



Sub-Committee on Cotton

**THEMATIC SESSION ON COTTON BY-PRODUCTS DEVELOPMENT
IN LEAST-DEVELOPED COUNTRIES (LDCS)**

28 MAY 2021, 10:00-13:00 (ROOM W/INTERPREFY)

Report

**1 INTRODUCTORY REMARKS BY THE CHAIRPERSON, DIRECTOR OF THE AGRICULTURE
AND COMMODITIES DIVISION MR EDWINI KESSIE**

1. The chairperson welcomed all participants to the Thematic Session on Cotton By-products Development in Least-Developed Countries (LDCs), organized in the context of the May 2021 WTO Cotton Days. He reminded participants that the session stemmed from the WTO-ITC-UNCTAD Joint Initiative on Cotton By-Products (hereinafter, the "Joint Initiative on CBPs"), as endorsed by WTO Members at the 29 November 2018 meeting of the Director-General's Consultative Framework Mechanism on Cotton (DGCFMC)¹.

2. He addressed a special welcome to all those who were connected from capital and expressed his gratitude for their participation considering the time difference.

3. Considering that it was the first Thematic Session on Cotton By-Products that he was chairing on behalf of the DG, as well as on behalf of the incoming DDG in charge of Agriculture, he reminded participants of the origin of the Joint Initiative on CBPs.

4. He stated that, under the 2015 Nairobi Ministerial Decision on Cotton², developed countries and developing countries in a position to do so had committed to grant, to the extent provided for in their respective preferential trade arrangements, duty-free and quota-free market access for exports of cotton and cotton-related agricultural products from LDCs. Further, he noted that these "cotton-related agricultural products" were listed in the Annex to the Nairobi Decision, and included important products such as cottonseed oil for human consumption and cottonseed cake used as phosphorus-rich animal feed.

5. He recalled that the Cotton-4 (C-4) and other cotton producing LDCs, in referring to the list of cotton-related agricultural products annexed to the Nairobi Decision, had, at various DGCFMC and trade-related Dedicated Discussion meetings, highlighted several supply-side constraints hindering their ability to fully exploit the production and trade potential of these cotton-related products. The C-4 had also underscored that value addition and trade for cotton by-products was one key component of their "Route du Coton" programme³.

6. He recalled that in the spring 2018 meeting of the DGCFMC, UNCTAD had reported on three years of work and success stories related to the development of cotton by-products in various COMESA countries and Tanzania, as described in document WT/CFMC/57. He also mentioned that ICAC referred frequently to the unexploited potential of various by-products in their presentations.

7. He noted that later that year, at the November 2018 meeting of the DGCFMC, the C-4 had requested that the WTO, UNCTAD and ITC work jointly towards supporting the creation of additional

¹ TN/AG/SCC/W/30 - WT/CFMC/58.

² WT/MIN(15)/46 - WT/L/981.

³ WT/CFMC/W/73.

revenue streams from the production, processing and trade of cotton by-products, in particular in LDCs. This request gave birth to the so-called "Joint Initiative on Cotton By-Products", endorsed by the DGCFMC at that same meeting in November 2018.

8. He further added that the complementarities between the work of the three agencies, as well as the need to streamline initiatives on cotton and avoid overlaps, were among the considerations that led to support the desirability of joint inter-agency work in the context of cotton development assistance in general, and cotton by-products in particular. In addition, in line with the Nairobi Decision on Cotton, whereby Ministers recognized the role to be played by the Enhanced Integrated Framework (EIF) in strengthening the cotton sector in LDCs on the basis of priorities and needs identified by LDCs, the EIF had provided a grant (USD 204,000) to support the preparation of feasibility assessment studies in a pilot group of African LDCs.

9. He highlighted that, since then, various workshops and thematic sessions had been held in the context of the Joint Initiative, including in the margins of DGCFMC meetings, to share technical information and best practices, and report on progress made and enhance dialogue between partners, beneficiaries, and other stakeholders.

10. He then presented the agenda of the day while specifying that item 2 would be an update by the C-4 on their initiative for a General Council Declaration on Support for Cotton by-Products Development in LDCs, submitted by the C-4 and Côte d'Ivoire in document WT/GC/W/808 for consideration by the General Council session of 16-17 December 2020. Item 3 would be a presentation of the activities undertaken as part of the EIF-funded Joint-initiative project, an update of the new EIF-funded feasibility assessment work in Malawi and Togo by UNCTAD, and a presentation of ITC's study published at the end of 2020 on potentials and challenges for CBPs development across various African countries (WT/CFMC/W/90). Item 4 would be dedicated to ITC and UNCTAD's presentation of their proposed workplan for capacity building activities to be implemented in the next phase of the Joint Initiative, as reflected in document WT/CFMC/W/89.

11. The agenda was adopted as proposed and the Chairperson concluded his introduction by announcing two new developments in the area of communication: i) first, a [new webpage](#) on the Joint Initiative on Cotton by-Products hosted by the WTO website; ii) second, a [video](#) produced by the World Economic Forum on the potentials and challenges linked to the development of cotton by-products in Africa.

12. The Chairperson gave the floor to the Secretariat to briefly present the new webpage on the Joint Initiative on Cotton By-Products and play the World Economic Forum's video on the potentials and challenges linked to the development of cotton by-products in Africa. The Chairperson then proceeded by opening the floor for comments by Members and participants.

13. The representative of Mozambique thanked the Chairperson for giving them the floor. She expressed her gratitude and commended the WTO for its work and for continuously organizing this meeting given its importance. She further thanked the WTO for the presentation and assistance in developing the cotton sector. She also commended ITC, WTO, UNCTAD and all those involved in the work to continue to support Mozambique's national development.

14. The representative of Burkina Faso thanked the Chairperson and welcomed his chairmanship. He further thanked the Chairperson for the update on the information related to cotton by-products development in LDCs. He thanked and congratulated the WTO for creating the new webpage dedicated to cotton by-products. He indicated that this was a testimony to the WTO's commitment to supporting LDCs' cotton sectors and, more broadly, their agricultural sectors. He mentioned that the webpage was an important source of information for their countries and that the C-4 would collaborate with the WTO to improve it and provide information that would help ensure that the webpage remained up to date.

15. The representative of Côte d'Ivoire thanked the Chairperson and congratulated him for his chairmanship. He commended the WTO for the initiative that had been implemented, highlighting that decisions on cotton by-products were being put into action. He also welcomed the creation of the webpage on cotton by-products. He thanked again the Secretariat for the webpage as it would allow Members to benefit from the work performed on this subject.

2 UPDATE ON DRAFT GENERAL COUNCIL DECLARATION ON SUPPORT FOR COTTON BY-PRODUCTS DEVELOPMENT IN LDCs

16. The Chairperson introduced agenda item 2 while specifying that the floor would be given to Ambassador Sougouri, Permanent Representative of Burkina Faso to the United Nations and the WTO, and Coordinator of the C-4. He indicated that the ambassador would update Members on the draft General Council Declaration on Support for Cotton By-Products development in LDCs, contained in document WT/GC/W/808, submitted to the General Council meeting in December 2020 by the C-4 and Côte d'Ivoire.

17. Ambassador Dieudonné W. Désiré SOUGOURI, Permanent Representative of Burkina Faso to the United Nations and the WTO, thanked again the WTO for all the work undertaken in relation to cotton by-products. He reminded participants that he was making his statement on behalf of the Group of the four countries that were co-sponsors of the sectoral initiative in favour of cotton (C-4), as well as Côte d'Ivoire and all thirty-six African cotton producing and exporting countries.

18. He expressed his gratitude to the Chairperson and his team for their commitment to cotton at the WTO and for facilitating consultations among Members to reach consensus on the adoption of the draft General Council Declaration on cotton by-products development in LDCs.

19. He emphasized that cotton and its by-products represented an important source of revenue for LDCs, and that numerous women and youth depended directly or indirectly on the sector, which furthermore contributed to job creation and poverty reduction.

