market. It also helps in assessing the performance and improving this where possible. In addition, such surveys provide the material for diagnostic reviews of the activities. They can show where improvements are possible and thus provide a justification for projects or other measures.

In the case of producers, the surveys can inform about the extent to which commodities contribute to poverty alleviation. They can also make clear what other options are available to the farmers and thus show the scope for diversification. Surveys plus the other statistical information on the market can be used for assessments of the extent to which the market performs well. This requires documentation of the degree of competition, of vertical integration and of contestability of the market.

Such surveys are seldom done by ICBs. Other institutions, notably the World Bank and FAO, field surveys from time to time. Collaboration with these and other institutions, such as local statistical agencies and research institutes, should be the adequate instrument.

Activities: analysis

Collection of statistics and survey data would remain fruitless if the data were not analysed. ICBs should promote research on such and other data relevant to their commodity. To some extent, such

research can be undertaken by the ICB staff itself. ICBs have only limited analytical research capacity for such work. This need not be a problem, if more collaboration with other institutions and academic institutions can be established. The ITTO in particular makes ample use of consultants to do studies.

The value of statistical information lies in its use to inform about the future. The organisations that assemble the data are in the best position to interpret these. ICBs should do this; and making projections is an activity that is both in high demand, and a good test on the completeness and accuracy of the information assembled.

There are however fields where the ICB, though beneficiary of a study, had better not undertake the study itself. Some are highlighted next.

Activities: studies

While the private sector should continue to be involved with the ICB work, and become involved where this is presently not the case, it should be acknowledged that this precludes the ICBs from doing unbiased research on the performance of the supply chain itself. While data collection should be possible, research on issues such as degree of competition may have the effect that the ICB can no longer operate well. The objective of reducing transaction costs may not be served well by creating antagonisms within the group. The implication is that it should be an outside institution such as UNCTAD to do this work properly. The need for research on multi-national companies has not diminished, rather on the contrary.

The same holds for government policies. The aim of the ICBs, to promote cooperation and mutual understanding with a view to facilitating trade, does not go along well with critical reports on the policies of the members. The work by ICAC on support of cotton farmers is testimony to this fact. Here, as above, the solution is to have an organisation that is above the commodity level and therefore in a better position to critically assess the policies for one commodity. UNCTAD, and FAO for agriculture, seem best placed to do this type of research.

Yet, the ICBs should acknowledge the value of such studies in improving the efficiency and fair value distribution of their markets; they should contribute wherever they can and disseminate the results widely.

Studies on diversification can, if the expertise is there, be undertaken by the ICB staff, but with some restriction as to the type of diversification. They are well placed to study diversification *within* the farm, i.e. the inclusion of new crops into existing cropping patterns (pepper into coffee plantations), and adoption of new varieties of the same crop. They are not in an ideal position to study diversification away from the crop. Yet, this is often a further step on the economic ladder. Such diversification studies are better undertaken by FAO (for adoption of other crops) and UNCTAD (for adoption of non-agricultural activities, and migration), in collaboration with the ICB. Joint studies of several ICBs on mutual adoption of crops (cocoa farmers adopting rubber, rubber growers moving to palm oil, etc.) should be promoted.

There are some other fields in which ICBs have a joint interest, but until now hardly act jointly: The issue of traceability is one, which is more important in some (cocoa) than in other commodities (rubber), but solutions found in one sector can be adopted in another. The role of commodities in trade negotiations also calls for joint action, and so do environmental agreements.

An important justification of the public involvement with the commodities is their importance for poverty alleviation. Studies that specifically address the relationship between poverty and the commodity are few, unfortunately. The lack of targeted survey data may be the main cause of this. The need for intervention hinges on the extent to which farmers are poor, and lack other

opportunities. Studies to document this, or to show how farmers improve their livelihoods by adopting the very crop, are dearly needed. Again, other institutions than just the ICB should be involved in such studies.

Finally studies should be promoted to inform stakeholders about the environmental effects of growing the crops. This concerns soil degradation and erosion, but also the opportunities offered by the Kyoto Protocol and the Clean Development Mechanism. The ITTO with its focus on sustainable forestry provides good examples of such studies, though even here there may be more scope for use of carbon credits.

Because more government policies than just the trade policy have become important for the individual commodities, ICBs need to reach out to these other ministries. For example address the law, or its enforcement; or health regulations relevant to the commodity. This actually implies quite a change in the way governments participate in many ICBs. Whereas their traditional role was one of governor of the organisations, and – at the same time – negotiator vis-à-vis the “opposite side”, they are now (or should be) also becoming *clients* of the organisation, in the sense they the ICB can help them find the answers as to which policy is best suited to address certain problems. How to create conducive institutional environments for marketing in the country? What legislation to be put in place in relation to sustainability or use of hazardous chemicals? The ITTO is providing a good example with its missions to producing countries and suggestions on law making. Their Bali Fund expressly devoted to supporting policy development is another attractive element.

The trade policy reviews of the FAO groups on food stuffs provide an example of systematic attention to how policies affect markets. All ICBs should document this, and extend it to include the relevant non-trade policies.

Activities: meetings

In addition to studies, and to disseminate the results to new audiences, the ICBs should be more active in organizing meetings that bring the relevant stakeholders together. Next to the traditional participants, these include the ‘other’ departments of the governments, and also the civil society organisations. While small seminars may be adequate for some studies, annual conferences may be in order for other, major issues. ISO’s custom of having one seminar and conference per year may be just right for quite a number of ICBs.

Setting standards for the commodity is an important tool to improve the market transparency. Such standards traditionally referred to technical characteristics; they are now more and more called for to define ‘good agricultural practices’, ‘sustainability’, and social dimensions of the commodity production, trade and processing. While private standards may function in this world with appropriate labelling and credible enforcement, public common standards could be a more efficient solution. Such standards are common goods, and must be established by consensus of the all parties concerned, lest one party jeopardizes the efforts of the other. ICBs, with their unique access to a community involved with a certain commodity, have a potentially important role to play in this field. This should be a coordinating, facilitating role, rather than a standard setting role. Meetings should bring together all parties concerned. The Roundtable on Sustainable Palm Oil and the Forest Stewardship Council provide examples of how standards can be set by industry and non-governmental associations *without* involvement of ICBs.

Meetings of councils and other bodies dealing with administrative matters are to be reduced in favour of more thematic meetings. These are more likely to attract the more relevant participants, i.e. policy makers rather than representatives; market participants rather than associations (with due respect for the important roles by some of these associations and representatives).

Activities: projects

As transparency is so important a contribution by the ICBs, they could do more in terms of projects geared toward improving the statistics, collected in the field. Some suggestions for new statistics were given above. But the existing statistics provided by the countries and private sector offer scope for improvements too. Projects may address (improving) the procedures of collecting data on production, yields, on age profile of the trees where relevant, on competition, prices along the chain etc. ITTO is rather active in this field, while ICCO provides a good example of addressing, with the private sector, the notoriously difficult question of collecting data on stocks.

Few projects address 'bottlenecks' in the supply of the commodity from producer to consumer. Comparative surveys of marketing chains in producing countries may show the large diversity in their ways of organization and the costs involved. This offers scope for projects geared toward adapting institutions from one country to the other country's conditions.

Similar surveys will show the variety of technologies and practices that are used by actors in the chain, including the farmers. They can form the basis for formulating projects to transfer knowledge from one group to the other.

Projects that enable research on new varieties or technologies should be based on sound understanding of where research is heading. Regular attention to commodity related research outcomes should be a feature of any ICB. The ICAC, with their quarterly *ICAC Recorder* and regular research conferences, and with a fellowship programme, provides a good example of 'organised attention' to the work of research institutes.

Organisation of projects

ICBs are presently in a process to agree with the CFC on a programme of activities into which future projects, to be financed by CFC, may fit. This agreement should streamline the evaluation of such project proposals. ICBs should take their responsibility here. They should consider the proposals as *their* projects and make sure that only proposals that are well conceived and cost-effective are submitted to CFC and other funding agencies. Expert advisory bodies should be called upon by the ICB. ITTO and to a lesser extent ICO have such expert bodies, while IJSG relies on a more open committee, drawn from the affiliate members.

The ICBs should also ex-post evaluate both the individual projects and their selection ('project X has been implemented all right, but was there no better use of the money?'). They should also, occasionally, assess the impact of the project ('was poverty alleviated?'). ICBs that have little affinity with developing country producers, such as IGC, had better give up their ICB status.

The more ICBs consider projects their *own*, the more there is an incentive to maintain the link with the people implementing the project and the beneficiaries. Over time, ICBs will thus create networks involving groups around the world with a commodity focus. INBAR is a good example of such network-based organisation, reaching out to small producers and to fashion-designers alike and maintaining these linkages.

Results of the projects should be widely disseminated (problem; approach; outcome; benefit/costs). The websites of the ICBs are ideal for this purpose, but as yet underutilised.

Organisation of studies

ICBs should set up frameworks to undertake joint studies with other ICBs and international organisations, with private parties and civil society organisations. Donor funding should facilitate such joint work. Scientific advisory boards or other ways to bring in more academic standards for the work should be envisaged. Outside expertise to implement studies should be called upon. INBAR's Board of Trustees comprises some members who are selected on their specific expertise, without regard to nationality. This helps in creating good links with the research community.

Organisation of the stakeholders

Reaching out to more stakeholders requires room for all interested parties. Even within the present mandates of many ICBs, councils can decide to establish advisory boards to enable organised participation of interest groups from civil society or from private sector now underrepresented in the committees. This will make their voices heard more clearly in the commodity communities. The ITTO provides a good example of establishing such advisory bodies, for civil society, for trade and for inter-session consultation of the members without an agreement prescribing so.

ISO and IGC are fine examples of how gearing their activities to the demands of their members, also produces information that is valuable to the private sector (notably trade) without a mandate requiring their formal involvement. Their approach shows how market incentives (producing information that sells) cater for the needs of the private sector, probably as much as a formal say of the private sector in the governance of these ICBs would. This obviously does not hold for stakeholders with less purchasing power.

Organisation itself

Most ICBs (and UNCTAD and FAO) have undergone drastic reductions in their staff. As more work, rather than less, is asked for above, further reductions of numbers of staff are not obviously useful. The review of the costs of the various organisations shows considerable differences in salary scales, office rents and shares of support staff however, with ICAC and IRSG coming out as the lower cost organisations. The IGGs are even more cost-effective, but at substantially lower levels of overall output. To cover the longer supply chain, and in more detail, as we recommend above, expert staff is required with the ability to combine own work with that of outside resources: consultants, local institutes, member governments and international organisations, both public and private.

4.2 Changing the mandates

If the mandates can be changed, there is room for adjustment of the formal organization towards the new commodity policy.

A limited number of objectives should be formulated that reflect the focus on the performance of the whole supply chain, reduction of transaction costs, fair value distribution, transfer of knowledge and sustainability. This limited number of objectives does not include generic market promotion or expansion of trade that feature in some of the existing agreements.

The division into exporting and importing countries is a relic of the past focus on international trade only and should be changed towards a balanced representation of consumers and producers. Typically the member contributions and the votes should be distributed according to the average of production and consumption, rather than being based on (net) trade. Where other aspects than

production and consumption are important (for example existing forests, or domestic processing) such elements can be taken into account. Examples are ITTO and IJSG.

The private sector should be involved in the decision making process, and so should civil society organisations. The government representatives still have an important role to play, to see that their own demands for information and needs for discussion are met and to heed the interests of those stakeholders that are not otherwise represented. It would be odd, therefore, to have the same person represent the private sector and the government. The IRSG provides a good example of the way private sector involvement can be organised. An open structure is preferred, which does not limit the number of members. A second tier is added to represent the larger group of affiliate members.

The mandates should strengthen the internal organisation. Strong mandates for the secretariats are required, especially as regards the collection of statistics. Executive committees or small boards of governors can reduce the administrative burden for the council at large. Council meetings can thereby be used for more thematic discussions. The duration of any new agreement should be made indefinite, thus avoiding the regular need for renegotiation.

EU representation

The EU is now participating in all but one (INBAR) of the commodity organisations. In most ICBs the EC speaks on behalf of the members states. In the IRSG, the EC is 'just' a member in addition to some other EU member states. In the ICAC, the EC is not a member, while ten EU countries are. In the CFC, the EC is a member, but some EU countries are not. In the meetings of the FAO groups, both the EC and all the member states are member, with competences and votes that may change from one agenda item to the next.

The efficacy of the EU membership would certainly benefit from a single form of representation. The functioning of the ICBs is best served by having the EC as a member representing the EU member states. As the ICBs focus on trade of the commodities, this appears also to be in line with the rulings of the European Court of Justice in such matters.

The EU is a major consumer of all the commodities and is a major producer of some of the commodities. This provides a reason for EU membership of the organisations, in so far as these lead to lower transaction costs between producers and consumers. In this case, EU citizens benefit. To the extent that the organisations implement projects or oversee the implementation, EU membership can also be considered, when the projects' objectives meet those of the EU, as is the case with poverty alleviation and sustainability. In such cases, the organisations play a useful role in screening the projects and safeguarding efficient use of EU funding.

