Development of the cotton sector in African countries:
Proposal for ITC Technical Assistance

March 2004
Outline

I. Introduction: what is ITC? .................................................................3

II. Cotton sector: products covered by ITC’s trade related technical assistance.................................................................3

III. ITC potential trade related technical assistance for the development of the cotton sector .................................................................4

   1. Trade related technical assistance for the development of export trade in cotton at national level .................................................................4

      1.1 Capacity building at institutional level: ..............................................4

      1.2 Capacity building at the enterprise level: .............................................5

   2. Trade related technical assistance for the development of the cotton sector at sub-regional level .................................................................6

   3. Trade related technical assistance at regional level ......................................7

IV. Delivery modalities .............................................................................8

Appendix 1: Contribution through the JITAP programme ...............................9

Appendix 2: Contribution through the IF programme ....................................10
I. Introduction: what is ITC?

ITC is a technical cooperation organization whose mission is to support developing countries and transition economies, and particularly their business sectors, in their efforts to realize their full potential for developing exports and improving import operations, with the ultimate goal of achieving sustainable development. ITC focuses its efforts on the priority sectors that have a high potential for export growth, development and diversification.

ITC support takes the form of information, training and advice. Its ultimate ‘client’ is the business community and more specifically, that segment of the business community with the greatest potential for export growth and the greatest need for export-related support: the small-to medium sized enterprise (SME). However, to ensure widest possible impact of its technical assistance, ITC works directly with ‘multiplier organizations’ or Trade Support Institutions (TSIs) rather than individual firms.

ITC has five organizational goals which are:

- To facilitate the integration of developing/transition economy enterprises into the world trading system.
- To support national efforts to design and implement trade development strategies.
- To strengthen key trade support services, both public and private.
- To improve export performance in sectors of critical importance and opportunity.
- To foster international competitiveness within the business community as a whole, and the small and medium-sized enterprise (SME) sector in particular.

In achieving these goals, ITC focuses on national and regional capacity-building within the public and private sector TSIs, which activities are critical to the competitiveness of the SME

II. Cotton sector: products covered by ITC’s trade related technical assistance

ITC’s technical assistance in trade development can cover the following sub-sectors and products of the cotton sector:

- Raw cotton, including organic cotton.
- Cotton by-products: cotton seed, cottonseed oil, cottonseed oilcake and meals.
III. ITC potential trade related technical assistance for the development of the cotton sector

ITC’s specific technical cooperation activities are demand-driven. Therefore, detailed needs assessment in close cooperation with national counterparts will be the starting point for the development of specific technical assistance projects that would help address priority needs to support the export development of cotton, cotton by-products and value added products extracted from cotton.

Activities proposed by ITC might be undertaken either at national, sub-regional or regional levels. The implementation of country level activities can be undertaken independently of the regional activities. They may also run in parallel in some countries, and if they do, then care will need to be taken to ensure that the target beneficiaries derive synergy benefits accruing from parallel implementation of activities.

Specific financial resources will be required to enable ITC develop technical assistance programme to address priority needs identified and implement programme activities.

1. Trade related technical assistance for the development of export trade in cotton at national level

ITC offers technical assistance solutions using a wide range of tools and services to help build the capacity of Trade Support Institutions and to assist SMEs benefit from the growing international markets. By providing TSIs with the advice, the required tools, and training on their use, ITC ensures that the capacity at national level is sustainable in the long run.

1.1 Capacity building at institutional level:

- **Strategic and operational market analysis:** This entails an analysis of trade flow statistics, using ITC TradeMap, to assess trade performance at sector and product levels. It can provide an assessment of multilateral/bilateral trade potential and help identify priority markets for export development of cotton and cotton products. This will help decision makers and producers to focus their efforts, especially in view of the phase out of the textile and clothing quota in 2005 that will have an impact on major destination markets likely to be found in large Asian developing countries. Training will be provided to all stakeholders on how to use the TradeMap tool and to interpret the analytical tables provided.

- **Market Access assessment and simulation tool:** Decision makers in the cotton sector can use the ITC Market Access Map (MacMap) to assess market access conditions. The MacMap simulation function can also help cotton producing countries better understand the implications of change for the cotton sector. Training and information sessions are provided on the use of the tool.
• **Trade information**: ITC can help TSIs strengthen trade information services to assist the cotton business community to adjust to the new emerging trends. ITC’s basic methodology and steps for the creation and operation of an efficient trade information service cover key issues such as assessment of trade information users’ needs; formulation of a strategy for providing trade information; efficient operations of a trade information service; dissemination of information to users. ITC’s trade information specialists can provide active support to counterparts in applying the methodology through the necessary training, helpdesk services, information material and equipment.

• **Export Quality Management**: ITC can strengthen the capacity of the National Enquiry Points on SPS and TBT to provide sharp and targeted information on technical requirements in export markets and to undertake dissemination seminars on the standards and conformity assessment in the cotton sector.