20. He informed participants that in Africa, 35 million farmers depended on cotton and its by-products for their livelihood, 10 million of whom were in C-4 countries where revenues from cotton represented between 8% and 12% of the GDP and up to 40% of total export revenues. He emphasised that these figures showcased the importance of cotton and its by-products for African economies and populations.

21. He regretted that due to their low levels of development, these countries were unable to sufficiently exploit the potential of the sector, even though the promotion of under-utilized parts of the cotton plant could lead to job creation and the generation of revenue to fight poverty.

22. He specified that, through the Draft General Council Declaration, the C-4 aimed at creating an enabling environment for the implementation of projects for the development of cotton by-products to increase the revenues of more than 20 million smallholder farmers, including women and youth, reinforce production capacities and ensure job creation, considering in particular the difficult context linked to the impacts of COVID-19.

23. He further added that the declaration would allow cotton producing LDCs to build a more competitive and resilient cotton sector, better equipped to face international market shocks, especially considering the negative effects of the coronavirus pandemic. The draft, he added, included an action plan that could help countries face current challenges.

24. He mentioned that the C-4 had been pleased with the comments on the draft by WTO Members during previous consultations and that they had taken good note of the observations formulated by some Members. He specified that the C-4 would welcome constructive discussions with all stakeholders to improve the text, so as to reach a consensus among WTO Members for the adoption of the Declaration.

25. He further called on the commitment and support of all WTO Members and development partners to support the adoption and implementation of the action plan contained in the draft Declaration.

26. Finally, he closed his statement by indicating that the C-4 thanked all Members for their cooperation and contribution to improving the draft and reassured them of their availability to continue consultations to reach consensus.

27. The Chairperson thanked Ambassador Sougouri for his statement and opened the floor.

28. The representative of Chad thanked the chair and indicated that his statement was on behalf of the LDC Group, as Chad oversaw the coordination of the group. He indicated that they fully supported the adoption of the document and the statement made by the C-4's Coordinator.

29. Regarding the draft General Council Declaration to support the development of cotton by-products in LDCs, he underlined two important elements: i) the increase of productivity which represented a challenge and an objective; ii) processing. He further added that the development of cotton by-products in LDCs was very important and he reiterated their support for a holistic approach looking not only at the different aspects of cotton but also at the advantages of cotton by-products. He highlighted that the LDC Group considered that cotton represented a special opportunity to increase agricultural productivity, revenues and improve the livelihoods of millions of cotton farmers throughout the continent. He further emphasized that cotton played a considerable economic and social role in LDCs' development.

30. He stated that the LDC Group fully subscribed to decisions made by the Ministers of the C-4 on the necessity for the C-4 to take up modernization programmes of their production systems and reinforce productivity through the development of training and research services but also through better access to fertilizers and financing, and structural transformation of cotton. He added that LDCs, similarly to the C-4 countries, had lots of potential such as multiple resources to attract investments. He also mentioned that LDCs had large land areas and a young population which constituted an extraordinary potential. The development of all this potential called simultaneously for public and private investments as well as for the acceleration of policies for diversification and structural transformation of LDCs' economies: this would enable low-income economies like the LDCs to unleash their potential and advance towards sustainable development. He also called on all WTO Members to support this initiative.

31. The representative of China thanked the Chairperson and expressed his agreement with the intervention made by the representative of Chad. He recalled the discussion of the previous day on cotton development during the DGCFMC and the collaboration on cotton development with the C-4, Africa and LDC Members. He highlighted two priority areas, i) productivity improvement through new technologies and ii) identification of ways to add value to cotton products, with emphasis on cotton by-products utilization.

32. He reminded participants of the General Council session in December 2020, during which China supported the Director General's statement on cotton, and recalled the suggestions included in WT/GC/W/808. He thanked international organizations and WTO Members for their contributions and hard work. He further mentioned that China had experts conducting research on cotton by-products. He reminded participants that he had made a presentation in 2019 during a WTO technical workshop on cotton by-products that specifically focused on by-products development and utilization in China. He specified that China was actively collaborating and working with partners from the C-4 and other cotton producing LDCs, given that China was aware of the opportunities for collaboration on cotton by-products and on technologies, and the need to identify ways to improve cotton productivity in LDCs.

33. The Chairperson thanked China. He also thanked the C-4 for the update on the document as well as all the delegations who took the floor under agenda item 2. He indicated that it was his understanding that the proponents would continue to engage in consultations on this document, which was expected to be an important outcome on cotton at both the General Council and MC12 levels.

3 PHASE I OF THE WTO-ITC-UNCTAD INITIATIVE ON COTTON BY-PRODUCTS

34. The Chairperson introduced agenda item 3 by recalling that activities in Phase I of the Joint Initiative had been carried out under an EIF-funded project which officially started in August 2019 and came to an end in December 2020. He also specified that this part of the work had been coordinated by the WTO Secretariat, in close consultation with UNCTAD and ITC, and that national experts had worked very hard to collect data and analyse the potential for cotton by-product development in their respective countries. This resulted in five new feasibility studies for Benin, Burkina Faso, Chad, Mali and Mozambique.

35. The preliminary findings of these studies had been validated during national workshops organized by the WTO Secretariat in each of these countries between the end of September 2020 and the beginning of October 2020. He took the opportunity to thank all those who had provided comments on the draft studies and indicated that the final studies as amended at the national validation workshops had been circulated at the request of each concerned country as follows:

- (a) Benin: WT/CFMC/W/85;
- (b) Burkina Faso: WT/CFMC/W/84;
- (c) Chad: WT/CFMC/W/86;
- (d) Mali: WT/CFMC/W/87;
- (e) Mozambique: WT/CFMC/W/88.

36. He then gave the floor to Fabrizio Meliadò of the WTO Agriculture and Commodities Division, to make a joint statement under sub-item 3a of the agenda on behalf of the Secretariats of the WTO, ITC and UNCTAD.

37. Mr Fabrizio Meliadò told participants he felt honoured to make a statement on behalf of the Secretariats of the WTO, ITC and UNCTAD, the three partner agencies of the "Joint Initiative on Cotton By-Products". He recalled that in its first phase, in 2019-2020, the activities conducted under the Joint Initiative aimed at laying the groundwork for the fulfilment of the Initiative's ultimate objective: "increasing revenues for farmers and small processors by supporting the production, local transformation and trade of cotton by-products in partner countries".

38. He indicated that the first phase of the initiative yielded several important outputs, in particular due to the EIF-funded project on "Technology Transfer for the Development of Cotton By-Products in 8 Pilot African LDCs". Some of the results included:

- the preparation of country-specific feasibility studies in 5 African LDCs: Benin, Burkina Faso, Chad, Mali and Mozambique;
- the organization of national validation workshops in individual C-4 countries and in Mozambique, in partnership with key local stakeholders from the public and private sectors;
- the organization of the Partners' Conference in October 2019, in the margins of the WTO Launch of World Cotton Day;
- a request by Malawi and Togo to join the Initiative and conduct feasibility assessments in their cotton sectors and markets. The two feasibility assessments were in progress under the coordination of UNCTAD, and were covered in more detail under the next item of the agenda;
- the organization of various thematic sessions and workshops in the margins of the WTO cotton days, during which the following Members reported on their experiences and strategies for the development of cotton by-products in their respective national contexts: the C-4 countries, both individually and as a group; Brazil; Cameroon; China; European Union; Mozambique; Tanzania, Uganda, Zambia, and Zimbabwe (in the context of the UNCTAD project that served as the main pilot for the work done under Phase I of the Joint Initiative); Turkey; United States of America. In addition, at various WTO cotton meetings, the International Cotton Advisory Committee had also reported on the potential further to develop by-products in Africa; ICAC had also published briefs and articles on specific by-products over the past two years.
- the publication of various briefs and knowledge products, including by providing relevant inputs to various WTO and UN publications;
- participation at various events, such as the EU Development Days or meetings of WTO bodies where the Agriculture Division had been invited to present about the nature and progress of the work under the Joint Initiative, with a specific focus on Technology Transfer in the field of Agriculture.