4.3 ICBs in a wider institutional architecture

There are at least four international organisations that form relevant partners for the ICBs. Obviously the CFC is a natural partner. Ties between ICBs and CFC are close as far as projects are concerned. The other organisations are the FAO and its *Commodities and Trade Division* in particular, which houses the IGGs; UNCTAD and its *Division on International Trade in Goods and Services, and Commodities* in particular; and the World Bank.

Although the CFC was set up to finance the market interventions of commodity organisations, and to finance the projects of ICBs and no other, it has a separate governing structure and its own set of member countries. The Board of Governors provides guidance as to the selection of projects. Each

ICB has a governing body too with its own members, and these too provide guidance as to selection of projects. The two sets of guidelines and members of the ICB and of the CFC are not the same. Hence ICBs may want to do projects that CFC does not want to sponsor and CFC may want to sponsor projects that ICBs do not propose.

It would be better if the ICBs together would establish the guidelines for the CFC. This would shift the responsibility away from CFC to the ICBs, make these more responsible for the handling, successes and failures of CFC financed projects. The alternative solution of opening the CFC to other organisations (by widening the definition of what could be an ICB) has the opposite effect and would turn CFC more into a rather solitary commodity-focussed Maecenas. If this road is chosen, it would be good to bring CFC closer to UNCTAD to resolve this isolation.

Joint work with the World Bank should be undertaken on poverty issues, and the role played by commodity production. The surveys mentioned above could best be organised jointly. Studies and projects to improve market performance and institutions would also benefit from joint inputs. An evaluation of the work done on risk management could provide lessons on how collaboration can be improved.

Links of ICBs with FAO and UNCTAD should be strengthened, especially where studies are concerned. Studies on competition issues in commodity chains, on horizontal diversification, and on macro-economic implications of commodity markets (especially for CDDCs) should be addressed by these organisations rather than by ICBs. ICBs have a stake in such studies, however and should promote these. Joint ICB-FAO-UNCTAD meetings should agree on research agendas. The present guidance given to these organisations by all their own governing bodies is uncoordinated and does not do justice to the professionalism of the people in FAO, UNCTAD and ICBs. For all organisations, it holds that stronger mandates (i.e. more autonomy) should be given to the groups concerned.

The enhanced collaboration with UNCTAD and FAO should also fill the void of a joint spokesman for the commodities. Can UNCTAD speak on behalf of the ICBs and CFC and draw on their expertise? It would be best placed to do so.

4.4 Summary conclusions.

ICB activities

ICBs that were created as *intergovernmental* bodies to deal with trade issues are changing toward organisations servicing commodity *communities*, including governments but also the private sector and other stakeholders from producer to consumer.

To do this, or do this better, the statistics and other market information that the ICBs provide should be extended to cover the whole supply chain. It should include information on prices and costs along the chain, details on the characteristics of the participants and evidence on the market structures at various stages, including measures of the degree of competition. It should also include attention to institutions and policies that shape the conditions for such trade.

The information collected should also deal with the environmental effects of the commodity production and trade and the extent to which poverty is affected. The coverage of the whole supply chain also serves to obtain a better view of the major bottlenecks.

In reaching out along the chain and in supporting projects that address the bottlenecks, sustainable trade along the supply chain is facilitated, and this helps reduce transaction costs and thereby helps producers.

ICB's job must be to help trace and promote the collection and dissemination of relevant information. As the actual collection is done by many agents around the world, including

UNCTAD, FAO, World Bank, the private sector and NGOs but especially by local institutes, a strong network must be built and maintained by the ICBs to bring the information (and the people) together.

ICB organization

The widening toward the community calls for inclusion of the private sector and civil society groups to the extent that this has not yet been done and is considered relevant. It also calls for voting rights to reflect production and consumption, rather than export and import.

The change in role from being intergovernmental to servicing the commodity-community calls for a stronger mandate of the secretariat, with governing councils operating 'at some distance'. At the same time, member countries become more customers than governors. With limited core staff, more work should be done through partnerships and consultants.

Role of member countries

The need for continued government involvement with the ICBs lies in their usefulness as source of information for the very governments, and the beneficial effects that the intergovernmental status has on the reputation of the organisation and the quality of the information they can collect and disseminate. Member country representatives may see their roles change with the inclusion of the private sector and civil society consultative boards. The need to voice the interests of these stakeholders diminishes; this gives room to providing a voice to the interests of those not so well represented: consumers, smallholders, future generations.

Role of EU

The EU, EC and Member States are important members of almost all ICBs. This gives them a good position to promote their views on poverty alleviation, sustainable development and the efficiency of markets in the real world of the commodities concerned. Coherence of the actions resulting from these views over many commodities and in many fora, would be strengthened if the EU were represented by the EC rather than via the members states (too). The more the EU combines funding with suggestions for studies and projects of ICBs, the more will EU objectives become visible in the work programmes of the ICBs.

Role of other international organizations

Other organizations and in particular CFC, UNCTAD and FAO are actively undertaking activities in the field of the commodities covered by the ICBs. They have their own governing bodies and priorities. Closer collaboration with them and greater harmonization of these priorities and those of the ICBs should be achieved. Work on market structures and competition issues, and on transition to non-agricultural activities must be strengthened. This could be more easily accomplished if these organizations too would have stronger mandates and less specific priorities were set by their governing bodies. Joint meetings of the executives of the relevant divisions or organizations should help align their agendas. The EU and other countries should call upon the international organizations to work more closely with ICBs in matters relating to their commodities.

Future of the ICBs

Many recommendations in this study call for more work to be done by (or through) the ICBs. While some ICBs do a large part of these activities already, others are falling short of these recommendations. Closer collaboration of the ICBs with the private sector, and more joint work among the ICBs and with the other international organisations would enhance the output and its relevance. Representatives of the member governments, including the EU, should facilitate the desirable change of the ICBs from intergovernmental organisations to international institutes serving the commodity community at large.

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Annex 1
TERMS OF REFERENCE

A study on the future of International Commodity Bodies

1. BACKGROUND

Internationally traded agricultural commodities, such as coffee, cocoa and cotton are major sources of employment and income for millions of people in developing countries. Through taxation and redistribution, they contribute to the provision of basic services such as health and education in these countries. By bringing in foreign exchange, they enable essential imports and contribute to ensuring sustainability of debt servicing.

Many countries' economies, export earnings and national budgets are extremely highly dependent on agricultural commodities. In more than 50 countries, three or fewer primary commodity exports constitute at least 20 % of export revenue, and often this dependence is considerably higher. Today, many of these countries and their producers face acute and very damaging problems, brought about partly by the nature of the markets in which they operate. Many countries are caught in a vicious circle of declining income and investment, stagnating competitiveness, persistent poverty and dependence. Their commodity sectors have difficulties in adapting to increasingly harsh international competition and changes in the international market environment.

Commodities and dependence is no new issue, but has received relatively less attention over the last decade whilst other issues have dominated the international development debate. At the same time, many key factors affecting commodity producers have changed in the past decades. International market intervention has been abandoned. Domestic markets have been liberalised. There is increasing market integration and concentration on the part of the large commodity traders, processors and retailers. Sustainable development concerns continue to gain momentum, for producers as well as consumers.

It was against this backdrop that the European Commission outlined, in the beginning of 2004, its vision for support to the problems facing Commodity Dependent Developing Countries (CDDCs) in a proposal for a joint EU Action Plan on Agricultural Commodity Chains, Dependence and Poverty². In April 2004, the General Affairs and External Relations Council (GAERC) of the EU endorsed that proposal. There is thus now a coherent and joint EU Action Plan on this issue, involving activities at international, regional and national level.

The Action Plan also referred to the role of the ICBs (see Annex 1), and as part of its endorsing the Action Plan, the Council "*recognised the important role of International Commodity Bodies (ICBs) as fora for cooperation between producer and consumer countries, both at government and private sector level; in particular the participation of private sector should be encouraged.*" It invited the EC and MS to "*undertake assessments, deepen the reflections and where appropriate make proposals with a view to ensuring the efficiency of these bodies and of their contribution to market functioning, sustainable development and other common interests of the sectors, and to commodity chain strategies in CDDCs.*"

² Com (2004) 89 of 12.02. 2004. Agricultural Commodity Chains, Dependence and Poverty. A proposal for an EU Action Plan.

Although their individual histories vary, most of the International Commodity Bodies are the heritage of a time when market regulation was seen as crucial. The main policy roots can be found in the Havana Declaration of 1947 and UNCTAD's integrated programme for commodities agreed in 1976. Today, the ICBs function primarily as stakeholder platforms, study groups and commodity advocacy. Activities involve statistics gathering and publication, provision of platforms for discussion, formulation and monitoring (and sometimes implementation) of projects (largely financed through the Common Fund for Commodities). Projects can cover *inter alia* production techniques and quality improvement, trade standards, trade law, market information, promotion and market developments. Some address specific concerns relating to developing countries and/or sustainable development.

There are 9 independent agricultural (tropical and non-tropical) ICBs, and 11 FAO-Intergovernmental Groups (IGGs) which also classify as ICBs. The ICB status enables these bodies to apply for funds from the Common Fund for Commodities, which finances commodity-related projects. There are also other relevant groups.

After having abandoned one of the main objectives for which most of them were initially envisaged, the ICBs have been faced with a great challenge of reformulating their objectives and adjusting working methods, and even of maintaining the interest and commitment of the international community to their work. At present there is no entirely clear and broadly shared understanding of what is, and should be, the exact role of these organisations, including their place in relation to other international organisations and private sector associations. There is a need for a broader reflection and discussion on the role of the ICBs and how they can best respond to needs and challenges deriving from the changes on the commodity markets.

The EC and/or MS are member of the 9 independent agricultural ICBs, and participate in the FAO-Intergovernmental Groups. Whilst for certain commodities, the Community is only a consumer, for others (sugar, cereals, cotton and olive oil) it is itself a producer. It has both commercial and broader sustainability/development interests in the ICBs.

The Council conclusions of April 2004 invited the EC and MS to engage in an assessment and reflection regarding the contribution of ICBs to market functioning, sustainable development, other common interests of the sectors and to commodity chain strategies in CDDCs. Such a reflection should touch on the objectives, tasks and strategies laid down in the various commodity agreements, the way that governing structures correspond to today's challenges and needs (private sector participation, for example) and on organisational and resource-related challenges for the secretariats in charge of implementing the agreements/ToR.

While recognising that no “one-size-fit-all” model may be found in this area, the purpose of the assignment is to catalyse and inform a broader international discussion on the present and future role of the ICBs, by providing a common basis of comparison and reflection. The assignment should provide an independent overview of the present activities of the ICBs, including their links to other relevant actors; and an analysis of their relative strengths and weaknesses, and lessons learnt. Finally it should generate a set of annotated options for the future for further exploration at the EU and broader international level.

2. DESCRIPTION OF THE ASSIGNMENT

➤ *Beneficiary(ies)*

The study will benefit the partner countries through an improved participation of Members and (potential) stakeholders participating in the International Commodity Bodies. Of special interest in the context of the EU Action Plan referred to above, are the primary producers and other chain stakeholders in developing countries, in particular the most commodity-dependent ones.

➤ *Objectives*

The specific objectives of the study are:

- to provide an overview of the present role and activities of ICBs;
- to draw lessons and describe best practices of the ICBs;
- to generate options and recommendations for potential future development of the group of ICBs, responding to the GAERC request of April 2004 and the policy approach laid down in the EU-Action Plan on agricultural commodity chains, dependence and poverty.

➤ *Requested services*

Through analysis of relevant documentation; as well as direct contacts with ICB secretariats, a selection of ICB Members, representatives of the private sectors served by the ICBs, and other relevant international organisations, the consultant shall:

- Analyse the **mandates** (including provisions regarding institutional set-up) of the ICBs, as outlined in the international commodity agreements and other founding documents, as relevant;
- Analyse the **current/actual activities and institutional lay-out** of ICBs, in particular the services (type, relevance to mandates and needs, and quality), results, membership structure, private sector participation, decision making structure, budgets, financing, and cooperation with other relevant organisations and stakeholders associations;
- Extract **best practices, lessons learnt and key success factors** for each of the ICBs (the draft internal ProBa questionnaire in Annex 3 could serve as basis);
- Analyse current **needs and priorities** for international cooperation **for various types/groups of agricultural commodities**; and draw conclusions regarding which of these could be amenable for cooperation within ICBs, and which would be more suited for other international organisations and private sector associations. Review **what type of ICB** could be appropriate for different types of problems and commodities.
- In light of the above, assess in qualitative terms the present and potential future **value added of ICBs** mandates and service delivery, taking into account the activities of other international organisations and private sector associations;
- Undertake preliminary reflections about **possibilities for future** international cooperation in agricultural commodities, with a view to address new challenges while responding to current needs and priorities. Assess the **necessary conditions**; expected impacts and risks of these options, as well as possible **implications** for the existing ICBs.