• **Product sector strategy development**: In order to benefit from the export of cotton or value-added products in a sustainable way, a strategic approach is needed, especially with the expected changes in 2005 as a result of the textiles and clothing quota phase-out. To ensure a sustainable approach based on full country ownership, ITC will work with all stakeholders to coach them to develop their own strategy for cotton, cotton by-products and value-added products made out of cotton. The strategy process will aim at assisting the cotton community, including small producers and village communities, to generate more value from export potential. This could include launching small initiatives using cotton by-products for such things as animal feed, growing mushrooms, bio-fertilizers, etc.…

1.2 **Capacity building at the enterprise level:**

• **Product and Market Development for Clothing**: With the 2005 Quota Phase-out, competitiveness requirements for garment manufacturers will increase tremendously. To meet these challenges, ITC addresses 5 major needs of developing countries garment manufacturers with solutions implemented together with all major stakeholders, including market actors. This includes i) clothing sector strategy development; ii) benchmarking with competitors around the world; iii) sourcing information and supply management skills; iv) understanding changing markets after 2005 and developing tailor-made market penetration approaches in traditional and newly emerging markets; and v) promotion of e-applications in the clothing sector.

• **Export Quality Management**: While ITC does not work in the area of agriculture and rural development, it can help with the quality improvement of the export product by assisting producers and ginners to produce according to market/buyer requirements, which essentially covers post-harvest handling. This can be done through the development of awareness and training programmes for grass-root producers and smallholders on how to improve quality control processes, especially on SPS, involving where applicable the NEPs on TBT and SPS.

• **Market development**: ITC can provide assistance to SMEs, small growers, ginners and intermediaries to link them to the right business partners by
organising market tours and market missions to selected markets, such as China and India. These missions will aim at strengthening SMEs capacity to respond to the requirements of the target markets and to adopt new technologies that would help increase the productivity of the sector.

- Competitiveness assessment: ITC “Fitness checker” tools assist enterprises to undertake self-assessment through simple interactive checklists. The series include a general Export Fitness Checker, ISO 9001 Fitness Checker, and Transport Packaging Fitness Checker. These tools are available on CD-ROM software versions and hardcopy versions. Training in using the various tools is provided at field level.

2. Trade related technical assistance for the development of the cotton sector at sub-regional level

ITC provides trade related technical assistance at sub-regional level to create synergies and to ensure that initiatives undertaken help to strengthen the export capacity of cotton producing countries within the sub-region. This would result in a holistic approach to the development of the cotton sector to enable the business community to take advantage of increasing market opportunities.

- Strengthening sub-regional negotiating capacities: ITC can organize Business for Development workshops, training and information dissemination sessions at sub-regional level where stakeholders from the public and private sector would focus on the strategic issues regarding cotton and the business implications of WTO negotiations on the development of the sector.

- South-South trade along the value chain: Some African countries, in particular SADC countries, are looking into the feasibility of developing an integrated value chain from cotton towards clothing production. While ITC cannot assist in the development of a textile industry, it can assist in creating business linkages between African countries with complementary production factors and trade interest. ITC can bring cotton growers, ginners, fabric manufacturers and clothing manufacturers closer together to do business along the regional value chain to be finally able to penetrate the major clothing markets. This sub-regional or even regional approach is needed in order to help African countries comply with the rules of origin for market access of clothing products imposed by the worlds major markets of the USA and the EU and benefit from business opportunities. This would not only increase trade within Africa but would also facilitate access to the major clothing markets, especially in light of major changes expected from 2005 onwards. Overall, such an approach would need to be complemented by the political willingness for regional integration.
3. **Trade related technical assistance at global level**

The regional approach enables ITC to implement a set of specific TRTA activities to link national capacities to regional and global networks.

- **Prepare a “Cotton Guide”**: ITC can prepare a “trader’s manual on cotton”. The guide would contain basic and operational information on the international cotton market and its requirements, with practical help to the trader and the producer. Specific sections should address the issues at the level of the smallholder and the extension services (from the market’s perspective: seeds, storage, pesticides, requirements for producing organic cotton, etc.).

Based on the ITC product-network approach, training can be organised at regional level to introduce the trader’s manual and review the needs for its adaptation to the local context. This training will be targeted at decision makers in professional organizations and extension services involved in the cotton production and trade as well as in the textiles sector.

- **Market studies on cotton by-products and valued-added cotton products**: these studies will help producing countries from the various regions in the world to identify and analyse potential export markets for cotton by-products and value-added products in order to expand exports beyond the commodity market.

- **Facilitation of Technical Cooperation among Developing Countries (TCDC)**: As major cotton consuming industries will be based in developing countries, especially after the textiles and clothing quota phase-out, ITC can facilitate the transfer of knowledge and especially market/buyer requirements from cotton consuming industries in developing countries to African growers, ginners and intermediaries.
IV. Delivery Modalities

Technical assistance proposed by ITC can be delivered through one of the following three modalities:

- **Using generic tools and inter-regional programmes**

Under this approach specific tools that have been developed, or can be developed for each of the components described, are applied to realise well-defined objectives. Some of these tools can be acquired at a modest cost by subscription while others need to be introduced by ITC specialists who will train local counterparts in their use. This is the simplest and the most economic way of using ITC expertise and its existing tools. Tools include provision of guidelines for designing, developing and implementing inter-regional trade development programmes either with the help of ITC, or through the assistance of other development partners.