39. He specified that the links to all these activities were now available through the new webpage on the Joint Initiative, hosted by the WTO website. He noted that the purpose of all the work done under Phase I of the Joint Initiative was essentially to assess the potential for investments and technology transfer to create additional revenues from the local processing of cotton by-products (e.g. edible oil, soap, animal feed, fertilizers etc.), particularly for smallholder farmers and processors.

40. He further added that the novel data and analyses conducted as part of the project supported the view that great potential existed to develop cotton by-products in African LDCs, with concrete benefits to the livelihoods and resilience of millions of smallholder farmers, women, and small businesses, as well as the possibility to take an important step towards more sustainable waste management in Agriculture value chains, and the use of cleaner energy at the household and small industrial levels.

41. He observed that realizing this potential required meeting the necessary conditions, including improved production, processing and trade infrastructure, implementation of reforms to the benefit of farmers, investment facilitation initiatives, and finally, the availability of appropriate technologies and know-how. Additionally, meeting these conditions required effective collaboration between national stakeholders at all levels, national and international investors, and capacity-building initiatives facilitated by the international development community.

42. In conclusion, he highlighted that local ownership, greatly facilitated by the active cooperation of EIF national structures, and demand-driven activities, had been the guiding principles underpinning all the work so far and they would continue to be so for all potential future actions under the Joint Initiative.

43. Regarding the next steps, he briefly mentioned that ITC and UNCTAD, in consultation with the WTO and based on an open partnership approach, had prepared and submitted to interested donors a programme document fully based on the priorities expressed by partner LDCs during Phase I of the Joint Initiative. Finally, he indicated that the proposal, contained in WTO Document WT/CFMC/W/89, was available for consultation through the new CBPs webpage.

44. The Chairperson thanked the Secretariat for the joint statement and thanked WTO's partner agencies ITC and UNCTAD for their proactive participation and engagement in all the activities and initiatives mentioned in this statement, as well as the EIF for their continued support. The chairperson then proceeded to give the floor to Mr Janvier Nkurunziza, Officer-in-charge, Commodities Branch, UNCTAD, to make a presentation on the state of play of UNCTAD's feasibility assessment work under way in Malawi and Togo.

45. Mr Janvier Nkurunziza, Officer-in-charge, Commodities Branch, UNCTAD, reminded participants that UNCTAD was a Member of the Joint Initiative and was the Main Implementing Entity (MIE) of the two projects in Malawi and Togo.

46. He recalled that the project in Malawi and Togo started in the first quarter of 2021 and would be concluded at the end of 2021. He specified that two consultants had been recruited (one in Malawi, one in Togo) and were actively collecting information. The objective was to produce feasibility studies for cotton by-product development in Malawi and Togo. National stakeholders would validate the feasibility studies with a view to identifying priority cotton by-products for development.

47. In Malawi, he indicated that field visits which started in the north of the country in Karonga district were under way, and would be followed by visits in the south, where cotton concentration was higher. Key Informant Interviews (KII) were also conducted with relevant stakeholders and experts, including cotton smallholder farmers, and the public and private sectors. Public sector staff involved included those from the Ministry of Agriculture's Department of Crop Production and Development and its Department of Agriculture Research Services; the Ministry of Trade; the Ministry of Industry; and the Cotton Council of Malawi (CCM). He added that private sector interviews would focus on cotton associations (of smallholder farmers), ginners, edible oil millers, and stockfeed producers. The following would be consulted:

- farmers associations: Cotton Farmers Association (COFA) with its member associations drawn from the cotton growing districts;
- cotton seed suppliers: Qutton Malawi;
- ginneries: Mapeto, Afrisian Limited, Agri-Value Chain, ADMARC, and Malawi Cotton Company;
- oil millers: Capital Oil Refinery Industries;
- oil millers associations: Edible Oil Manufactures in Malawi;
- other support institutions (including for technology replication): African Institute of Corporate Citizenship (AICC), Farmers Union of Malawi (FUM), Academic and Research Institutions;
- trade schools specializing in training weavers/textile producers: Malawi Council for the Handicapped (MACOHA), St John of God, and SOS technical.

48. He mentioned that the sampling of the household survey of cotton farmers would consist of 14 major cotton producing districts in Malawi and that the total number of households employed in cotton production in the 14 districts was about 200,000. Finally, the sample size would be 383 households, distributed according to the population size of the cotton producing districts and would be selected at random in each of the 14 districts.

49. Regarding the work in Togo, he informed participants that, to develop the economy and create employment through national production, the Togolese government had assigned a new mission to the Ministry of Commerce: promoting the consumption of local products. The Ministry of Commerce, Industry and Local Consumption of Togo has thus developed a strategy to promote the consumption of Togolese goods and services. As part of the implementation of this strategy, UNCTAD had supported the Ministry of Commerce by conducting a feasibility study to identify opportunities for increasing revenues from cotton. Particular attention was paid to the role of smallholders and women 'agripreneurs' in the development of cotton by-products, in order to increase their resilience in the face of external shocks, such as the COVID-19 pandemic.

50. He stated that the project that begun on 15 February 2021 started by taking stock of the cotton sector and its by-products in order to develop action plans. The work was based on a literature review and on information gathered from meetings with stakeholders directly and indirectly linked to cotton and its by-products. He added that the mission began with a scoping workshop with the national monitoring committee, under the coordination of the EIF structures in Togo. Despite difficulties related to respect for measures imposed in the light of the COVID-19 pandemic, meetings with farmers, research centres, the federation of cotton growers and structures involved in the processing of cotton co-products were continued in Lomé as well as in inland regions.

51. He indicated that the first national tour allowed researchers to establish an initial diagnosis of the situation of production, marketing and cotton by-products. This first diagnosis would be reinforced by a second national tour, in order to establish a more complete inventory of the situation of cotton and its by-products and to propose concrete actions for their development.

52. As next steps, he specified that the consultants would continue to collect data in the coming weeks and draft the feasibility studies through the summer. He also mentioned that the feasibility studies would be presented for validation to national stakeholders at workshops in the last quarter of 2021, subject to COVID restrictions. Further, national stakeholders would decide on the countries' priority cotton by-products to be prioritized. They would then include these priorities in National Action Plans, with policy recommendations to support them, for example on investment and financing for better processing technologies.

53. Finally, he noted that the findings of the two EIF feasibility assessments - together with the assessments already completed by the partner agencies - would form the basis for the second phase of the WTO-ITC-UNCTAD Joint Initiative capacity-building activities. The second phase of activities would be tailored to support the National Action Plans and the selected cotton by-products.

54. The Chairperson thanked Mr Nkurunziza and specified that this on-going process also constituted an opportunity for the partner LDCs to strengthen their development cooperation network both internally and internationally. He then opened the floor for ITC's presentation on their

new publication "Beyond the Fibre: Capturing Cotton's Full Value in Africa" (document WT/CFMC/W/90).

55. Mr Matthias Knappe, ITC, recalled that ITC had published the report "Beyond the Fibre: Capturing Cotton's Full Value in Africa" in relation to cotton by-products. This report had been translated into French and Spanish and distributed to all WTO Members at their request.

56. He explained that the presentation had four major chapters: 1) review of the most important by-products (i.e. oil, cakes and meal) for which international market and price development existed, considering that the derivatives could represent 30% of the value of seed cotton; 2) presentation of the various by-products of the plant and usage by African countries as well as opportunities derivable from them; 3) challenges and opportunities; 4) recommendations for countries and private sector stakeholders in the countries concerned.

57. He explained that the publication and further presentation would look into the different by-products and their use on the continent, including: cottonseed oil which competed with vegetable oils that were mainly imported for human consumption; cottonseed hulls as a source of energy or blended with meal for animal feed; cottonseed cake used for feed; linters, which were a source of cellulose used in goods such as bank notes, paper, yarn, plastics; cotton stalks which could be used for compost, or as boiler fuel in compressed form such as pellets, briquettes and particle boards, among others; and finally edible mushrooms that could be grown on cotton stalks.