Nb: The focus and level of detail of analysis may vary for different ICBs

➤ *Expected results*

- Analysis of current needs and priorities for international cooperation in different types of agricultural commodities; and an analysis of what type of ICB would be appropriate for different types of problems and commodities.
- Overview of present mandates of ICBs (including institutional provisions);
- Overview of the current operations of ICBs, in particular the services, results, membership structure, private sector participation, decision making structure, budgets, financing and cooperation with other relevant organisations and stakeholders associations;
- Overview of relevant services provided by related international organisations, international private sector associations, or the like;
- Comparative assessment of the response of ICBs to agreed priorities and emerging challenges, and a reflection on how the respective mandates have affected the responses;
- Overview of lessons learnt and best practices of importance to the future role of ICBs,
- Assessment of the present and potential value added of ICBs mandates and service delivery, taking into account the activities of other international organisations and private sector associations;
- Outline of options for future international cooperation in agricultural commodities, with an assessment of the expected impacts, necessary conditions and risks related to these options;

3. EXPERT PROFILE

The Expert retained (Expert 1) should be of category I (with at least 15 years of experience). S/he will work in total 93 effective working days over the period of this contract (7 months).

➤ *Education, experience, references and category of each expert*

- Economist with excellent experience in international agricultural commodity chains and private sector development, including work experience in developing countries. Excellent analytical capacity, as demonstrated by publications, studies and/or research on the subject. Category I

P.M: A second expert will be recruited under another arrangement, and will work under the present Terms of Reference. This will be an International lawyer/Political scientist or Economist with excellent understanding of international cooperation in the area to be covered by the study. Expert 1 will act as Team Leader for the team thus composed.

➤ *Working languages for Expert 1*

- English proficiency.
- Knowledge of French desirable.

4. LOCATION AND DURATION

- *Starting date*³ :
January 2006

The assignment should start in January 2006 and end by July 2006. Over this period of 7 months the expert should carry out 93 effective days of work. The number of days worked in Brussels cannot exceed 15 days.

- *Finishing date of the assignment:*
30 July 2006

- *Indicative Schedule and indicative number of days for the assignment*

Task	Location (indicative)	Expert 1 Days	Expert 2 (pm only; not financed through this contract)
1 Preparation, planning and briefing with Member States (in Proba)	Brussels	3	3
2 Field work	London	7	3
	Rome	5	3
	Geneva	2	1
	Washington/ New York	3	2
	Dhaka (B'desh)	3	0
	Yokohama (Japan)	3	0
	Amsterdam	1	1
3 Analysis and preparation of draft report		40	35
4 Presentation / dialogue with Commission and with MS on draft report (in Proba)	Brussels	2	2
5 Finalisation of report		24	13
		93	63

³ Cannot be before the date of signature of the letter of contract.

➤ *Location of assignment*

Europe with travel to London, Rome, Geneva, Dhaka, Yokohama, Washington/New York and Amsterdam

5. REPORTING

➤ *Content, language, format and number of reports*

The report should be submitted in English. It shall contain an executive summary. The main report should not exceed 30 pages and focus on analysis, outlines of best practices and option analysis. The information backing up the report should be placed in annexes, in formats suitable for comparison and easy overview. The final report shall be submitted in 2 copies.

➤ *Tentative timetable and dates of report submissions:*

- Briefing: January 2006
- Inception report: January 2006
- Progress report: March 2006
- Draft final report by mid April 2006,
- Final report by mid June 2006

6. BUDGET

A maximum budget of 105.000 € is available to cover the expert and his/her travel. A second expert will be made available by one EU Member State.

7. Background documents (non exclusive)

EU Policy and Working Documents:

- Conclusions of the Council of the EU from 27 April 2004 (on the Commodity Action Plan)
- EC Communication 2004/89 on the EU Action Plan on Agricultural Commodity Chains, Dependence and Poverty Plan of Action on Commodities
- EC Communication 2004/87 on the EU - Africa Partnership on Cotton Sector Development;
- Conclusions of the EU - Africa Forum on Cotton and the Plan of Action;
- Work plan for the Implementation of the EU Action Plan on Agricultural Commodities, Dependence and Poverty (Doc. EC + Member States).
- Commission Staff Working Paper SEC (2003) 908: "Agricultural Commodity trade, Dependence and Poverty - an Analysis of Challenges Facing Developing Countries"

ICB-specific documents

- ITTO Assessment
- Etc, as made available

Other

- Report from the Mid Term Review of the CFC 5-Year-Action Plan 2003 – 2007
- FAO Commodity Committee...
- Etc

ANNEX 1: EXCERPT FROM THE EC COMMUNICATION ON AGRICULTURAL COMMODITIES OF FEBRUARY 2004

Pursuing reform of International Commodity Bodies and their strategies

The international community, for its part, needs a vision on the development of the individual commodity sectors as a whole. It needs a framework for analysing short and long term price developments; for helping to improve market functioning (for example through market information); and for addressing developments relating notably to trade rules, traceability, sustainability, and quality requirements. This could be achieved largely through a strengthening of the individual commodity strategies of the International Commodity Bodies (ICBs). In particular, it is the view of the Commission that the ICBs should work more forcefully towards sustainable development objectives, including pro-poor development. This should incorporate a commodity chain perspective, as also urged by the Common Fund for Commodities in 2003. With better objectives, strategies, and stakeholder participation, the ICBs should be able to draw more effectively on, and influence, the efforts of other international actors working on cross-cutting commodity initiatives. By raising their level of ambition and improving their effectiveness the ICBs should be able to elicit renewed support from members.

With reference to the Helsinki principles⁴ agreed among Commission and Member States, and with a view to enhancing the performance of the ICB's, the EU should engage to pursue their reform:

With respect to **objectives and functions**, the Commission considers that ICBs should become more oriented towards sustainable development, incorporating a clear focus on environmental and socio-economic sustainability into their current focus on market functioning. The ICBs should become more responsive to stakeholders in both producing and consuming countries and respond to the current challenges of commodity markets. In particular, they should seek to advocate the sectors' common interests (e.g. quality upgrading), enhance transparency and a competitive market environment, stimulate generic demand for the given commodity and facilitate and monitor projects that are of particular interest to CDDCs. Synergies with national commodity strategies should be sought where they exist.

With regard to **justification and membership**, an ICB should be supported by enough members and stakeholders to justify a separate intergovernmental institution. An ICB does not necessarily need an international commodity agreement, as long as it has an agreed mandate (see the ICB on cotton). The EU should re-evaluate its membership in ICBs largely on the basis of an appreciation of their contribution to EU sustainable development objectives and should consider withdrawing from ICB's with low relevance, continuous poor performance or very small size. Furthermore, in order to enhance visibility and impact, and reduce costs of administration, the Commission proposes to merge ICB's covering related commodities: e.g. coffee and cocoa; jute, bamboo and rubber; FAO-hides, skins and meat, etc.

With respect to **governance**, the role of member governments in the ICB's should be more centred on facilitation. This corresponds to governments' role in commodity sectors after abandoning the

⁴ The Helsinki principles were agreed by the Council Group on Commodities when it met in an informal meeting in Helsinki in 1999. Coreper took note of the conclusions of the meeting which state that: direct market interventions should be avoided; the positive experience of the international study groups should be reflected in the future co-operation; however, future forms of co-operation should be decided on a case by case basis; there should be a minimum share of production and consumption presented to guarantee the effectiveness of the intergovernmental co-operation; the private sector should be given a more important role within the framework of co-operation; the structures and decision making procedures (including excessive administrative practices and requirements) should be streamlined.

interventionist tasks of the commodity agreements and the collapse of marketing boards in producing countries. The functioning of the executive board of directors also needs to be reassessed and streamlined. Preferably, member governments should designate the executive powers to well informed individuals, who act on the basis of an agreed position. The Executive Board should monitor, guide and enable the work of the ICB-secretariat. Only once a year should all members and stakeholder representatives unite to review progress and discuss strategic orientations.

ICB's secretariats should be lean and cost-effective. The cost of personnel needs to be brought in line with the level that is applied for a division of a specialised UN-agency. Furthermore, some horizontal functions such as financial administration, information dissemination and project monitoring could be outsourced jointly by or shared among secretariats of ICB's. Reform should avoid heavy procedures and promote the use of modern communication systems, in particular for the specialised committees.

**ANNEX 2: ICBs DEALING WITH AGRICULTURAL PRODUCTS
(Excerpt from EC Staff Working Paper of August 2003)**

The EC is member of 9 independent International agricultural (tropical and non-tropical) Commodity Bodies. The most important are those in charge of coffee, cocoa, cotton and tropical timber. In addition, the EC participates to 11 FAO-Intergovernmental Groups.

Independent ICB's

1. International Coffee Organisation (ICO) [www.ico.org]*

Established in 1963 and administering the 6th International Coffee Agreement (2001). Located in London. ICO is a platform enabling government representatives and private sector to exchange views and co-ordinate policies and priorities with regard to the coffee sector. Measures and actions focus on coffee quality improvement, project initiation and monitoring, coffee promotion, sustainable coffee economy, environmental standards, statistics and market transparency, and country coffee profiles.

ICO has a Council, Executive Board, Private Sector Advisory Board and committees for statistics, promotion, and quality.

51 producing countries, 14 consuming countries. EU is a member representing all the MS (there is however an obligation for all MS of the EU to ratify as well). USA has become member from February 2005.

The current agreement expires in September 2007. Extension possible within a maximum period of 6 years.

Renegotiation process may start during the first trimester of 2006.

2. International Cocoa Organisation (ICCO), [www.icco.org] *

Established in 1973 and administering the 3rd International Cocoa Agreement (2001). Located in London.

ICCO strengthens the international co-operation and provides a forum for cocoa issues. It focuses on the transparency of the world cocoa economy and promotes research and development in the field of cocoa. ICCO is a platform facilitating public and private sectors to exchange views and coordinate policies and priorities. ICCO also prepares projects and submits them for financing to the Common Fund for Commodities. ICCO supervises implementation.

ICCO has a Council, Executive Committee and committees on production/consumption, stocks, promotion, quality and environment.

19 producing countries and 23 consuming countries. Members represent 80% of production and 70% of consumption. EU is a member representing all the MS. The US is not a member.

According to a decision adopted by the ICCO Council, the Organisation should be relocated from London to Abidjan. However, due to political problems in Côte d'Ivoire, the implementation of the 2002 decision has been suspended.

The current agreement expires in September 2008. Extension possible through two additional periods of two years each. Renegotiation may start in 2009.

3. International Tropical Timber Organisation (ITTO), [www.itto.or.jp] **

Established in 1986 by the agreement of 1983. Located in Yokohama-Japan.

It provides a framework for consultation among producer and consumer member countries on all aspects of the world tropical timber economy within its mandate. It assist member countries to trade only timber products that originate from sustainably managed tropical forests.

Council and 4 committees (information, reforestation & forest management, project appraisal panel and finance & administration.

31 producing countries and 25 consumers. The USA is a member of ITTO.

The main goal of ITTO is represented by the Year 2000 Objective, an ongoing process through which members undertake their best endeavour to produce and trade timber extracted from sustainably managed forests. The Organisation is also implementing projects through two special funds. The negotiation of a successor agreement started in May 2003 in Panama and the process is not yet concluded.

4. International Cotton Advisory Committee (ICAC), [www.icac.org] **

Established in 1933. Located in Washington.

The role of the ICAC is to raise awareness, to provide information and to serve as a catalyst for co-operative action on issues of international significance. It provides information on cotton trade, changes in the market structure and technical data on cotton & textiles. It serves as an objective forum for discussion of cotton matters of international significance, including cotton subsidies. As the other ICB's it initiates and supervises development projects.

ICAC has a council and some working groups, among other on government measures (subsidies) and on promotion. 43 countries. The role of the governments is limited in the ICAC. Governments in consuming countries leave it to the private sector. ICAC is a dynamic organisation with strong private sector participation. Due to the particular nature of participants and of the ICAC Chart, the EC is not a real member, although it is becoming increasingly

active on the occasion of plenary sessions.

In 2002, the ICAC council agreed to advise to Member governments to table in WTO the phasing out of cotton subsidies in a few years time. ICAC has a small secretariat.

5. International Jute Study Group (IJSJG) *

Established in 2001 as a successor of the IJO.

IJSJG is relatively small organisation with almost no international staff. It develops, in close collaboration with the private sector, projects in the jute sector. Contrary to the defunct predecessor organisation (IJO), IJSJG looks more at market development and the commodity chain. Another function of IJSJG is provision of (market) information. IJSJG has a Council and committees on projects and promotion together with a private sector consultative board. 28 countries (EU is member including its 25 MS). There is only one category of members.

Due to political importance for Bangladesh and India, the EU and member States decided to join the IJSJG. As it is the case for the coffee and cocoa agreements, the Community has exclusive competence in dealing with the organisation.

The current agreement expires in 2010. Extension possible within two periods of two years each.

6. International Olive Oil Organisation (IOO), [www.internationaloliveoil.org] *

Last established in 1986 succeeding a previous agreement.