- **Designing and delivering customised TRTA initiatives**

This mode provides in-depth technical assistance since it addresses carefully identified specific national needs for trade development. It involves *inter-alia* formulation of specific country initiatives addressing specific high priority needs that the country may have in the areas highlighted in this proposal. The designed initiatives will clearly define specific activities that need to be undertaken together with a time horizon for their implementation. While the funding required for country-based activities under this modality is usually higher, assistance provided through this mode has a greater impact.

- **Designing and delivering multi-agency, multi-country programmes**

Under this mode, a broad range of components as delineated above can be integrated with what other development partners are either delivering, or intend to deliver, and then be offered as a multi-agency, multi-country programme. The objective is to cover those areas that are not taken care of elsewhere and contribute to a holistic delivery of TRTA. The activities that can be delivered through this mode will need to be structured in a manner which gives more TRTA value than what each partner can deliver by working in isolation. A prime example of this type of assistance is the Joint Integrated Technical Assistance Programme (JITAP) of ITC, UNCTAD and WTO, which is currently running in several African countries and seeks to build capacity at different levels for understanding, complying with, and deriving benefit from the emerging MTS. Another example is the Integrated Framework that coordinates the intervention of six multilateral agencies to help mainstream trade in the national poverty reduction strategies.
Appendix 1: Contribution through the JITAP Programme

JITAP is a multi-country, multi-agency capacity building programme implemented by ITC, UNCTAD and WTO in sixteen African countries (Benin, Botswana, Burkina Faso, Cameroon, Côte d’Ivoire, Ghana, Kenya, Malawi, Mali, Mauritania, Mozambique, Senegal, Tanzania, Tunisia, Uganda and Zambia). The programme aims at building capacity and strengthening national knowledge base on the Multilateral Trading System in the partner countries, for a more effective participation in the trade negotiations, in the implementation of WTO agreements, and for the formulation of related trade policies. The programme also contributes to improving the supply capacity and market knowledge of exporting and export-ready enterprises in the participating countries, to derive benefit from business opportunities resulting from better market access under the Multilateral Trading System (MTS).

Cotton is an important resource for export development and a sector in which smart poverty reduction programmes can make a difference. 14 out of the 16 JITAP countries (except Botswana and Mauritania) are participating in the WTO regional workshop, this implies that any capacity development action that may be initiated would need to cover all JITAP countries.

Cotton was mentioned as a priority sector or a sector of high potential in the project documents of the following countries: Benin, Burkina Faso, Côte d’Ivoire, Kenya, Mali, Mozambique, Uganda Zambia. Burkina Faso had emphasized the cotton case made at the WTO, without specifying what type of assistance would be needed from the JITAP agencies.

Generally and based on contributions by ITC and WTO, JITAP could undertake some activities in the cotton sector provided that needs are expressed by the countries and are included in their respective project documents. Specific needs and priorities must correspond to the JITAP mandate and pertain to one of the programme’s five modules: MTS Institutional support, Compliance, Policies and Negotiations (Module 1); Strengthening MTS Reference Centres and National Enquiry Points (Module 2); Enhancing MTS knowledge and networks (Module 3); Products and Services Sector Strategies (Module 4); Networking and Programme Synergy (Module 5). Once identified and deemed pertinent for the relevant JITAP countries the capacity building activities will be considered in the context of the JITAP implementation plans, to be implemented by the agencies (ITC, UNCTAD and WTO). JITAP could ensure a catalyst role in coordinating various initiatives that aim at helping the African countries in developing their cotton sector.
**Appendix 2: Contribution through the IF programme**

ITC’s contributions to the IF initiative have been designed with specific objectives in mind: to show immediate and concrete results by promoting the participation of the private sector; to use to the largest extent locally available expertise to maximize resources and enhance the local capacity; and to optimise the potential for a broad based participation of development partners.

ITC is committed to put in place new ways to link LDCs’ production capacities to fast growing export markets. Thus, ITC concentrates on strengthening the capacity of export-oriented SMEs in LDCs, almost always labour-intensive enterprises, to have a direct impact on employment and income generation, hence on wealth creation. This is done through capacity-building for sectoral strategy formulation, for trade support services and for enterprise-level performance improvement.

Under the IF initiative, ITC is assisting selected LDCs in the formulation of strategies for export diversification of products and sectors having good potential. Activities include, among others, improvements of export production technology and quality management, training in product conditioning and marketing, and feasibility studies followed by advice on plantation, agro-processing and marketing.

Since trade development of cotton is becoming increasingly a priority area of intervention common to 14 LDCs (Angola, Benin, Burkina Faso, Chad, Ethiopia, Guinea, Madagascar, Malawi, Mali, Mozambique, Senegal, Tanzania, Uganda and Zambia) actively participating in the IF, it is suggested that a regional programme aimed at addressing the country-specific supply-side concerns, prioritized through the different stages of the IF process, be prepared based on the DTIS recommendations. Such a regional programme will have to follow a comprehensive and holistic approach to cover the needs at all levels in cotton producing African countries. While ITC cannot address all needs, it can do so in areas where ITC has expertise and experience.