58. Gerald Estur, Independent consultant, ITC indicated that more than 60% of African cotton was produced in French speaking African countries. He mentioned that cotton was mainly synonymous with cotton lint, a raw material for textile production which primarily explained its production. However, he insisted that all parts of the cotton plant had value, and that it was not only a textile plant but also an oleaginous plant. He explained that the basis was seed cotton, from which more oleaginous seeds (cottonseeds) could be obtained (approximately 55%) than lint (40% in volume). On five million hectares, Africa produced five million tonnes of seed cotton with an average yield of 1 tonne per hectare which could and should be improved. From current production, Africa produced 2 million tonnes of lint and close to 3 million tonnes of cottonseeds.

59. He then explained that the primary use of cottonseeds was to retain one part of the production for next season's planting, considering that cotton was an annual crop, although it was originally a perennial crop that was gradually adapted to be cultivated annually. He added that less than 10% (or approximately 150 000 tonnes) of cottonseeds were used and treated to be used as planting seeds. Fuzzy seeds or whole cottonseeds were valuable feedstuff, particularly for dairy cows. He specified that they were increasingly used as such, and gave the example of the USA where more than half of cottonseeds produced were not processed into oil but rather used as livestock feed. He also mentioned that in Australia, large scale oil mills closed as firms estimated that it was more profitable to export unprocessed cottonseeds, particularly to China. In Africa, seeds that were not kept for planting were processed into oil, which was currently the main way in which cottonseeds were processed.

60. He added that part of the fibre was under-used in Africa, and took two forms. Firstly, residues remain after ginning (gin notes), which in large part were not recycled in Africa even though they contain cellulose that can be used for nonwoven products (e.g. for absorbent cotton). Production of these was estimated at around 150 000 tonnes. He explained that these gin notes were immature fibres that were not long enough to be spun, and that this product was derived from the first phase of processing the seed: the ginning. Secondly, the remainder on the seed was a shorter part of cellulose (fuzz): the linters. These represented between 4-8% of the weight of the seed. Delinting was the process of removing fuzz from the seed, and could be done mechanically or by using acid. As with gin notes, linters could not be spun but could be used to produce absorbent cotton, among other things. In Africa, linters were generally exported due to the absence of local value-added industries.

61. He continued by explaining that once delinted, the cottonseed was surrounded by a hull. To produce oil, the kernel had to be separated from the hull. He estimated that the hull represented 20-30% of the seed weight and had multiple purposes: livestock feed, fertiliser, use in the refining industry, use in chemical industries, etc. He informed participants that, for a long time, the designation of "co-products" was used, but that reference should instead be made to "by-products"

or "products derived from cotton". He further added that, in Africa, most hulls were used as an energy source in processing units and cotton oil mills, but that a large part was still wasted.

62. He indicated that cottonseed oil was the by-product with the highest value, even though cotton was a relatively inefficient oilseed, considering that its oil content ranged between 5% and 20% of the kernel weight. He informed participants that two processing methods were used to extract cottonseed oil: mechanically or chemically by using solvent. The solvent extraction method was much more efficient but the technology was more sophisticated, more capital intensive, and only suitable for large processing capacities. He mentioned that in Africa, a large share of the oil was produced in traditional facilities with low extraction capacity. Cottonseed oil was used for food and was the principal source of edible oil for populations in cotton producing areas in West Africa. He specified that cotton oil was healthier than palm oil as it was cholesterol-free, had low levels of saturated fats, 70% unsaturated fatty acids, had no trans fatty acids, and was rich in vitamins, notably vitamin E.

63. He informed participants that three types of technologies were used to produce cottonseed oil in Africa: artisanal, semi-industrial and industrial technologies, with the latter competing on domestic markets with imports of edible oil, mostly palm oil. Considering current processing capacities in Africa, total production of cottonseed was equivalent to around 425 000 tonnes of oil. It was possible to use cotton oil to produce biofuel, but it was not an economically viable option in Africa given that the entire continent was not self-sufficient in edible oil.

64. He added that, after extracting the oil, by-products included cottonseed cakes and meals that could be used to feed livestock or as natural fertilizer. He informed participants that cottonseed meal had a protein content of about 40% and that meals obtained from non-decorticated or partially decorticated seeds were richer in fibres, which was an important component of livestock feed. He further added that mechanically extracted cottonseed cakes and meals were richer in oil compared to those extracted using solvents, given that solvents extracted more oil. Historically, cotton seed was not a viable source of protein for humans due to gossypol, which is toxic to monogastric non-ruminants. He stated however that varieties developed in the USA now had very low gossypol content, and therefore allowed human consumption of cottonseed cakes and meals, thereby potentially representing a significant development for Africa. He indicated that in Africa, total production of cottonseed was equivalent to about 1.2 million tonnes of cottonseed meal that competed on the domestic market with imported meal, mainly soybean. Further, he mentioned that cottonseed meal was cheaper than soybean meal despite the fact that both had similar nutritional value.

65. He stated that apart from cottonseed, the plant itself could be used. One hectare of cotton generated 2-3 tonnes of stalks meaning that in Africa, the five million tonnes of seed cotton could generate around 12,5 million tonnes of biomass. He mentioned that the structure of the cotton plant was similar to that of wood so the same usage could be drawn from the two: source of heat, fuel, manufacture of particle boards, paper, cellulose derivatives and as substrate for growing mushrooms. It was the only by-product which could allow smallholders and other producers to add value to cotton at the farm level.

66. He then presented a table of current cotton market conditions in Africa and specified that this was retrievable through the presentation. He explained that the estimated total value was based on the assumption that - the entire production was processed in each product category, even though that was not the case currently. For example, even though not all cottonseed production is currently processed into oil, the table showed that 425,000 tonnes of cottonseed oil production would have an estimated value of USD 425 million.

67. Mr Matthias Knappe, ITC, elaborated on the potential benefits of cotton by-products. He explained that CBPs had the potential to compete with lint as a source of income and could contribute to the profitability of the sector, generate income and employment, reduce poverty, and improve human and livestock nutrition. CBPs could also contribute to the circular economy and the reduction of emissions, and that there was significant room for improvement in this respect.

68. He mentioned that the publication recommended identifying and assessing how value could be added to products through processing and marketing, as had been done in the first phase of the joint initiative by WTO, ITC and UNCTAD and continued in Malawi and Togo. He added that the paper

also highlighted how marketing and branding could create a positive image in local and regional markets about products derived from cotton (especially oil), thereby improving their ability to compete with imported oil. He pointed out that there was a need to raise awareness among stakeholders of the potential to add value to cotton through the development of by-products; to increase transparency in the cotton sector, including in relation to the full value of the seed and the rest of the plant; and to ensure government support for establishing by-products processes (e.g. including by-products in national and regional strategies given that currently by-products were mentioned but not fully addressed in the strategies). He further added that there was a need to include policy guidance and incentives for developing edible oil and meal industries that could compete with imported products. There was also a need for capacity building of well-organized stakeholder groups, including farmers associations at national and regional levels, ginners associations, oil millers associations etc. Finally, he stated that discussions at the WTO could also serve to promote South-South cooperation, as there was plenty to learn from other developing countries.

69. In his concluding remarks, he indicated that cotton was both a fibre and food crop, and that the price of by-products relative to lint had increased over time. The upward price trend was likely to continue, as demand for edible oil and for livestock and poultry feeds was growing in Africa. He indicated that this growing market could be a complementary source of revenue for all value chain actors, but especially the producers. He noted that, while technology existed, modern technology was sometimes lacking or was not known to market actors: it thus needed to be adapted to the African continent as shown by the studies conducted under the joint initiative. He informed participants that the ITC publication was available through the ITC website in French, Spanish and English and also through the new WTO webpage dedicated to cotton by-products.

70. The Chairperson (Mr Cédric Pene, Counsellor, Agriculture and Commodities Division, in replacement of Mr Edwini Kessie) thanked Mr Knappe and Mr Estur for their presentation and opened the floor to sub-item 3rd of the agenda, to give the opportunity to participants to comment or pose questions on the three presentations.

71. The representative of Mali indicated that he was making his declaration on behalf of the Malian delegation, which was participating remotely. His intervention aimed to share Mali's experience developing cotton by-products.