IOOC aims to deepen technical collaboration amongst olive growers and to develop olive oil and table olives consumption in non-growing areas. IOOC looks at market development and the commodity chain. Another function of IOOC is provision of technical and commercial information. It collaborates with Codex Alimentarius in the definition of quality criteria for olive oil and table olives.

IOOC has a Council, an Executive Secretariat and several committees on projects and promotion together with a private sector consultative board.

15 countries (including EC representing EU-MS.). The EU provides most of its financial support (above 85%).

The renegotiation is scheduled to start in UNCTAD in April 2005.

7. International Grains Council (IGC), [www.igc.org.uk] *

Last established in 1995 succeeding a previous Agreement.

IGC looks at market development and the commodity chain. Another function of IGC is provision of technical and commercial information.

IGC has a Council, an Executive Secretariat and several committees on commercial developments. IGC organises annual Conferences, putting together national administrations and private sector organisations.

29 countries (including EC representing EU-MS.). The EU provides above 25% of its financial support.

8. International Sugar Organisation (ISO), [www.isosugar.org] *

Established in 1937, the ISO (10 staff members) is the unique intergovernmental body dedicated to improving conditions on the world sugar market through debate, analysis, special studies and statistics.

The ISO exists to administer the internationally negotiated International Sugar Agreement (ISA), the objectives of which are:

- to ensure enhanced international cooperation on world sugar matters and related issues;
- to provide a forum for intergovernmental consultations on sugar and on ways to improve the world sugar economy;
- to facilitate trade by collecting and providing information on the world sugar market and other sweeteners, and
- to encourage increased demand for sugar, particularly for non-traditional uses.

The ISO has a Council and 2 Committees (the Market Evaluation, Consumption & Statistics Committee and the Administrative Committee. Council and Committee sessions are held twice a year. ISO furthermore organises seminars and workshops with the objective of increasing knowledge and understanding of the sugar market and related problems.

61 countries (including the EC representing the EU MS).

9. International Rubber Study Group (IRSG), [<http://www.rubberstudy.com>] **

The International Rubber Study Group (IRSG) was founded in 1944. It is an intergovernmental organisation recognised as an international body located in London, formally established by a Headquarters Agreement with the Government of the United Kingdom and Northern Ireland.

The Study Group provides a forum for the discussion of matters affecting the supply and demand for both synthetic and natural rubber. It covers all aspects of the world rubber industry, including marketing, shipping distribution, trade in raw materials and the manufacture and sale of rubber products. The Study Group is the authoritative source of statistical data supplied by Member Governments and other countries and organisations on production, consumption and trade in rubber and rubber products. It prepares current estimates and forecasts future trends, and undertakes and publishes statistical, economic and techno-economic studies on specific aspects of the industry.

The Group is served by a small Secretariat with the Secretary-General, who is responsible to the Executive Committee and the Group, as its Executive Head. The Group's activities are financed mainly by contributions from Member Governments according to their relative annual production or consumption of new rubber.

Membership is confined to Governments. Currently 17 countries are contributing members: Belgium, Republic of

Cameroon, France, Germany, Indonesia, Italy, Japan, Malaysia, Netherlands, Russian Federation, Singapore, Spain, Sri Lanka, Thailand, United Kingdom and United States of America and the European Community. Collectively, they account for 56% of all rubber consumption, 74% of world natural rubber production and 69% of world synthetic rubber production.

*) **Exclusive competence for the European Community on behalf of Members States**

***) **Shared competence European Commission and Member States**

FAO InterGovernmental Groups (FAO-IGG), [www.fao.org/es/esc]

- FAO IGGs do not have separate membership structures.
- The FAO Committee on Commodity Problems is the parent body to the FAO-IGG and meets every two years. IGGs do not have separate councils.
- In general FAO undertakes commodity market reviews, including forecasting
- FAO commodity projects often are more technical and less policy or institutionally oriented. Contrary to independent ICB's, the FAO-IGGs also have the capacity to implement projects.
- There is no report of growing participation of the private sector from producing countries in the FAO-IGG.

FAO-Intergovernmental Group on Citrus Fruits (FIGCF)
FAO-Intergovernmental Group on Grains (FIGG)
FAO-Intergovernmental Group on Hard Fibres (FIGHF)
FAO-Interg. Group on Hides and Skins (FIGHS)
FAO-Intergovernmental Group on Meat (FIGM)
FAO-Interg. Group on Oils, Oilseeds and Fats (FIGOOF)
FAO-Intergovernmental Group on Rice (FIGR)
FAO-Intergovernmental Group on Tea (FIGT)
FAO-Interg. Sub-Group on Tropical Fruits (FISGTF)
FAO-Interg. Sub-Group on Bananas (FISGB)
FAO-Interg. Sub-Committee on Fish Trade (FISFT)

ANNEX 3
Draft ProBa assessment form for
International Commodity Bodies (ICB's)

Name ICB: Date of Assessment:

Country & name of officer that drafted comments:

The assessment of the ICB should be done in a **quantitative** way (Scoring column) and in a **qualitative** way, by providing an explanation below each of the issues.

Scoring⁵

1.	Level of satisfaction with the REPRESENTATIVENESS of the ICB	
	1.1 Representation by producer and consumer countries	
	1.2 Representation of stakeholder/private sector participation	
2.	Level of satisfaction with the OUTPUT of the ICB related to MARKET FUNCTIONING:	
	2.1 Attention given to market transparency (prices, supply and demand statistics, etc):	
	2.2 Attention given to higher product quality, residue levels, etc	
	2.2 Attention given to traceability and corresponding codes of conduct:	
	2.3 Attention given to trade issues , such as tariff escalation and non tariff barriers:	
	2.4 Attention to the market powers, structures and competition issues in the chain:	
	2.5 Attention given to generic promotion of commodity under question:	

⁵ Scoring from 1-5 1 = clearly UNSatisfactory; 2 = UNSatisfactory; 3 = Satisfactory, but needs improvement; 4 = Good, but could be better; 5 = Highly appreciated, example for other ICB

3.	Level of satisfaction with the OUTPUT of the ICB related to SUPPLY CAPACITY in CDDC's ⁶ :
	3.1 Attention given to strategy and policy development in CDDC's:
	3.2 Attention given to the chain perspective and sustainable development project proposals:
	3.3 Attention given to environmental considerations in producing countries
	3.4 Quality of project proposals:
	3.5 Appreciation of monitoring the progress of ongoing projects:
4.	Level of satisfaction with the DECISION MAKING in the ICB
	4.1 Selection of agenda items in line with Mandate (commodity agreement)
	4.2 Attention to annual planning and reporting in executive/governing meetings
	4.3 Level of satisfaction with private sector participation in ICB decision making
	4.4 Appropriateness of the knowledge and capabilities of executive committee members
	4.5 Efficiency in decision making in executive structures (time, costs, number of meetings, etc).
	4.6 Satisfaction with the preparation of EC positions and de-briefings.
5.	Level of satisfaction with COST-EFFECTIVENESS of ICB-secretariat
	5.1 Personnel costs in relation to output:
	5.2 Building costs in relation to output:
	5.3 Attention to cost saving (e.g. outsourcing and pooling of horizontal functions):
6.	Additional OBSERVATIONS :

⁶ CDDC's Commodity Dependent Developing Countries

Annex 2

Table A.2: The objectives of the ICBs					
ICO	ICCO	IGC	ISO	IRSG	IGG
<p>(1) to promote international cooperation on coffee matters;</p> <p>(2) to provide a forum for intergovernmental consultations, and negotiations when appropriate, on coffee matters and on ways to achieve a reasonable balance between world supply and demand on a basis which will assure adequate supplies of coffee at fair prices to consumers and markets for coffee at remunerative prices to producers, and which will be conducive to long-term equilibrium between production and consumption;</p> <p>(3) to provide a forum for consultations on coffee matters with the private sector;</p> <p>(4) to facilitate the expansion and transparency of international trade in coffee;</p> <p>(5) to act as a centre for and promote the collection, dissemination and publication of economic and technical information, statistics and studies, as well as research and development, in coffee matters;</p> <p>(6) to encourage Members to develop a sustainable coffee economy;</p> <p>(7) to promote, encourage and increase the consumption of coffee;</p> <p>(8) to analyse and advise on the preparation of projects for the benefit of the world coffee economy, for their subsequent submission to donor or financing organizations, as appropriate;</p> <p>(9) to promote quality; and</p> <p>(10) to promote training and information programmes designed to assist the transfer to Members of technology relevant to coffee.</p>	<p>(a) To promote international cooperation in the world cocoa economy;</p> <p>(b) To provide an appropriate framework for the discussion of all matters relating to all sectors thereof;</p> <p>(c) To contribute to the strengthening of the national cocoa economies of Member countries, in particular through the preparation of appropriate projects to be submitted to the relevant institutions for financing and implementation;</p> <p>(d) To contribute to a balanced development of the world cocoa economy in the interest of all Members through appropriate measures, including:</p> <p>(i) Promoting a sustainable cocoa economy;</p> <p>(ii) Promoting research and the implementation of its findings;</p> <p>(iii) Promoting transparency in the world cocoa economy through the collection, analysis and dissemination of relevant statistics and undertaking of appropriate studies; and</p> <p>(iv) Promoting and encouraging consumption of chocolate and cocoa-based products in order to increase demand for cocoa in close cooperation with the private sector.</p>	<p>1) To further international co-operation in all aspects of trade in grains, especially insofar as these affect the food grain situation;</p> <p>2) To promote the expansion of international trade in grains, and to secure the freest possible flow of this trade, including the elimination of trade barriers and unfair and discriminatory practices, in the interest of all members, in particular developing members;</p> <p>3) To contribute to the fullest extent possible to the stability of international grain markets in the interests of all members, to enhance world food security, and to contribute to the development of countries whose economies are heavily dependent on commercial sales of grain on grains;</p> <p>4) To provide a forum for exchange of information and discussion of members' concerns regarding trade in grains.</p>	<p>1) To ensure enhanced cooperation in connection with world sugar matters and related issues</p> <p>2) To provide a forum for intergovernmental consultations on sugar and the way to improve the world sugar economy</p> <p>3) To facilitate trade by collecting and providing information on the world sugar market and other sweeteners</p> <p>4) To encourage increased demand for sugar, particularly for non-traditional uses</p>	<p>The IRSG provides a forum for the discussion of matters affecting the supply and demand of both synthetic and natural rubber. It covers all aspects of the world rubber industry, including marketing, shipping, distribution and trade in raw materials and the manufacture and sale of rubber products.</p> <p>The Study Group is the authoritative source of statistical data supplied by Member Governments and other countries and organisations on production, consumption and trade in rubber and rubber products. It prepares current estimates and forecasts future trends, and undertakes and publishes statistical, economic and techno-economic studies on specific aspects of the industry.</p>	<p>The Group shall provide a forum for consultations on and studies of the economic and technical aspects of production, marketing, trade and consumption of ... [the commodities concerned]</p>

IJSG	INBAR	ITTO	ICAC	IOOC	CFC
<p>(a) To provide an effective framework for international cooperation, consultation and policy development among members with regard to all relevant aspects of the world of jute economy;</p> <p>(b) To promote the expansion of international trade in jute and jute products by maintaining existing markets and by developing new markets, including the introduction of new jute products and the development of new end-uses;</p> <p>(c) To provide a forum for the active participation of the private sector in the development of the jute sector;</p> <p>(d) To address the issues of poverty alleviation, employment and development of human resources, particularly women, in the jute sector;</p> <p>(e) To facilitate the improvement of structural conditions in the jute sector through improvement of productivity and quality, and promotion of the application of new processes and technologies;</p> <p>(f) To create and increase awareness of the beneficial effects of the use of jute as an environmentally friendly, renewable and biodegradable natural fibre;</p> <p>(g) To improve market intelligence with a view to ensuring greater transparency in the international jute market in collaboration with other organizations, including the Food and Agricultural Organization of the United Nations (FAO).</p>	<p>To improve the well-being of producers and users of bamboo and rattan within the context of a sustainable bamboo and rattan resource base by consolidating, coordinating and supporting strategic and adaptive research and development</p> <p>The Network shall accord special attention to</p> <p>satisfying the livelihood and basic needs of people living in the b & r producing areas</p> <p>protection of the environment conserving biodiversity enhancing productivity in processing b & r</p> <p>developing and promoting policies and technologies aimed at realizing the full potential of b & r as substitutes for wood</p>	<p>(a) To provide an effective framework for consultation, international cooperation and policy development among all members with regard to all relevant aspects of the world timber economy;</p> <p>(b) To provide a forum for consultation to promote non-discriminatory timber trade practices;</p> <p>(c) To contribute to the process of sustainable development;</p> <p>(d) To enhance the capacity of members to implement a strategy for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000;</p> <p>(e) To promote the expansion and diversification of international trade in tropical timber from sustainable sources by improving the structural conditions in international markets, by taking into account, on the one hand, a long-term increase in consumption and continuity of supplies, and, on the other, prices which reflect the costs of sustainable forest management and which are remunerative and equitable for members, and the improvement of market access;</p> <p>(f) To promote and support research and development with a view to improving forest management and</p>	<p>a. To observe and keep in close touch with developments affecting the world cotton situation.</p> <p>b. To collect, disseminate, and keep complete, authentic and timely statistics and other information relating to world production, trade, consumption, stocks and prices of cotton; and other textile fibers, or of textiles, insofar as they affect the cotton economy and do not duplicate assignments that governments have given to other international bodies.</p> <p>c. To suggest to member governments of ICAC, as and when advisable, any measures ICAC considers suitable and practicable for the furtherance of international collaboration directed towards developing and maintaining a sound world cotton economy.</p> <p>d. To be the forum for international discussions on matters related to cotton prices, without, however, prejudicing discussions currently being carried on elsewhere, for example, in the UNCTAD. Such discussions should take place regularly both in the Standing Committee and at annual Plenary Meetings.</p>	<p>1. With respect to international technical cooperation:</p> <p>— to foster international cooperation for the integrated, sustainable development of world olive growing,</p> <p>— to foster the coordination of production, industrialisation, storage and marketing policies for olive oils,</p> <p>olive-pomace oils and table olives,</p> <p>— to encourage research and development and to foster the transfer of technology and training activities in the olive products sector with the aim, <i>inter alia</i>, of modernising olive growing and the olive products industry and of improving the quality of production,</p> <p>— to lay the foundations of international cooperation in international trade in olive oils, olive-pomace oils and table olives to create, in this context, close cooperative ties with the representatives of the various stakeholders of the olive products sector, in compliance with the corresponding international agreements and accords,</p> <p>— to further the efforts made and steps taken to improve and draw notice to product quality,</p> <p>— to further the efforts made and steps taken to improve the interaction between olive growing and the environment, particularly with a view to protecting and conserving the environment,</p> <p>— to examine and foster the integral utilisation of the</p>	<p>In relation to 2nd account operations: finance measures that aim at improving structural conditions in markets and at enhancing long-term competitiveness, inc R&D, productivity improvements, marketing, vertical diversification [art 18.3(a)]; emphasis on commodities of interest to least developed countries, and developing countries, particularly those of small producer-exporters.</p> <p>In relation to 1st account net earnings programme: to help esp. least developed and land-locked countries to function effectively in a liberalised global economy. Focus on physical market development; market infra-structure; services to private sector initiatives; institution strengthening; market risk management;</p> <p>New orientation of Plan 2003-2007</p> <p>concept of sustainable development underlined</p> <p>Supply chain concept essential</p>

IJSG	INBAR	ITTO	ICAC	IOOC	CFC
		<p>efficiency of wood utilization as well as increasing the capacity to conserve and enhance other forest values in timber producing tropical forests;</p> <p>(g) To develop and contribute towards mechanisms for the provision of new and additional financial resources and expertise needed to enhance the capacity of producing members to attain the objectives of this Agreement;</p> <p>(h) To improve market intelligence with a view to ensuring greater transparency in the international timber market, including the gathering, compilation, and dissemination of trade related data, including data related to species being traded;</p> <p>(i) To promote increased and further processing of tropical timber from sustainable sources in producing member countries with a view to promoting their industrialization and thereby increasing their employment opportunities and export earnings;</p> <p>(j) To encourage members to support and develop industrial tropical timber reforestation and forest management activities as well as rehabilitation of degraded forest land, with due regard for the interests of local communities dependent on forest resources;</p> <p>(k) To improve marketing and distribution of tropical timber exports from</p>		<p>products derived from the olive tree, — to conduct activities for the preservation of the gene sources of olive trees. 2. With respect to the standardisation of international trade in olive products: — to carry on conducting collaborative activities in the area of physico-chemical and sensory testing in order to add to the knowledge of the composition and quality characteristics of olive products, with a view to establishing international standards enabling: — product quality control, — fair international trading, — protection of consumer rights, — prevention of fraudulent practices; — to facilitate the study and application of measures for harmonising national and international laws relating, in particular, to the marketing of olive oil and table olives, — to encourage harmonisation of the criteria for the definition of geographical indications granted by the Members with a view to their international protection, — to lay the foundations of international cooperation to prevent and, where appropriate, to combat any fraudulent practices in international trade in any edible olive products by establishing close cooperative ties in this context with the representatives of the various stakeholders</p>	

IJSG	INBAR	ITTO	ICAC	IOOC	CFC
		<p>sustainably managed sources;</p> <p>(l) To encourage members to develop national policies aimed at sustainable utilization and conservation of timber producing forests and their genetic resources and at maintaining the ecological balance in the regions concerned, in the context of tropical timber trade;</p> <p>(m) To promote the access to, and transfer of, technologies and technical cooperation to implement the objectives of this Agreement, including on concessional and preferential terms and conditions, as mutually agreed; and</p> <p>(n) To encourage information-sharing on the international timber market.</p>		<p>of the olive products sector.</p> <p>3. With respect to the expansion of international trade and the promotion of olive products:</p> <p>— to promote any activities conducive to the harmonious, sustainable expansion of the world olive products economy by every means in the power of the International Olive Council in the fields of production, consumption and international trade, having regard to the ways in which they are interrelated,</p> <p>— to facilitate the study and application of measures for balancing production and consumption and the establishment of procedures for information and consultation in order to enhance the transparency of the market,</p> <p>— to implement measures designed to expand international trade in olive products and to adopt whatever measures are appropriate to enhance the consumption of olive oil and table olives,</p> <p>— to undertake activities fostering a better understanding of the nutritional, therapeutic and other properties of olive oil and table olives,</p> <p>— to maintain and amplify the role of the International Olive Council as a meeting point for all the operators in the sector and as a world documentation and information centre on the olive tree and its products.</p>	

Annex 3

Work on commodities by other intergovernmental organizations

UNCTAD

UNCTAD deserves to be mentioned as the first as it was the “parent” body of many of the ICBs and the CFC. The initiatives to undertake separate international action in the field of commodities grew from the first meetings of UNCTAD and could even be seen as the reasons for calling these meetings (Mojarov and Arda, 2004: 125). It was in UNCTAD IV that resolution 93 was adopted (30 May 1976), establishing the Integrated Programme for Commodities (IPC). The IPC contained provisions for a Common Fund for Commodities, international commodity agreements, compensatory financing and diversification. UNCTAD played a central role in the negotiations, then and later, on these elements and also in the scientific debate on all these issues. Negotiations on commodity agreements and the CFC turned out to be tedious. The 1980s showed a decrease in the public interest for development issues, combined with a change in economic policy towards a more market oriented approach.

Within UNCTAD, the commodity work falls within the Division on International Trade in Goods and Service, and Commodities. As the name (the comma in particular) suggests, the division combines erstwhile divisions on Trade and, separately, Commodities and reflects the merging of commodity issues into a wider debate on trade policy (1996). The Division is comprised of the Office of the Director and five Branches, namely: Commodities; Competition and Consumer Policies; Trade Analysis; Trade, Environment and Development; and Trade Negotiations and Commercial Diplomacy. Governance of the work in the Division is provided by the *Commission on Trade in Goods and Services, and Commodities*, which is one of the commissions of the *Trade and Development Board*. In Board and Commission all member states of UNCTAD are represented.

The mandate (see Annex) of the Commodities Branch is formulated in each UNCTAD conference and annually update in the Trade and Development Committee. The work programme includes monitoring of commodity markets, analysis of these data, and assistance to producing countries in formulating their strategies. It should also promote diversification and effective partnerships of stakeholders along the supply chain. UNCTAD XI also referred to the work done by the Meeting of Eminent Persons on Commodity Issues. This group published its findings in September 2003 recommending more attention for problems related to equitable market access, oversupply, compensatory financing and capacity and institutions building. It also called for an Export Diversification Fund to be established.

The Commodities Branch (20 people) is divided into two sections: (1) Diversification and Natural Resources and (2) Risk Management, Finance and Information. The second section looks, apart from risk management, also at other measures to reduce transaction costs, including the establishment of commodity auctions. It maintains the UNCTAD commodity portal *Infocomm* which provides information on recent price developments, and other characteristics of commodities. It has recently become operational. Interestingly, parts of it are explicitly set up in collaboration with other organisations, such as ICAC for cotton. Notable too is the work on iron ore. The statistics on iron ore are published under an UNCTAD Trust fund project, but the work is largely done by the Raw Materials Group in Sweden. The section also publishes the World Commodity Survey. It has in its work program “Coordination of activities and monitoring developments of ICBs”. UNCTAD publishes the Monthly Commodity Price Bulletin, which is a comprehensive source of information on commodity prices (sold on paper and on-line, at subscription only).

The section on Diversification and Natural Resources helps governments and private sector to establish market opportunities in new areas and reviews policies for natural resources (mining in

particular). Activities include a Diversification Workshop in 2006 in Dakar, and a study tour in Dar-es-Salaam in 2005.

UNCTAD's Commodity Branch

Recent publications include

- “The World’s Commodity Exchanges – Past, Present, Future”. Published with the Swiss Futures and Options Association, September 2006
- “Progress in the development of African Commodity Exchanges” published for a meeting with the African Union, November 2005.
- “Enhancing Commodity Financing and Managing Shocks in Africa” published for a meeting with the African Union, November 2005.
- “Trends in World Commodity Trade, enhancing Africa’s competitiveness and generating development gains”, published for a meeting with the African Union, November 2005.
- “Market access, market entry and competitiveness” Background Note for the Trade and Development Board – Commission on Trade etc. January 2006

At UNCTAD XI, the initiative was taken for an **International Task Force on Commodities**. The task force, to be chaired by the former Tanzanian President Mr Benjamin William Mkapa, was due to start in 2006, but by July (UN report) UNCTAD indicated that funding had not yet been forthcoming.

Other UNCTAD Trade Branches address issues relevant for commodity markets. UNCTAD houses TRAINS, an immense Trade Analysis and Information System, aiming at describing all tariff, para-tariff and non-tariff measures. In collaboration with the World Bank, software is developed to combine trade policy information with actual trade data (WITS). AMAD is a database focussing on market access; it is maintained by the *Trade Analysis Branch* (EU data until 2004). Indicators for market access have been developed together with ITC. There is also an Agricultural Trade Policy Simulation Model, downloadable free of charge.

The *Trade, Environment and Development Branch* addresses issues such as organic products, environmental requirements and market access. The *Competition and Consumer Policy Branch* addresses competition policy. Publications include ‘Trade and Environment Review, 2006’ and ‘Model Law on Competition’ (2004).

The **United Nations General Assembly** addresses the issue of commodities every two years. In its 59th Session (2004), the Assembly adopted Resolution 224, dealing with Commodities (see Annex). The Resolution calls *inter alia* “to improve the functioning of commodity markets”; “promote partnerships that contribute to the effective participation of small producers in supply chains”. It explicitly mentions UNCTAD, ITC, CFC, FAO and the World Bank to continue their work in the field of commodities. UNCTAD provides the basis for the deliberations in their report on “World Commodity Trends and Prospects”. The report noted that the suspension of the Doha Round of negotiations also meant that ‘Aid for Trade’ measures were also suspended. It suggested to find ways to provide this help irrespective of Doha-induced liberalisation measures.

The World Bank

While the World Bank used to have a major focus on commodities in the 1980s, this institution, too, reduces its analytical capacity and activity in this field. While, according to the Bank’s own project data base 28 projects (also) dealt with cotton in the 1980s, only 12 projects were started after 1990. For cocoa, the 1980s saw 16 projects, and only 4 after 1990; for coffee 10 in the 1980s and 10 after 1990.

Commodities are still visible in the World Bank led International Task Force on Commodity Risk Management. This initiative, which started more than 10 years ago from early work done by UNCTAD, also involves other UN Agencies, including FAO and IFAD (and UNDP initially). The task force promotes the development and application of modern risk management instruments to commodity risks facing developing countries. Such insurance instruments can be linked to world commodity markets, and (re)insurance markets. They can be formulated on their own, or linked to weather-indices. Applications are both at the macro and the micro level. At the macro level, countries seek insurance against risks they incur when buying (or selling) commodities. At the micro level, the instrument may help in offering price guarantees to farmers or traders, the risks of which the guarantor then covers in the world market. An important element is whether the reduction of risks leads to more production, e.g. through better access to credit and thereby to inputs. The work is widely supported by the EU, CFC and other donors, draws considerable attention of the banking sector. The CFC supports 3 projects in cocoa, coffee and cotton sectors. Practical results are still few, however. The organisation moved its website away from the World Bank to www.itf-commrisk.org. Annual meetings are organised throughout the world. Last meeting was in El Salvador in March 2006.

The Bank also publishes on-line “Prospects for the Global Economy”. This includes forecasts for commodity markets, and publication of commodity briefs on 16 commodities, including the agricultural commodities cocoa, coffee, cotton, maize, palm oil, rice, rubber, soybeans, sugar, tea and wheat. A team of 4 persons is responsible for the commodities analysis. Reference is www.worldbank.org/globaloutlook. The forecasts are extended from the World Bank data on commodity prices that used to be published on ‘pink sheets’. They are on-line available at World Bank>home>Data & Research>Prospects>Commodity Price Data.