72. He reminded participants that cotton was a commercial crop destined for the production of fibre, the raw material used by the textile industry. He added that in Mali, as in other African LDCs, fibres were produced for export and generated vital revenues. However, these revenues were exposed to external shocks that had repercussions on international cotton prices.

73. In this context, it was important to seize all opportunities that could generate additional revenues by investing in the processing of other parts of the cotton plant such as the seed, the stalks, and hulls. The development of cotton by-products could help smallholder cotton farmers face external shocks linked to fluctuating prices and improve their access to technologies, know-how and support.

74. He indicated that in Mali, the development of cotton by-products and co-products was mainly constituted of cotton ginning plants, followed by industrial textile units, processing units for the production of oil and animal feeds, units for the processing of linters into cotton bale wrappers and mops, and the production of white and black soap paste by women's economic interest groups.

75. Seed cotton processing allowed for production of the fibre and seed, he noted. In 2019/20, Mali's seed cotton production was estimated at 385 000 tonnes, including seeds. He specified that the sale of cotton seeds was exclusively reserved for local crushing units, and that Mali had nearly a hundred of these units, which were approved by the ministry in charge of industry. The total crushing capacity of these units greatly exceeded national cottonseed production, thus forcing the units to import cotton seeds from the region (Benin, Côte d'Ivoire, Guinea Conakry and Togo). He further informed participants that cottonseed crushing generated three products: vegetable oil, animal cake, and black paste for soap production. A tonne of crushed cottonseed produced 100 litres of vegetable oil, 15 kilograms of black paste, and 880 kilograms of cake. Additionally, 60% of the waste from crushing was recovered, cleaned, and sold to local units that transformed it into cloths and cretonne packaging for the national textile company "*Compagnie Malienne pour le*

Développement des Textiles (CMDT)". The remaining 40% was cleaned, reconditioned, and exported by private companies.

76. He observed that national demand for products derived from crushing cotton seed were greater than supply, and that Mali therefore imported cotton seeds, edible oil, livestock feed, and soap for the equivalent in foreign currency of several billion CFAF yearly. He also underlined that increased national production of cotton seeds was clearly needed in order to limit the outflow of foreign currency, generate wealth at the national level through the creation of jobs and businesses, facilitate access to new markets, and diversify income sources. An increase in cottonseed supply could promote the development of meal production for animal feed, and improve the resilience of livestock breeders. He added that it would also contribute to the fight against poverty, food self-sufficiency, empower women and girls, and promote development of several sectors of the national economy such as transport, supply of agricultural inputs, industries, processing units, crafts and microfinance institutions.

77. In conclusion, he stated that by sharing Mali's experience of the opportunities associated with cotton by-product development, he wished to associate himself with the C-4's call for all WTO Members and development partners actively to support initiatives to improve the resilience of C-4 cotton sectors .

78. The representative of Burkina Faso thanked the WTO, ITC and UNCTAD for their joint initiative on cotton by-products that aimed to enhance the value of other commercial uses of cotton, and congratulated them on the different presentations that informed and showcased the importance of cotton by-products for the economies of cotton-producing countries. He thanked them for their presentation updating participants on phase I of the initiative on the feasibility studies on CBP development.

79. The studies showed that the cotton sector was under-valued, given that currently only the fibre was exploited. A lack of technology and know-how had prevented producing countries from developing the other potential uses of the cotton plant. He stated that, as illustrated in the report, cotton had to be considered beyond its fibre, as expressed by ITC.

80. He called upon partners to support implementation of the programme "Route du Coton", which aims at making the most of the cotton sector. Among other things, this would enable C-4 countries to create direct and indirect sustainable employment opportunities that would benefit their populations, including those in rural areas, and contribute to the fight against poverty and rural migration.

81. He thanked the EIF for supporting financially the feasibility studies in Member countries, and for supporting the organization of the validation workshops. He reiterated the C-4's request for further implementation of the initiative. He indicated that the C-4 remained available to continue collaboration and discussions with all stakeholders to follow up on the feasibility study. In conclusion, he thanked the WTO for including these informative and constructive discussions on the agenda of the session.

82. The representative of Mozambique commended the Chairperson on his chairmanship and thanked the WTO Secretariat for organizing the session. He expressed gratitude for all the efforts, technical assistance and tremendous work carried out in all countries on this matter. He indicated that the topic of by-products was important for Mozambique due to a lack of opportunity and a lack of exploitation of this segment of the value chain. He stated that Mozambique felt honoured and blessed to be part of this initiative on the development of cotton by-products in Eastern and Southern Africa. He added that they were aware that other countries such as Malawi and Togo were also part of the initiative. He stressed that the importance of cotton by-products was undeniable and thus represented opportunities for cotton-producing countries and included benefits such as: new income streams for farmers and processors, increased resilience of farmers against external shocks, increased domestic value addition, access to new markets, poverty reduction, improved trade balance through importation and exportation, and enhanced cotton productivity, the latter of which remained a big challenge nationwide.

83. He specified that Mozambique had successfully concluded the feasibility study alongside cotton stakeholders and that with the alignment of the government perspective, the production of

cottonseed oil, soap, and artisanal textiles should be prioritized. He indicated that this was very important for the sustainability of the cotton value chain in Mozambique, and that the government was aware that this activity may require technological innovation and investments. He thanked the EIF for sponsoring the initiative, and invited other sponsors and partners to join and support it. Finally, he indicated that Mozambique was ready for phase II and the specific project on CBPs.

84. The representative of the EIF Secretariat, Peter Donelan stated that they the EIF was very happy to support the Phase I analytical work in Benin, Burkina Faso, Chad, Mali and Mozambique implemented by the WTO, and that, following the requests from Malawi and Togo, was pleased to be supporting similar ongoing analytical work implemented by UNCTAD. He indicated that all the countries supported by these cotton by-product studies had been long term partners of the EIF process, with cotton identified as a vital sector in their EIF supported Diagnostic Trade Integration Studies (DTIS) on employment, exports, and local value addition.

85. He reminded participants that Phase I of the joint initiative, which was supported by the EIF, ended in December 2020 and resulted in five feasibility assessment studies, as well as a detailed proposal for Phase II. He indicated that, throughout the process, the comments and technical notes from national stakeholders had been fully reflected in the final versions, ensuring full local ownership of technical content, priority areas, and relevant policy recommendations. He added that the findings varied from country to country, but that the overall evidence suggested that investments and technology transfer for the development of cotton by-products could substantially increase farmers' resilience to exogenous shocks such as those linked to the COVID-19 crisis.

86. He stated that cotton by-products represented an exciting opportunity for LDCs to garner further benefits from cotton production, including new income streams for farmers and processors; increased domestic value addition; access to new markets; as well as waste reduction along the cotton value chain and the promotion of the circular economy. He specified that moving forward would require the collaborative efforts of the LDCs working with development partners to address the recommendations of the studies, and in this regard, he expressed EIF's support where possible.

87. The representative of Côte d'Ivoire expressed his appreciations for this important session. He thanked the WTO, ITC and UNCTAD for their joint initiative. He also thanked UNCTAD for its presentation. With regard to the study in Togo, he inquired about the point raised over local consumption. He reminded participants of the note made during the presentation regarding the fact that the Ministry of Commerce took measures to promote local consumption. He asked what kind of measures were taken and stated that promoting local consumption could lead a country, in certain circumstances, to restrict imports. Therefore, he added that local consumption could not be promoted without affecting certain commitments at the WTO level.

88. Regarding the study presented by ITC, he indicated that they appreciated the presentation especially the last table referring to volumes, market prices, and value. He stated that considering the potential increase in production and consumption, this program would certainly succeed. However, he highlighted that the market was an aspect that seemed uncertain. He indicated that markets were free, and that in most comments the focus was made on local consumption. He inquired about the promotion of cotton by-products on the international market.