Apart from this commodity specific work, the World Bank publishes a host of publications that are relevant for the commodity economies. As an indication: in 2005 only, the group on trade research published over 70 working papers, including

- Xiaoyang Chen, Otsuki, Wilson: Do Standards Matter for Export Success?
- Clarke: Beyond tariffs and quotas: Why Don't African Manufacturers export more?
- Raddatz: Are External Shocks Responsible for the Instability of Output in Low-Income Countries?

FAO

The UN Food and Agriculture Organisation is a major provider of statistics, market information and studies in the field of commodities. It also serves as an important forum for discussion. One of its governing bodies is the Committee on Commodities Problems (CCP), whose aim it is to keep commodity problems of an international character under review. 80 of the 190 members of the FAO are members of the CCP. The CCP established over the years various Intergovernmental Groups (IGGs) to address specific commodity problems. After a revision in 1999, eleven IGGs remain: Rice (1955), Oilseeds, Oils and fats (1956), Grains (1957), Citrus Fruits (1959), Jute Kenaf and Allied Fibres (1963), (subgroup) Bananas (1965), Hard Fibres (1966), Tea (1969) Meat and dairy (1970); (subgroup) Hides and Skins (1985) and (subgroup) Tropical fruits (1997).

Senior staff members of the Commodities and Trade Division serve as Secretaries of the IGGs.

The Division is part of Economic and Social Department, together with the Division on Agriculture and Development Economics, and the Division on Statistics. The Commodities and Trade Division is the focal point for economic commodity related research within FAO. Its work program involves the following FAO programme entities.

- Market Assessments for Basic Food Commodities and Impact on Global Food Security
- Projections and Global Commodity Market Assessments

Annex 3 Commodity work by other intergovernmental organisations

- Market Assessments of Tropical, Horticultural and Raw Material Commodities and Impact on Food Security
- Global information and Early Warning System (GIEWS)
- *Technical Support Services to Member Nations and the Field Programme*
- Commodity and Trade Policy Support to Developing Countries for Trade Negotiations
- International Action on Commodity and Trade Issues
- Measures to enhance Commodity and Trade development

The topic in italics refers to the servicing of the IGGs.

The Division has four units: the Basic Food Stuff Services; Global Information and Early Warning System (GIEWS); Commodity Policy and Projection Service; Raw Materials Tropical and Horticultural Products Service. The IGG-secretariats on grains, rice, oils, meat & dairy, hides & skins fall in the first unit, the other IGG-secretariats in the last. This structure of the division will change however. The future structure will bring all IGG-secretariats in one section, next to two other sections, one dealing with GIEWS and the other with cross-commodity analytical work.

Number of staff in the Division excluding GIEWS in 2004 was 29 professional staff (inc management) and 31 support staff.

The details of the work done for the IGGs are considered elsewhere in this report. As a whole the budget that is available for this specific work amounts to \$782,000 for the two years 2006-2007. The other commodity work done by the Division consists of the work mentioned in the programme entities above and involves therefore much the same activities as is asked for by the IGGs: market assessments, projections, policy support and trade development. Assistance provided to countries in the negotiations for the Doha Round formed an important part of the work.

Commodity-related output for 2005 (or thereabout) of the Division includes

- Commodity Market Review 2005-2006
- The State of Agricultural Commodity Markets 2004
- FAO Review of Agricultural Commodity Policies for basic food commodities 2004
- OECD-FAO Agricultural Outlook 2006-2015
- Agricultural Commodity Markets and Trade – New approaches to analyzing market structure and instability
- The Extent and Impact of Import Surges: The Case of Developing Countries
- Proceedings of the FAO Rice Conference 2004
- Production and export of organic fruit and vegetables in Asia
- The effect of direct payments of the OECD countries in world agricultural markets. Evidence from partial and general equilibrium frameworks.
- The impact of import surges: country case study results for Senegal and Tanzania.
- Agricultural trade liberalization in the Doha round. Alternative scenarios and strategic interactions between developed and developing countries.
- Voluntary standards and certification for environmentally and socially responsible agricultural production and trade. (2004)
- Medium-term prospects for agricultural commodities - Projections to 2010.(2003)

The Division makes an effort to provide timely (monthly, weekly) data on prices. The (informative) website www.fao.org/es/esc provides the necessary links. Unfortunately, in most cases, data are not up to date.

Annex 3A

The mandate given to UNCTAD, and more particularly to the Commodities Branch, is expressed in the following paragraphs extracted from the São Paulo Consensus adopted at UNCTAD XI:

Para 74. "A concerted focus should be put on the difficulties faced by commodity-dependent developing countries. Efforts by these countries to restructure, diversify and strengthen the competitiveness of their commodity sectors, including through local processing, should be supported, including by the provision of enhanced market access on a secure and predictable basis, adequate technical and financial assistance, and strengthening of capacity and institutions, in both the public and the private sectors. Investments in infrastructure, domestic structural reforms and prudent and transparent fiscal policies will encourage productive investment in the commodity sector. Existing compensatory financing schemes should be reviewed with a view to assessing their effectiveness and, as may be required, making them more user-friendly and predictable and possibly combining them with modern risk management and risk-sharing instruments. The potential of regional integration and cooperation to improve the effectiveness of traditional commodity sectors and support diversification efforts should be exploited. Relevant suggestions contained in the report of the Meeting of Eminent Persons on Commodity Issues ([TD/B/50/11](#)) and the relevant outcome of discussions at the fiftieth session of the Trade and Development Board and in the General Assembly on the report should be given serious consideration. Support for commodity development projects - especially market-based projects - and for their preparation under the Second Account of the Common Fund for Commodities should be encouraged. It is also important to address fully the problem of the cotton sector faced by African countries at the national level and in the relevant fora at the international level."

In this regard it was recognized that :

para 100. "UNCTAD should continue to monitor developments in commodity markets and assist developing countries, in particular those most dependent on commodities, in formulating strategies and policies to respond to the challenges of commodity markets, including over-supply, and addressing links between international commodity trade and national development, particularly poverty reduction. It should analyse and promote exchange of information on commodity markets and experiences with factors, policy issues and responses influencing the competitiveness of the commodity sector so as to contribute to diversification, adding value, and more effective participation in the supply chain, including through assistance for institution building; analyse and support the development of appropriate and effective mechanisms and capacity to respond to commodity price fluctuations and to mitigate earnings shortfalls, in particular by improving the capacity to apply modern commodity price risk management and financial instruments; and follow up, as appropriate, on the recommendations addressed to UNCTAD in the report of the Meeting of Eminent Persons on Commodity Issues. UNCTAD should also continue work on agricultural, forestry and fishery products, metals and minerals, and oil and oil products. It should further help to build effective partnerships among relevant stakeholders aiming at viable solutions and sustainable approaches to commodity problems, including by fostering public-private cooperation in commodity chains with a view to ensuring, inter alia through market-based principles, a more equitable distribution of revenues and benefits along the supply chain and supporting diversification. It should include a regional perspective in its work. UNCTAD and the Common Fund for Commodities should strengthen their cooperation."

The above-mentioned mandate forms a solid basis which is complemented by articles of previous Bangkok Action Plan ([Bangkok Action Plan](#)) and in particular:

CHAPTER I: Development strategies in an increasingly interdependent world: applying the lessons of the past to make globalization an effective instrument for the development of all countries and all people.

[...]

C. Measures and initiatives to be taken by the international community to ensure successful integration of developing countries into the world economy.

(ii) International trade

- Commodities

64. Many developing countries, and in particular most of those with weak growth performance, remain highly dependent on commodities for their trade, production income and employment. Commodities continue to provide an important source of foreign exchange earnings for developing countries: they have a high value-added potential; and agricultural commodities are an important source of employment and offer scope for anti-poverty campaigns. Agriculture *inter alia* acts as a buffer against economic problems and allows the return to rural areas of urban unemployed, as in the current crisis. Commodity-based diversification therefore offers a major opportunity for change in line with existing comparative advantages. The important role played by commodity protocols in the socio-economic development of certain developing countries should be highlighted.

65. However, actual developments in the commodity sector have lived up to such expectations in only a few countries:

- Dependence on few commodities has remained high in many developing countries.
- Tariff escalation has been a major barrier to commodity processing in developing countries.
- Rather than diversification of commodity patterns of trade, in several countries concentration has increased over the past decade; only a few countries have made tangible progress in diversification, primarily based on agro-business.
- Commodity price instability has remained extremely high, with declining trends for a number of commodities.
- Wider use of risk management in commodities should be evaluated and be made available as appropriate, with regard to the usefulness for small producers in developing countries.
- Commodity earnings instability continues to be problematic. The IMF's commodity stabilization facility has remained unused for the past decade.
- High levels of investment in and substantial rationalization of the commodity sector in many developing countries have resulted mainly in productivity increases benefiting world markets, but only to a small extent in benefits for producers.
- Despite improvements as a result of the introduction of the SPS Agreement, many developing countries continue to experience difficulties with sanitary and phytosanitary standards, limiting their ability to export.

- The dynamism of niche products in the agricultural sector has sometimes faded away after initial success, for example because of restricted import periods or the application of anti-dumping and countervailing duties.

66. The existing mechanisms for helping to stabilize commodity export earnings should be improved so as to respond to the real concerns of developing country producers.

67. The competitiveness of developing countries in international commodity markets needs to be enhanced. Cooperative arrangements among enterprises in developing countries for improving supply reliability and quality should be considered.

68. Market transparency and information should be improved, as should capacities of developing country enterprises to access and use information, particularly in electronic form, and training to this end should be supported.

[...]

CHAPTER II: UNCTAD's engagement

[...]

C. International trade

(viii) Strengthening supply capacities in export-oriented sectors of commodities

144. Given the importance of commodities to many developing countries for employment, income and export earnings, UNCTAD should enhance its support to developing countries in this area. UNCTAD's work should focus on:

- Identifying ways to improve the supply capacity of commodity-producing countries, as well as obstacles hampering the development of processing industries, and assisting commodity-dependent developing countries on how to fully exploit commodity diversification as a major potential avenue to industrialization;
- Identifying the changes that are taking place in the dynamics and structure of international commodity markets, in order to make commodity-dependent countries more able to formulate policy responses to critical new developments;
- Providing insights into the complexities of international commodity chains so that the enterprises of these countries can position themselves optimally, maximize retained value added and optimize the dynamic effects of linkages, technologies and upgrading;
- Assisting in increasing market transparency and information flows through, inter alia, collection and publication of relevant commodity information and data on a regular and frequent basis;
- Providing a forum where less efficient producers can meet with highly efficient ones to explore possibilities for cooperation and relocation of production;

Annex 3 Commodity work by other intergovernmental organisations

- Assisting, in concert with other multilateral partners as appropriate, such as the World Bank, in the management of price risks by traders and producers, as well as in the utilization of structured finance instruments for the generation of additional resources which can be used for the development or diversification of the commodity sector;
- Providing technical assistance and policy advice on relevant mechanisms, including financial risk management instruments, to producers and users of oil and gas in developing countries, in particular in the context of implementing privatization and liberalization schemes, aimed at protecting Governments as well as private users and consumers from the risks of high price volatility;
- Close collaboration with the Common Fund for Commodities, putting to maximum advantage the existing complementarities.

**Annex 3B: Resolution 59/224 adopted by the UN General Assembly
Commodities**

The General Assembly,

Recalling its resolutions 57/236 of 20 December 2002 and 58/204 of 23 December 2003, and stressing the urgent need to ensure their full implementation,

Recalling also the United Nations Millennium Declaration adopted by heads of State and Government on 8 September 2000,¹

Taking note of the Monterrey Consensus of the International Conference on Financing for Development,²

Taking note also of the Plan of Implementation of the World Summit on Sustainable Development,³

Taking note further of the Programme of Action for the Least Developed Countries for the Decade 2001-2010⁴ and the Least Developed Countries Report, 2004,⁵

Recalling the Doha work programme⁶ adopted at the Fourth Ministerial Conference of the World Trade Organization, on 14 November 2001, and welcoming the decision adopted in this context by the General Council of the World Trade Organization on 1 August 2004,

Taking note of the São Paulo Consensus adopted at the eleventh session of the United Nations Conference on Trade and Development, particularly the paragraphs relating to commodities,⁷

Taking note also of the report of the Trade and Development Board on its fifty-first session,⁸
Recognizing that commodity prices are an important element for heavily indebted poor countries that are dependent on commodities for maintaining long-term debt sustainability,

Taking note of the targets set out in the Rome Declaration on World Food Security and the Plan of Action of the World Food Summit⁹ and the outcome document of the World Food Summit: five years later¹⁰, which reaffirms the pledge to end hunger and poverty,

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China

¹ See resolution 55/2.

² *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

³ *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

⁴ See A/CONF.191/13, chap. II.

⁵ United Nations publication, Sales No. E.04.II.D.27.

⁶ See A/C.2/56/7, annex.

⁷ TD/412, part II.

⁸ A/59/15 (Part V). For the final text, see *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 15*.

⁹ Food and Agriculture Organization of the United Nations, *Report of the World Food Summit, 13-17 November 1996 (WFS 96/REP)*, part one, appendix.

¹⁰ *Ibid.*, *Report of the World Food Summit: five years later, 10-13 June 2002*, part one, appendix; see also A/57/499, annex.

Recognizing that structural changes in international commodity markets, particularly the increasing concentration in trade and distribution, constitute new challenges for small farmers, commodity producers and exporters in developing countries,

Expressing its concern about the difficulties experienced by the developing countries in financing and implementing viable diversification programmes, which are essential for sustainable development and for attaining access to markets for their commodities,

1. *Takes note* of the report of Secretary-General on world commodity trends and prospects¹¹, including the fact that while prices have improved for some commodities, the real prices of others remain on a declining trend;

2. *Recognizes* that many developing countries are highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings and as the driving force of investment, economic growth and social development;

3. *Reiterates* the importance of maximizing the contribution of the commodity sector to sustained economic growth and sustainable development, while continuing diversification efforts in commodity-dependent developing countries;

4. *Emphasizes* the need for efforts by the developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourage diversification and liberalization of the trade and export sectors and enhance competitiveness;

5. *Reaffirms* that each country has primary responsibility for its own economic and social development, and recognizes that an effective enabling environment at the national and international levels entails, inter alia, a sound macroeconomic framework, competitive markets, clearly defined property rights, an attractive investment climate, good governance, an absence of corruption and well designed regulatory policies that protect the public interest and generate public confidence in market operations;

6. *Encourages* developing countries, with the necessary support of donor countries and the international community, to formulate specific commodity policies so as to contribute to the facilitation of trade expansion, the reduction of vulnerability and the improvement of livelihood and food security, by:

(a) Creating an enabling environment that encourages the participation of rural producers and small farmers;

(b) Continuing the diversification of the commodity sector and enhancing its competitiveness in developing countries that are heavily dependent on commodities;

(c) Increasing technology development and improving information systems, institutions and human resources;

¹¹ A/59/304.

7. *Notes* that the supply capacity and adaptability of many countries is constrained by weak institutional and technical capacity, and invites the international community to support commodity-dependent developing countries in addressing the loss of competitiveness and negative commodity production and trade trends and in taking the measures necessary to improve livelihoods and food security in commodity-dependent developing countries by supporting the design and implementation of commodity chain strategies, and welcomes initiatives taken in this regard;

8. *Emphasizes* the importance of official development assistance for agriculture and rural development, and invites developing countries to prioritize agriculture and rural development in their national development strategies and programmes, inter alia, in the New Partnership for Africa's Development, and in this regard invites developed countries and the donor community to further reinforce their assistance to those sectors in developing countries by providing financial and technical support for activities aimed at addressing commodity issues, particularly the needs and problems of commodity-dependent developing countries;

9. *Welcomes* the decision taken by the members of the World Trade Organization on 1 August 2004, and stresses the importance of a successful conclusion of the Doha work programme;⁶

10. *Reiterates* the importance of expanded South-South trade and investment in commodities;

11. *Recalls* the potential of regional integration and cooperation to improve the effectiveness of traditional commodity sectors and support diversification efforts;

12. *Calls upon* developed countries that have not already done so to work towards the objective of providing duty-free and quota-free market access for all least developed country products, and encourages developing countries in a position to do so to contribute to improved market access for the least developed countries; non-fuel commodity imports, and expresses the urgent need for supportive international policies and measures to improve the functioning of the commodity markets through efficient and transparent price-formation mechanisms, including commodity exchanges, and through the use of viable and effective commodity price risk-management instruments;

14. *Also recognizes* that market exigencies can constitute formidable challenges to developing country commodity producers and exporters, in particular small farmers, and urges both developing and developed countries to take appropriate steps to enable those producers to enter global supply chains and to facilitate their effective participation in supply chains, and invites the private sector to promote partnerships that contribute to the effective participation of small producers in supply chains;

15. *Encourages* the United Nations Conference on Trade and Development, the Food and Agriculture Organization of the United Nations, the World Bank and other relevant international organizations, within their respective mandates, to enhance their efforts to facilitate access to market-based instruments, with prudential oversight for managing commodity risks due to price fluctuation and natural disasters, so as to address the commodity problems in developing countries;

16. *Regrets* that schemes to mitigate earnings shortfalls have not reached the originally envisaged goals, and urges Governments and international financial organizations to continue to assess the effectiveness, including the operationalization and user-friendliness, of the systems for compensatory financing of shortfalls in export earnings, and in this regard stresses the importance

of empowering developing country commodity producers to insure themselves against risk, including natural disasters;

17. *Reiterates* the role of the United Nations Conference on Trade and Development in addressing commodities issues in a comprehensive way in accordance with relevant General Assembly resolutions and the provisions of the São Paulo Consensus,⁷ and in this regard invites development partners to provide the resources required to enable the United Nations Conference on Trade and Development to undertake those activities;

18. *Notes with concern* that the real prices of some commodities are still on a declining trend, and requests the United Nations Conference on Trade and Development and the Food and Agriculture Organization of the United Nations, within their respective mandates, to explore appropriate ways of addressing this problem and identifying best practices for dealing with persistent oversupply situations;

19. *Calls upon* the United Nations Conference on Trade and Development to continue to work, in cooperation with all interested stakeholders, including donor countries and organizations, for the effective operation of the International Task Force on Commodities launched at the eleventh session of the United Nations Conference on Trade and Development, and invites interested parties to provide voluntary financial support for its effective operation;

20. *Underlines* the need to strengthen the Common Fund for Commodities and encourages it, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen the activities covered by its Second Account in developing countries with its supply chain concept of improving access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

21. *Invites* all relevant stakeholders, including the United Nations Conference on Trade and Development, the Common Fund for Commodities and the Food and Agriculture Organization of the United Nations, within their respective mandates, and other donors to intensify their support for the financing of commodity diversification, focusing on developing private sector capacity, strengthening market institutions, developing strong producer associations for commodities with a proper role for producers, including women and small farmers, developing key infrastructure and stimulating investments;

22. *Requests* the Secretary-General of the United Nations, in collaboration with the Secretariat of the United Nations Conference on Trade and Development, to report on the implementation of the present resolution and to report on world commodity trends and prospects to the General Assembly at its sixty-first session;

23. *Decides* to include in the provisional agenda of its sixty-first session, under the item entitled “Macroeconomic policy questions”, the sub-item entitled “Commodities”.

Annex 4

Objectives and Priorities of CFC and ICBs

The more the priorities of the CFC coincide with those of the ICB, the easier is it for ICBs to comply with CFC demands. If the priorities coincide, the work done by the ICBs in working toward to realisation of projects serves not only the goals of CFC but also those of the ICB itself. How divergent are the priorities?

The overall objectives of the CFC in financing projects are given by the original Agreement and mentioned in Table 2.2. In general these objectives are not much different from those of the individual ICBs. Notably absent among the CFC objectives is market promotion. While “improvement structural conditions in markets” is included, as is productivity and marketing, the promotion of trade or consumption is not among its goals. Though CFC has financed some projects in this field (cocoa promotion in Japan, for example), this may help explain the generally reported reluctance of CFC to finance projects in this field. CFC reports that 24% of the projects deals with market expansion, but this refers to new product development mostly.

Some 34% of the projects focus on pre-harvest productivity improvement, including agricultural research and 40% is on post-harvest processing, marketing and quality improvement. This focus on productivity seems to be higher than what the ICBs have as their main goals. While market transparency is abundant among the ICBs goals, productivity appears only in the cases of coffee, jute and bamboo.

As to market transparency, this really is a focus of the ICBs that devote an important part of their resources to data collection, market reviews and outlook preparations. The activities are almost all done by the ICB secretariats. Projects aiming at improving the data collection or market information in producing or consuming countries are hardly undertaken. Among the ICBs, the ITTO stands out as an organisation with many projects in the field of market intelligence. CFC projects are not targeted to this activity to the same degree, however.

The CFC has among its objectives a particular emphasis on the least developed and land locked countries. The ICBs do not have this as explicitly as the CFC. The bottom line of Table 3.2 shows how many of the 50 Least Developed Countries (LDCs) are members of any ICB. CFC itself has 44 of the 50 LDCs as member. Of the ICBs, the ICO, INBAR and ITTO have relatively high shares of LDC membership (though still below 30%), whereas IRSG, IGC, IJSG and IOOC have no or only 1 LDC as member.

Finally, there is obviously a preference of the CFC to see the projects implemented in member countries, and to see the projects executed by organisations from member countries. The memberships of the CFC and the ICBs do not fully coincide however. France is one example of an EU country that is not participating in CFC, while it is an active member of many other ICBs. China is a member of CFC, but not of ICO, ICCO, ICAC, IRSG, IJSG or ISO. The differential membership may also explain why priorities of CFC may diverge from those of ICBs. Table 3.5 shows how many of the members of an ICB are also member of the CFC. The top line shows this, counting all individual EU countries as separate members. Fourteen of these 25 EU countries are member of CFC. Counting the EU as 1 ‘country’, the percentages of members that are also member of CFC are between 46% (for IOOC) and 92% (for IRSG).

Table 3.5 ICB Membership, in relation to CFC and LDC status

	ICO	ICCO	ISO	IRSG	IGC	IJSG	INBAR	ITTO	ICAC	IOOC
% of members also member of CFC	75%	68%	58%	89%	58%	59%	85%	69%	68%	40%
Same if EU counted as 1 % of Least Developed Countries member	84%	88%	63%	92%	58%	75%	85%	69%	63%	46%
	30%	2%	10%	0%	0%	2%	26%	28%	14%	0%

CFC-ICB discrepancy in priorities

There is reason to believe that ICBs may like to submit other projects (say on market promotion, market transparency) for funding to CFC in addition to those that are presently funded. At the same time, CFC actually would favour other projects than are presently submitted (say, on value chains, on LDCs' or CFC-members' commodities).

The more general issue behind the discrepancy between ICBs' objectives or priorities and those of CFC is, that the ICBs and the CFC have their own structure of priority setting. Both have their own underlying Agreements or other declarations, both have their own governing councils, in which incidentally largely the same member countries are represented. From time to time, these councils give new interpretations of the objectives spelled out in the agreements. Thus, the priorities for CFC in their upcoming 2007-2012 plan are on supply chain, diversification, market access and market development. These need not coincide with the ICBs' priorities. Yet, only ICBs can submit project proposals to CFC and CFC was meant to support the commodity organisations. There appears to be a surplus of goal-setting as it is now.

While this is all in perfect agreement with the official documents, one could ask if the objectives of the CFC on the hand, and the ICBs on the other, are best served by the way in which the two are bound to each other. If the CFC follows its own priorities, what is the reason to restrict the submission of projects to ICBs only? The CFC priorities might even be better served by projects of other organisations. Similarly, the ICBs' priorities are also served, and perhaps better, by projects that CFC would not find eligible for funding.

Two roads seem to lead to a better alignment of resources to priorities. One is for CFC to follow its own course, pursue its own priorities and make the choice of which organisation can submit projects sub-ordinate to these priorities. The other is to give precedence to the ICB priorities, and make priorities for CFC funding sub-ordinate to these, rather than set these independently.

Following the first road, recognition of the (possibly) diverging priorities of CFC and individual ICBs would imply that CFC should evolve toward a separate funding organisation, not so directly linked to the ICBs. A way to achieve this is to widen the definition of ICBs, so as to include not just consumer-producer intergovernmental organisations. In practice, CFC is heading in this direction, as shown by granting INBAR the ICB status even though Canada (incidentally, not a CFC member) was the only importing member country of INBAR at that time. Producer organisations such as the International Pepper Community might also be suitable members. CFC would in this way establish itself as a separate funding organisation with its own goals. ICBs could still apply for funding, but other organisations may show that they too can serve the goals of CFC. The fund should, in this perspective, expand its own capacity to promote and evaluate projects being developed and submitted. It would require more expertise in-house on the policies, technologies and markets for commodities. (Such expertise is now more easily found in or by the ICBs.) The ICBs would however find themselves competing with other organisations for funding of projects and are likely to see the stream of funding coming their way decrease.

The second road solves the issue of diverging priorities of CFC and ICBs by changing the priorities rather than the organisation only. The CFC's priorities could be set equal to the joint set of priorities that the various ICBs individually define, or, alternatively, the ICBs' priorities could be made equal to those of the CFC. The question then is if the more general priorities -setting of CFC should prevail, or the more commodity-specific priorities -setting procedure of the ICBs. The latter option appears more to the point, as it would secure a closer alignment of objectives to the needs of the sectors. The aggregate priorities of the CFC – in this approach – should then be no

more than the sum of the individual ICB priorities. The Common Fund would still be in need of criteria to distribute its funds over the various proposals. The criteria that correspond to the new situation would be such that those project proposals are more eligible that score best on rendering value for money in terms of the individual ICB's priorities. This makes the scores however rather difficult to compare, as one ICB may have different objectives from another. If no suitable joint criteria can be formulated, the solution is to have a good decision making body. Such a body should include representatives of the ICBs, it could include independent experts too. An important task for the CFC would be to help ICBs follow procedures that lead to good project proposals, with sufficient expert judgement, and involvement of agents throughout the value chain where appropriate.