89. He mentioned his surprise on learning that the sweet potatoes sold in Europe did not come from Africa, despite the fact that this product is grown everywhere in Côte d'Ivoire. He gave this example to highlight that not foreign CBP markets should be targeted, and not only local markets. He then expressed the wish that the studies on CBPs include existing possibilities in markets outside Africa. He indicated that although Côte d'Ivoire was not an LDC, it was a Member of a sub-regional organization composed of 8 countries, of which 7 were LDCs, and that this therefore led to the harmonization of policies in various areas between the countries. He also informed participants that at the WTO this bloc presented its trade policies jointly, and that Côte d'Ivoire was first making a verbal request for phase I studies to be conducted on CBPs in Côte d'Ivoire. He added that, as indicated by the ambassador of Mali, Mali purchased seeds in Côte d'Ivoire: therefore, increased production in Côte d'Ivoire would serve other countries as well, thereby supporting economic integration.

90. The representative of Benin welcomed the previous presentations and statements by different organizations. He commended ITC and UNCTAD for their assistance through research and studies

on fertilizers and new technologies which allowed farmers to produce better cotton in Africa. He indicated that CBPs had generated interest in Benin due to its sizeable cotton output levels, and the potential for CBPs to reduce poverty and to improve cotton farmers' livelihoods. Examples of CBP production in Benin include the processing of kernels into oil, processing of hulls into fertilizers and livestock feed, and processing of stalks into briquettes. It would be to Benin's advantage if the country could continue benefitting from the support of institutions present at the meeting, especially to improve market access, and expand large-scale production for both local consumption and international markets after local processing. This, he said, would lead to increased revenues and be a source of additional wealth for cotton producing economies, while also supporting the well-being of cotton farmers and the wider population. He expressed his content with everything that had been said during the meeting and expressed the hope that CBPs would constitute additional sources of revenues and wealth.

91. Mr Janvier Nkurunziza, Officer-in-charge, Commodities Branch, UNCTAD, provided an answer to the question raised by the representative of Côte d'Ivoire regarding the measures undertaken by Togo to promote local consumption. He indicated that the question's scope was beyond the scope of the issue at hand related to cotton. He specified that the discussions aimed at highlighting the potential of cotton which is under-exploited. He added that if the potential was to be exploited, it would not be exclusively for the foreign market given that there was unmet local demand that could benefit from the Togolese measures.

92. He further indicated that the competitiveness aspect would come into play after by-products are produced and developed. He stated that if the products became competitive, they would be exported and if not, they would be sold on the local or regional markets. He added that given that Côte d'Ivoire and Togo are integrated in the same economic area, they would necessarily trade, and that it was with that in mind that the reference was made to Togo's adoption of measures to promote local consumption rather than with the view to discriminate against other products. Instead the idea was to broaden their product range and give economic actors the choice also to consume local products. He indicated that this could only be achieved on condition that CBPs are competitive on both local and international markets. He invited the delegate of Côte d'Ivoire to approach his colleague from Togo for more information on their specific measures given that he was not entitled to answer on behalf of Togo.

93. Mr Matthias Knappe, ITC, thanked Côte d'Ivoire for their question related to market opportunities. In response, he indicated that this aspect could be included in phase II of the joint initiative, and potentially in phase I of the work in Malawi and Togo. He specified that the study delved into instances where data was available, such as the case of oil and cake, and not into other by-products. He added that broadening the study would make it more complicated and require much more analysis, including interviews of market players in the countries concerned and potentially also other countries. Additionally, he noted that there was unsatisfied domestic and regional demand, and that lots of potential in the local market still needed to be satisfied. Unless there were much higher prices externally, it would be logical to investigate domestic and regional markets as a first step.

94. Gerald Estur, independent consultant for ITC, complemented the answer provided by Mr Matthias Knappe by reminding participants that linters represented another export market, although the quantities produced were relatively small. Regarding the development of local consumption, he indicated that some countries had production deficits, notably for CBPs production, fibre and textile. He added that there was demand for food and clothing from people on low incomes, and that the development of local production had to contend with imports and unfair competition, along with widespread illegal textile and oil smuggling, and tax distortions. To encourage people on low incomes to consume local products, oil was imported tax free, while local production was subject to VAT. With regard to competitiveness, he indicated that monetary aspect were important in determining trade outcomes, as the CFA Franc encouraged the main producers in Africa to import rather than export. He added that these were all elements that favoured the development of local consumption rather than exports, and that the development of processing for local consumption required protection, at the local level, against illegal and unfair imports.

95. The representative of Chad wished to react to Mr Gerald Estur's last intervention regarding unfair competition and internal taxation. His first question had inquired how countries could escape from a system in which local products were taxed while imported products were not. The second

question related to usage of the CFA Franc, and what alternatives exist to this to benefit cotton production and trade, given that the CFA Franc was pegged to the Euro and represented a barrier.

96. Gerald Estur, Independent consultant, ITC, indicated in response that he would provide an answer, although the topic was beyond the scope of the meeting and his competencies. In his view, if solutions were readily available, they would have been adopted already. However, he was convinced that to encourage local processing and new industries, protection was needed. He gave the example of the textile industries of Pakistan and India which, before joining the WTO, had applied quota protections. He indicated that protection was needed against unfair competition and illegal smuggling. Regarding local development, the monetary aspect had to be investigated, to see if real healthy and loyal competitiveness existed in comparison to imports.

97. The Chairperson thanked all speakers who intervened under this agenda item and proposed that the statements made under this item be reflected in the records of the meeting. He then proceeded to item 4 of the agenda.

4 PHASE II OF THE WTO-ITC-UNCTAD INITIATIVE ON COTTON BY-PRODUCTS

98. The Chairperson introduced this item by noting it intended to address a very important question, "what comes next?".

99. He specified that, under this item, a joint statement would be delivered by the Secretariats of ITC and UNCTAD on their project proposal and progress made towards Phase II of the joint initiative on cotton by-products. He reminded participants that the project proposal prepared was available in document WT/CFMC/W/89 and had been circulated at the request of ITC and UNCTAD in March 2021.

100. He added that the proposal was based on an open partnership approach, and included a workplan, theory of change, and risk matrix underpinning the implementation of capacity building and technical assistance activities to provide concrete support to LDC efforts to develop and add value to their cotton sectors through marketing and trade in by-products. He then gave the floor to Matthias Knappe of ITC and to Kris Terauds of UNCTAD for their joint statement.

101. Mr Kris Terauds, UNCTAD, indicated that his statement was on behalf of both ITC and UNCTAD, updating participants on the status of the second phase of the joint initiative on cotton by-products, namely the implementation of priority activities identified by the project countries.

102. He reminded participants that, as indicated in November, UNCTAD and ITC had prepared a detailed proposal for a second phase of technical assistance activities, which was circulated ahead of the meeting in English, French and Spanish, under the document symbol WT/CFMC/W/89.

103. He indicated that the proposal was submitted for Members' consideration as part of a fruitful inter-agency collaboration, in the form of the WTO-UNCTAD-ITC joint initiative on cotton by-products, through which assistance to Member States had been delivered since its endorsement at the DGCFMC meeting of late November 2018.

104. He specified that the current proposal incorporated the results of both a recently completed UNCTAD project in three countries in Eastern and Southern Africa, as well as pilot studies in the C-4 countries and Mozambique, undertaken as part of phase one of the WTO-UNCTAD-ITC joint initiative and presented under item 3a of this Thematic Session.

105. He stated that, for phase 2, implementation activities were proposed in the eight African LDCs involved in the two completed projects. In addition, UNCTAD was currently conducting feasibility studies in Malawi and Togo, also under phase 1 of the joint initiative and that there was therefore the possibility of including these two countries in the phase 2 proposal.

106. He then summarised the main features of the proposal by indicating that UNCTAD and ITC would jointly implement this project, with each agency responsible for delivering activities and outputs according to their complementary areas of expertise. The project would also rely on substantive support from the WTO, donors, South-South cooperation partners and other relevant institutions as captured in the proposed governance framework, comprising national steering committees and overseen by a programme-level body.

107. He added that in terms of management, UNCTAD and ITC would cooperate with national governments and focal points, and that they also proposed funding National Project Coordinators in each country, to oversee delivery, monitoring and reporting of activities.

108. In relation to structure, he specified that the proposal included country-specific assistance, complemented by regional exchanges, learning and collaboration. He also noted that the outputs were formulated to be adapted by each country according to their priorities and needs, as identified in the first phase. This would allow for a coherent approach and logical framework for all beneficiary countries, and for reporting on progress and results in an aggregated manner.

109. He stated that the proposed programme of activities responded to requests from cotton-producing LDCs, addressing development priorities, such as: poverty reduction, value addition, and diversification. The approach was market-oriented and sustainable, with a focus on commercially viable cotton by-products in each country.

110. With regard to the logical framework, he informed participants that at the impact level, the project aimed at developing viable cotton by-product industries that would contribute to poverty reduction through value addition and income generation, in line with SDGs 1, 8, and 9. He also mentioned that it aimed at creating income opportunities for groups such as farmers, rural inhabitants, and women, who were contributing to objectives such as gender equality, reduced inequality, and rural development, or SDGs 5 and 10.

111. He further informed participants that by utilizing organic residues in the cotton value chain, by-products could contribute to environmental objectives, such as: promoting a circular economy; reducing waste and greenhouse gas emissions; and supporting forest conservation. These objectives were reflected in SDGs 12 and 15.

112. At outcome level, the programme aimed to increase revenue from cotton for stakeholders, especially smallholders and women farmers, by developing and adding value to cotton by-products.

113. He stated that this outcome would be achieved through five outputs that covered a range of by-products, derived from different parts of the cotton plant, such as stalks and ginned seed. He added that the outputs would also benefit a range of stakeholders, including: farmers; seed cotton processors, such as ginners and edible oil millers; entrepreneurs and investors; farmer associations; and policy makers.

114. He noted that out of the five outputs, UNCTAD would implement two and ITC three. More precisely, UNCTAD would implement capacity-building activities aimed at coherent policy and coordination, through output 1, on "Increased engagement of public and private sector stakeholders in commercial initiatives to add value to cotton by-products" and output 5, on "Improved capacity of policy makers to formulate evidence-based policies and ensure policy coherence in support of the development of cotton by-products". ITC would support farmers, farmer organisations and seed cotton processors, through: output 2, on "Enhanced capacity of farmers to collectively add value to their cotton by-products"; output 3, on "Strengthened capacities of farmer representative groups to negotiate appropriate remuneration for produced fibres and by-products"; and output 4, on "Enhanced capacity of cottonseed processors to improve oil recovery rates and market by-products effectively".

115. With respect to the theory of change, he stated that they were seeking to foster new investments in value-added processing of cotton by-products by different stakeholder groups, such as: farmers, farmers associations, processors and outside investors. He added that the aim was also to look into improving existing by-products, processes and technologies so that existing groups would be able to get more out of the existing production of cotton.

116. The proposal also sought to overcome the main barriers facing each group, for example: building the business capacity of farmers and their associations; improving productivity of processors and providing business and investment facilitation tools to engage outside investors.

117. On the policy side, he indicated that the activities aimed at building policy coherence along the cotton value chains, with a focus on developing value addition. He informed that the policy framework in cotton-producing countries in Africa was more robust for cotton production, while value

addition was neglected. This could lead to a fractured governance of the value chain, with a lack of coordination between production and value addition, a lack of policy support for value addition and, in many cases, de facto incentives to export lint and ginned cottonseed. Therefore, the aim was to assist policy makers in addressing this situation, developing a coherent policy treatment of the value chain, and increasing value addition.

118. He stated that, to add more value to cotton fibre, the project would contribute to upgrading and "de-commoditizing" the cotton industry. He then identified the following targeted results: increased investments in value-added processing of cotton by-products; enhanced efficiency of existing operations, such as for edible oil extraction, with increased competitiveness and revenue for stakeholders; poverty reduction in the project countries.

119. He then listed the main indicators as follows: a minimum of 10,000 farmers changing their business behaviour by adding value to cotton by-products; at least 5,000 farmers increasing their income with earnings from cotton by-products; a minimum of 2 cottonseed processors in each country investing in new machinery or operational changes to improve their competitiveness; at least 2 new investments in cotton by-product utilization per country; and additional value added of at least USD 500,000, traded in domestic, regional, and overseas markets. He added that this project would also contribute to increasing intra-regional trade, in line with the African Continental Free Trade Area, given that the African Union identified the cotton-to-clothing value chain, including cotton by-products, as a priority under the Free Trade Area. To that he added that regional trade in cotton by-products could therefore be a way of demonstrating the AfCFTA's expected benefits, especially for farmers, women and youth.

120. Finally, he stated that the project's performance indicators would be finalised with donors and beneficiary countries once the project activities were tailored to each country's priorities to account for any differences in baselines among the countries, as well as to adjust to the ongoing effects of COVID-19 on their cotton sectors.

121. The Chairperson thanked the representatives of ITC and UNCTAD for their presentation and opened the floor for comments and questions.

122. The representative of Burkina Faso reiterated his congratulations to the chair for his chairmanship and thanked the WTO, ITC and UNCTAD for their presentation on phase II of the joint initiative dedicated to CBPs development in the countries in which the feasibility studies were conducted. He stated that the operational aspect to which the partners were dedicated more than ever needed to be supported on the political and financial levels.

123. He reminded participants that the objective of the Draft Declaration submitted to the General Council by the C-4 constituted an action plan that the C-4 wished to see adopted and supported by development partners. He restated the C-4's request for support from WTO Members for the adoption of the Draft Declaration by the General Council. He also reminded participants of the C-4's availability and commitment to continue the consultations within the framework of the WTO to ensure that the project gathered broad consensus for its adoption. The C-4 was open to all suggestions to improve the document, he said.

124. To coordinate the two components, the C-4 suggested the creation of a management committee in charge of coordinating the implementation of the project related to technology transfer and know-how for the development of CBPs in LDCs. He indicated that the C-4 would continue to coordinate with technical and financial partners for the implementation of phase II of the project. He finally reiterated his gratitude to the WTO for organizing these consultations to promote development aspects of the cotton sector.

125. The chairperson thanked the ambassador of Burkina Faso and gave the floor to Mr Gustave Majambere, Director General of the "Compagnie de Gérance du Coton au Burundi".

126. Mr Gustave Majambere, Director General of the "Compagnie de Gérance du Coton au Burundi" thanked the organizers of the meeting and expressed gratitude for the invitation to participate. He also thanked other participants for sharing their experiences. He informed participants that cotton production in Burundi dated back to 1920 and indicated that since then, two research assessments had been conducted to extend cotton production to other regions. He underlined that research was

still ongoing as opportunities to expand production still existed. He specified that since the 1920s, cotton production was for several years mandated by the government to promote the crop, which was at one stage the country's second most important export after coffee. From 1988, the five-year development plan aimed at producing 12,000 tonnes of seed cotton, an objective that was never in fact reached. Record production of 8,800 tonnes was instead reached in 1993 but had declined since then. Factors underlying the decline included a political crisis that led cotton farmers to abandon planting cotton; increased demographic growth in cotton-producing areas of the country, placing pressure on the sector; and the city of Bujumbura's expansion of areas reserved for cotton cultivation. These led to falling cotton prices, while food crop prices increased, incentivising cotton farmers to switch to producing food instead of cotton.

127. Other causes included climate change, high agriculture input costs and inadequate access to equipment, with the hoe still widely used. He mentioned that, despite these challenges, Burundi had great potential to develop a value chain and textile industry to enhance trade and increase the revenues of cotton farming families. Like the cotton sector itself, cotton by-products had not been fully developed.

128. He explained that COGERCO was a public company that supervised cotton farmers. They purchased seed cotton production from farmers and processed it into fibre and cottonseeds. The fibre was purchased by the sole textile public/private company of the country to produce different articles. However, the company's fibre demand was not met by COGERCO, leading to a need for the textile company to import the fibre.

129. He elaborated that cottonseeds were purchased by a crushing plant, "Rafina", to produce oil for human consumption, but the quantities produced were not enough to meet local demand for oil. Rafina also produced oilcakes for animal feed, but the local demand for that by-products exceeded by far Rafina's supply. He explained that cotton substrate was used for edible mushrooms, production of which was supported by a national programme, and cotton stalks were used as fuel.