The second road would put the responsibility for projects closer to (or totally with) the ICBs, which – through their involvement in CFC decisions – would also be responsible for the good use of scarce CFC-money. The first road would make the CFC more the responsible body for the selection of projects – and thereby their success – and would put the ICBs more in the field of project execution. The present situation actually resembles this: even though the ICBs are meant to be supervising rather than executing (there typically is a Project Executing Agent, PEA), their involvement in the preparation and execution of projects is often quite high.

The present situation with regard to projects financed by the CFC, as mentioned to us by the ICB secretariats, has some positive and some negative characteristics. The ICBs mention as positive aspects

- the opportunity to realise projects. This is one way to realise some of the objectives of the ICB.
- The opportunity to be of help to their member countries. The projects makes the ICB more valuable in the eyes of the members and may enhance membership of the ICB. This strengthens the role of the ICB as a forum for discussion.
- The collaboration between the ICBs and the CFC secretariat in formulating a project in such a way that it be eligible. [Some ICBs are very happy, some are unhappy in this respect]
- The present level of all-in remuneration for the ICB's role as supervisor of \$20,000 per project per year (as yet with the exception of the IGGs).

Negative aspects of the CFC projects are mentioned by the ICB too:

- The long procedures between proposing a project, its approval for funding, and its eventual implementation. This can easily take two years.
- The double screening that many projects have to go through: a first screening by the ICB, and its advisory bodies, after which the proposal is often revised; and a second screening by the CFC and its Consultative Committee (CC). The comments of the various screening bodies are not consistent; and sometimes the comments of the same bodies in a first and second round are inconsistent.
- The expertise of the Consultative Committee. Many ICBs feel they have the expertise (or access to the expertise) to evaluate a proposal better than the Consultative Committee of the CFC.
- The work involved in commenting on (or even co-writing) proposals, especially at the stage before it can be submitted to CFC, but also in responding to demands by the CFC and its CC. The money provided by CFC for overseeing the *funded* projects was not felt to adequately remunerate the work for formulating *all* the project proposals.

- The financial arrangements of the CFC which often deviate from the ICB's own way of handling their finance. Note that CFC makes direct payments to the PEA, and sets up separate arrangements for this.
- The need to involve more than one country in the project (as mostly required by CFC to give a project 'a commodity focus').

It should be mentioned at this point, that the CFC itself has often expressed concern about the quality of the proposals submitted to them. The CFC and some ICBs also indicate that the decision procedures within the councils of the ICBs are not favourable to a critical consideration of all project proposals. The country representatives in the councils are mostly no experts themselves, and find it hard to be critical of projects supported by other members.

The FAO is in a particular position here. The involvement of the IGG secretaries with the projects is in general substantial; the objectives of the IGGs are derived from those of the Committee on Commodity Problems (CCP). The work program of the Commodities and Trade Division has its work program approved by both the CCP and the Committee on Agriculture. The work that the secretaries do for the projects has opportunity costs in terms of work defined in the Division. Yet, the priorities of the Division and those of the IGG and those of the CFC by which the project is funded are not quite the same. If CFC would pay to do this work it could be seen as one of the projects adopted by the Division. But the money that CFC provides for overseeing the projects it funds, cannot – as yet – be used to pay for the time of the FAO put into this. It merely pays to visit the project and/or the hiring of consultants to do work on their behalf.

This high degree of involvement of many ICBs in preparation and execution, combined with the usual financial arrangements made by CFC, gives the CFC-projects the image of being precisely that: *CFC-projects*, rather than *ICB-projects*. The work for these projects is felt as work on behalf of, or for the CFC, rather than work that falls squarely within the objectives of the ICB itself. The CFC also feels this responsibility. It is – in most cases – the fund, and not the ICB, who initiates an (occasional) ex-post evaluation of the projects. Both CFC and the ICB (and the PEA) are proud on successes. Who is to blame for failures? Neither in the CFC meetings, nor in those of the ICB is there much discussion of the reasons for failure, or admitting failures of projects at all.

The elaborate regulations of the CFC for submitting proposals and for implementing projects, understandable though they are, have the effect of alienating the ICBs from their projects. To strengthen their responsibility for the choice of projects, for the success of the projects, and for the appropriateness of spending money in this way, a closer involvement of the ICBs in selection and money matters would be needed.

Selection of projects by the ICBs

Traditionally, the activities of international commodity organisations were related to the section of the supply chain between export and import. Issues were market access, trade policy, and the grading of the products in international trade. The supply chain has been expanded by the modern successors of the commodity organisations. It now reaches from the producers to the consumers. Projects, undertaken by the ICBs can (with some margin of error) be grouped into projects that address the producer (typically improving her future productivity and sustainability); that address the stage between producer and consumer, typically reducing the costs of bringing the good from producer to consumer, including reductions of processing costs, trading costs (risks) etcetera; and finally goods that aim at expanding the market directly by finding new consumers, e.g. through developing new products.

Looking at the CFC funded projects with this point of view, we could classify the 145 projects of Table 3.1 into 52 projects aiming at farmers; 60 projects targeting trade and processing; and 33 projects focussing on promoting consumption. The numbers of projects per ICB are too small to draw firm conclusions about any specific orientation. The FAO is generally more focussed on the producer, with the exception of the IGG on Fish Trade that targets the consumer. Most ICO and IOOC projects also target the producer.

From a theoretical point of view, improving the production or yield of the farmers helps the farmers who apply the outcome of the project. Their increased production will in general depress prices, thus affecting the other producers negatively, but benefiting the consumers.

Increasing demand (e.g. by developing a new product) increases prices and benefits all producers who supply the raw material. Consumers of the new product and producers will benefit, while consumers of the old product will have to pay more.

Decreasing the costs of processing and trade will normally be beneficial for both producers and consumers, with producer prices rising and consumer prices falling.

In all cases, the sum of the theoretical welfare effects will be positive. Increasing demand, and decreasing the costs of getting the farm products to the consumer are undoubtedly beneficial to producers, whereas increasing yield of some producers may harm others. These results may differ from product to product as they depend crucially on supply and demand responses to price changes and the pricing of competitive goods. If, for example, an increase in yields and the resulting decrease of prices is the only way in which competition with synthetic substitutes can be maintained, then the yield increasing innovation still helps the producers, even though their number may shrink.

In a setting of a single commodity market, improving production depresses prices, while reducing transaction costs (trading costs, processing costs, tariffs,...) and expanding demand improves prices. Thus the common target population of many ICBs, the producers, are to gain from the latter types of intervention more (or more uniformly) than from the former type. In this respect, CFC, ICBs and sponsors should consider focussing more on trade, processing and consumption, rather than on improving yields or increasing production otherwise. If the consumer welfare is given as much weight as the producer, no such preference can be given, however.

The graph of Figure 3.1 gives an idea of the numbers of CFC-projects of the ICBs and their orientation.

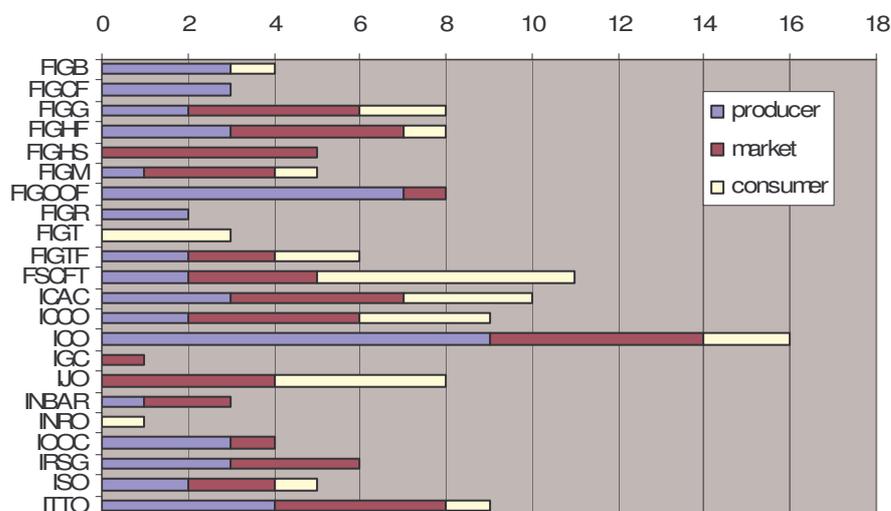


Figure 3.1 Orientation of CFC-financed projects of the ICB (until May 2006)

Overall, the CFC-projects for these ICBs are for 39% aiming at producers, for 39% targeting the market and marketing, and for 23% the consumer demand. While most of the producer oriented projects aim at enhancing their production, including R&D in this field, the market oriented projects are divided as given in the following Table 3.6

Table 3.6 Market oriented CFC projects

Processing	21
Trade, marketing, inc warehousing, risk mgt	14
Development in general	15
Information collection, dissemination	2

What is striking in this division of market oriented projects is the limited number of projects in the field of market information. This is the mainstay of many of the ICBs, it is emphasized in numerous documents and many a report calls for more information to become available. Yet, projects in this field are not among the CFC sponsored set of projects. The ITTO currently implements some 20 non-CFC projects in the field of market information, including setting up systems for forest and timber statistics.

Among the other projects, the 'market development' projects most likely encompass the commodity chain perspective. But issues of corporate governance and traceability are hardly (if at all) visible among the projects undertaken. They appear in some of the studies of the ICBs however. The issue of market structure, and the degree of competition in domestic and world markets, is not addressed at all, neither in projects, nor in studies.

Diversification

Both the CFC and many of the ICBs have among their objectives to promote diversification, both vertical diversification (more domestic processing) and horizontal diversification (more products grown by the farmers). From a theoretical point of view, more domestic processing keeps more value added in the country. The trade-off is between this type of processing industry and other forms of employment. The commodity-based type of processing may benefit from the presence of the raw material. When the raw material is normally exported, domestic processing does not have an immediate competitive advantage over foreign processing. Processing of products such as cotton and cocoa often involves making blends of various types, sourced from different countries. The producing country may not have an advantage here.

Horizontal diversification can refer to promoting the farmers to grow more than one crop, in particular, diverting some of the resources now used for the commodity to alternative uses. At the macro level, diversification refers to production of more commodities than the traditional export crops. There are strong theoretical arguments to pursue these types of diversification. More micro diversification (at the producers' level) would namely imply that farmers have an alternative use for their resources. If (world market) prices would fall, they can reduce production more easily by switching to other activities. In doing so this enhances the responsiveness to price changes. Stronger responses to price changes imply that prices can no longer fall as much as they would if response is limited. Thus, enhancing the price responsiveness leads to more stable prices.

At the macro level, many countries have strong incentives to diversify. Especially the countries that hold important market shares are in such position. If such a country would reduce its production of the commodity in favour of the non-traditional product, the gain for the country can be substantial. This is because the very fall in production of such important producer implies that the world market price rises. This already compensates the major exporter for some of the reduced volume, and to this is added what ever revenues are generated by the non-traditional commodity.

A look at the CFC-projects of the ICBs shows that diversification projects are rather few (see Table 3.7). While some of the vertical diversification may not show up in this table, but rather in the ‘processing’ item above, the horizontal diversification projects should be visible here, but number only two.

Table 3.7 Producer oriented CFC projects

Production increasing	36
Disease reducing	12
Vertical diversification	3
Horizontal diversification	2

The distribution of producer oriented CFC-projects shows that many of the projects aim at improving production, either through R&D, such germ-plasm projects, or through reducing the exposure to diseases.

It is likely that the ICBs are not in the best position to promote diversification. Even though many farmers would benefit if some of them would produce other commodities and thereby reduce supply, the discussion in the meetings of the ICBs is seldom about reducing supply, or encouraging the farmers to grow less of the commodity. Doing so feels unnatural. Yet, this is what would help the remaining producers, and this is what history shows: in moving from low income levels to higher income levels, countries move from crop production to production of non-agricultural commodities and services. This development perspective can hardly be expected from a commodity organisation. Among the international institutions, UNCTAD appears to be best placed to address the issue. Its Commodities Branch does indeed have a section on diversification.

In the past, when the World Bank was more involved with promoting commodity production, the adding-up problem (that increased production in one country spoils the market for another) was clearly on the table. It withheld the Bank from further financing commodity production expansion.

Commodity dependent developing countries

The EU action plan and other documents, including the UN resolution, mention the high degree of commodity dependence in some countries as a reason for special action toward these countries. The CFC, despite its commodity focus, makes special room for projects in these countries and the revenues from its first window can be used to this end. While there is no doubt that diversification is of special importance in these countries, their commodity dependence becomes especially clear at the macro-economic level. The importance of a few markets for their balance of trade and exchange rate, calls for particular policy measures when faced with shocks in the world market prices of these commodities. This relates to trade policy, but also to monetary policy. No projects (or studies) by ICBs can be found at the level of national economic policy making however. National policy making at the macro level in these commodity-dependent countries is not addressed by any of the ICBs; UNCTAD publishes studies in this field.

Annex 5

Persons met in the course of the study, ordered by commodity

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