130. He underlined that there were few by-products and that they were not well developed. He thus stressed that there was a need for development and for better technology access. Despite the barriers, prospects existed to promote by-products through the 2019-2027 national strategy to revitalize the textile, cotton and clothing sectors, which would contribute to progress towards the SDGs. He indicated his willingness to share the document containing details on the national strategy: this included several programmes and objectives for developing cotton and its by-products. For instance, objective 1 aimed at developing CBPs through increased cotton fibre production by up to 5 000 tonnes; objective 4 aimed at diversifying CBPs through the promotion of functions related to creation, clothing and craftsmanship by strengthening the technical capacities of those concerned and creating a favourable framework; objective 6 aimed at facilitating and attracting private investment along the "Cotton-Textile-Clothing" sector through the promotion and development of Public-Private Partnerships and private investments. He mentioned that investments were facilitated by the government's willingness to promote the cotton sector as exhibited by the different policies and legal framework. He welcomed those who wished to invest in the sector. He reiterated his gratitude to the organizers for the work accomplished and congratulated and expressed support to the C-4 Members for their initiatives on cotton by-products development. Lastly, he expressed a request for the integration of Burundi as an additional beneficiary of the joint initiative.

131. The Chairperson thanked Mr Majambere for his detailed presentation and stated that good notes had been taken of his request to circulate the national strategy document and his request to be part of the joint initiative. He then gave the floor to the representative of the EIF Secretariat.

132. Mr Peter Donelan, representative of EIF Secretariat, in response to Mr Majambere's statement, informed participants that the EIF was currently funding a new Diagnostic Trade Integration Study (DTIS) update and would shortly submit a concept note to the EIF board for comments. He indicated that to develop this new DTIS update, there had been an interesting public/private dialogue process, a national validation process led by the Ministry of Trade, and that there was scope to include a cotton analysis and the current Burundi cotton plan in the recommendations for the 2021 DTIS update in Burundi. He expressed his willingness to further discuss this possibility with Mr Majambere.

133. He emphasized that the draft project that was prepared with EIF support under Phase I entitled, "African LDCs: Cotton By-Product Development", drew on findings from Phase I analytical

work and responded directly to requests from cotton-producing LDCs for technical assistance to develop value addition and markets for cotton products, including by-products.

134. He indicated that EIF supported the findings of the analysis and the concept of the proposal. He stated that the outputs of the Phase II proposal relating to value addition were meant to enhance farmer capacity, support evidence-based policy and marketing as well as improve oil recovery rates.

135. He indicated that currently, approving new proposals for EIF funding was constrained by the closing of the EIF Programmatic Phase, with a deadline in June 2021 for approving new low value and short-term projects as set by the EIF Board at its 30th Meeting on 25 June 2020. He specified that this timeline would shortly be up for review at the next EIF Board meeting and that it was too early to tell if the EIF Programme would be able to allocate resources to support this proposal even if the Board approved an extension of the time period for project approval, given funding and pipeline constraints.

136. He highlighted that the evaluation process for the EIF Phase 2 Programme had started and that Zambia was the current chair of the Evaluation Sub-Committee (ESC). Other members included the WTO LDC Group Coordinator and Mali. He specified that the evaluation of the EIF Phase 2 would take place over the course of 2021 and was expected to be finalized before the WTO's MC12. It would only be after the end of the EIF evaluation process that the EIF would be able to consider new projects.

137. Finally, he reiterated that investments and technology transfer for the development of cotton by-products could substantially improve livelihoods and farmers' opportunities, as well as resilience in uncertain times, and he expressed the EIF's continued support for the initiative.

138. The representative of Chad thanked ITC, UNCTAD and EIF for their presentations. He also thanked Mr Majambere from Burundi for sharing their experience. He indicated that Chad was making the statement on behalf of LDCs, indicating that the LDC Group supported the joint initiative on CBPs development. He noted that the record production levels that the C-4 had experienced in the past were dropping due to the COVID-19 pandemic. Therefore, the approach to develop CBPs constituted the future of the cotton sector. He expressed that farmers should benefit from technical support and that to that end, cotton companies had developed training programmes, keeping in mind that farmers did not have similar skills and knowledge. For example, companies have helped farmers to identify when to use pesticides, or which fertilizers to use. He stressed that training and capacity building must therefore be integrated at scale throughout the process of transforming cotton into by-products.

139. With regard to protection against unfair competition, he reminded participants that, as WTO Members, they had to comply with WTO obligations: therefore, mechanisms had to be reviewed to protect against unfair competition while respecting the WTO framework. He underlined that precise responses on exchange rate fluctuations had not been received, but solutions had to be found to avoid FCFA depreciation and a sharp drop in the prices of seed cotton purchased from farmers, thus avoiding production reductions. He indicated that stabilizing mechanisms existed in several countries and questioned whether there was a need to identify whether these tools should be used to address exchange rate fluctuations. He indicated that the two themes that related to unfair competition and exchange rate fluctuations were addressed to ITC and UNCTAD.

140. The representative of Côte d'Ivoire expressed support for the presentation made by ITC and UNCTAD, reflected in document WT/CFMC/W/89. He pointed out that the second phase was essential, otherwise all of the work conducted previously would not achieve the objectives that had been set. He reiterated the support of his delegation for the presentation by ITC on behalf of the three Secretariats.

141. The representative of Benin thanked ITC and UNCTAD for their presentation on phase II of the joint initiative on CBPs, and thanked the representative of Burundi for sharing their experience. The results of the joint initiative included the development of viable industries to produce CBPs so as to reduce poverty and increase revenues for cotton farmers. Further efforts in this area still needed to be made.

142. He reiterated their support for the creation of a management committee to coordinate implementation of technology transfer and know-how on CBPs despite the very difficult times. The efficiency of Phase II depended on this, he said.

143. The representative of Mozambique congratulated WTO, ITC and UNCTAD for the joint initiative, and thanked EIF and all other donors and partners for their support. She thanked the C-4 for their continuous leadership on this matter, and expressed support for all current and future initiatives on cotton and cotton by-products. She thanked all presenters as well for their presentations. She indicated that they continued to encourage all donors and partners to continue with their support.

144. The Chairperson thanked again ITC and UNCTAD colleagues for their continued engagement and availability to take the lead in the implementation of future activities. He also thanked all the delegations and participants who shared their views on the work ahead and introduced the fifth and final item of the agenda under which he summarized the discussions of the day and the way forward arising from the discussions.

5 CONCLUDING REMARKS BY THE CHAIRPERSON

145. The Chairperson stated that the discussions of the day had been useful and expressed his gratitude to all the speakers and participants, particularly those who had connected remotely, including at what may have been inconvenient times.

146. He first stated that the discussions had shown that the Joint Initiative on cotton by-products was an excellent example of inter-agency cooperation that exploits synergies and leverages the benefits of coordinated actions. The initiative also appeared to be well integrated with poverty reduction strategies and other development-oriented priorities both at the level of individual African countries and regionally. He indicated that one of the conclusions was that the focus should remain on interventions targeted at the specific needs of individual countries, while also taking into account the sub-regional integrative potential of this line of work.

147. Secondly, he highlighted that with the necessary support of the donor community and technical partners and thanks to the transparency ensured through periodic reporting and open consultations, the Joint initiative on cotton by-products could continue to offer comprehensive assistance to cotton-producing countries over the next years and ensure that synergies are exploited and overlaps avoided.

148. Thirdly, he mentioned that, building on the good work done so far, UNCTAD and ITC were in a position to effectively cooperate with other public and private actors to assist countries in attracting investments and developing high-quality projects for the development of cotton by-products.

149. Finally, he recalled that the main objective of this work was creating new income streams for farmers, processors and traders, increasing domestic value added and ultimately improving livelihood, reducing poverty and creating and accessing new regional and global markets.

150. He indicated that these objectives should guide all future actions, as per the original mandate given by WTO Members to the three agencies in the joint initiative, back in November 2018.

151. He thanked all participants and suggested that all statements and outcomes of the meeting be reflected in the records of the meeting and made publicly available through the WTO website. It was so agreed.
