November 2006

E

منظمة الأغذية والزراعة للأمم المتحدة
联合国粮食及农业组织
Food and Agriculture Organization of the United Nations
Organisation des Nations Unies pour l'alimentation et l'agriculture
Organización de las Naciones Unidas para la Agricultura y la Alimentación

COMMITTEE ON COMMODITY PROBLEMS

INTERGOVERNMENTAL GROUP ON MEAT AND DAIRY PRODUCTS

Twenty-first Session

Rome, 13-16 November 2006

CFC/IGG CONSULTATIVE FORUM ON MEAT AND DAIRY DEVELOPMENT PRIORITIES: PROGRAMMING THE CFC/IGG COOPERATION 2008-2012

Programme provided by CFC

Table of Contents

Paragraphs

W0000

I. INTRODUCTION

1. The Common Fund for Commodities (CFC) is currently organizing a stakeholder meeting in order to discuss and jointly identify, specific priority areas and themes of CFC intervention for future project support in the commodity field of meat and dairy products. This will give delegates attending the 21st Session of the Intergovernmental Group on Meat and Dairy Products (13-16 November 2006) an opportunity to provide inputs and exchange views on the matching of these themes with the identified Fund's priority fields (supply chain management, diversification, market access and market development). These themes are currently within CFC's overall mandate of commodity development and poverty alleviation. The main purpose of this meeting is to solicit inputs from participants at the Intergovernmental Group (IGG) on Meat and Dairy Products which could be incorporated in the forthcoming 3rd CFC Five Year Action Plan (2008-2012). Prioritization of the needs for each commodity and focus on specific areas of interventions will ensure maximum benefits and impact of CFC funds, avoid over-stretching efforts and diluting resources and therefore increase overall efficiency of CFC project assistance.

II. BACKGROUND

2. The Common Fund for Commodities (CFC) is an autonomous intergovernmental financial institution with 106 Member States and three intergovernmental organisations, namely the Common Market for Eastern and Southern Africa (COMESA), the African Union and the European Community. It was established in 1989 under the auspices of the United Nations Conference on Trade and Development (UNCTAD) with seat in Amsterdam, the Netherlands. The CFC mandate covers interventions in some 39 commodities, of which 36 are agricultural while 3 are mineral based.

3. The Common Fund concentrates its activities on assisting developing countries in strengthening and diversifying their commodity sector as a major contributor to economic growth and development of society as a whole operating under the unique approach of *the commodity focus* as against *the country focus*. Commodity focus means to concentrate on general problems of particular commodities within a multi-country approach. A commodity focus favours an approach based on projects to address more generic problems of particular commodities in the region as opposed to national country specific problems to be addressed with support from other international development institutions. Through such a generic commodity approach the benefits of projects are spread to several producing countries in the regions or across the regions.

4. CFC-funded projects seek to alleviate poverty through development, focusing on commodities in countries, which are highly dependent on the commodities concerned. Projects can be classified into four broad categories, namely (a) pre-harvest productivity improvement (incl. research); (b) post-harvest processing, marketing and quality testing; (c) market expansion projects; and (d) price-risk management.

5. By 30 September 2006, the Fund had approved 231 projects with an overall cost of USD 428.41 million, of which the Fund financed USD 213.97 million. The high co- financing ratio of about 50% is evidence of the catalytic role the Common Fund plays in attracting resources from other institutions for the Fund's commodity development projects.

6. Through co-operation with other development institutions, the private sector and civil society, the Fund endeavours to achieve overall efficiency and impact in commodity development. All project proposals, which are funded by the Common Fund for Commodities, are subjected to a consensual approval process by producers and consumers in the framework of International Commodity Bodies (ICBs).

7. The commodity development measures which are supported by the CFC aim at improving the structural conditions in markets and at enhancing the long-term competitiveness and prospects of particular commodities. Such measures include applied research and development, productivity improvements, marketing and measures designed to assist diversification of exports and enhancing the terms of trade of developing countries. Furthermore, projects promote physical market development; the enhancement of market infrastructure and support services to facilitate private sector initiatives; and capacity building. Enhancement of commodity market and price risk management and commodity trade financing are also supported.

8. The current Second Five-Year Action Plan (FYAP) of the Common Fund for Commodities (Years 2003-2007) reconfirms the commodity focus of the Common Fund with particular reference to the Common Fund's contribution to:

- reducing the economic imbalance between developed and developing countries;
- assisting in making commodity chains efficient;
- diversifying commodity production and trade;
- improving quality and productivity in a sustainable way; and
- assisting in fostering predictable conditions in commodity trade.

9. With reference to beneficiaries, the FYAP reaffirmed the emphasis on least developed countries, the poorer strata of the population in other developing countries, countries with economies in transition and on farm smallholders or entrepreneurs in small to medium sized enterprises involved in commodity production and marketing.

10. From an operational perspective, the FYAP emphasises that project quality, impact, beneficiary focus and manageability remain important criteria in selection and design of projects. With special reference to International Commodity Bodies (ICBs), the FYAP recognises that ICBs provide essential expertise on the commodities within their mandate and reconfirms the role of ICBs in the project cycle including the identification, endorsement and submission of project proposals and the supervision of approved projects. The Common Fund is directed to continue to closely co-operate with the ICBs and to encourage the ICBs to incorporate the commodity chain management concept and poverty reduction in their strategies.

11. The above referred measures and actions supported by the CFC are being more focused to the needs of specific commodities since each commodity has its own characteristics and hence its particular constraints and priorities for development. The CFC is currently launching a "Programme Approach" to direct its support towards addressing these ICBs/commodity-specific constraints in a more targeted and focused manner.

III. OBJECTIVES AND RATIONALE OF CFC's PROGRAMME APPROACH

12. The rationale for the CFC Programme Approach is primarily to focus on specific intervention areas of development with a view to ensure maximum impact for the support given and the funds invested. It aims to avoid over-stretching efforts and resources and diluting the force of the Fund's interventions, to make CFC support more predictable, to enhance the efficiency by focusing the CFC efforts on pre-agreed areas of priority to the stakeholders, as well as to make the projects demand driven by engaging stakeholders in determining the priority areas of concern.

13. The overall justification for introducing a programme approach in CFC is to make the projects and interventions more demand driven. By demand driven we mean that the development of a programme for any commodity, including meat and dairy, is based on a clear participatory

needs assessment review of the commodity sector as a whole. During this needs assessment exercise CFC will engage the stakeholders for each commodity within CFC's mandate in order to identify the priority areas of concern.

14. Prioritization of the needs for each commodity also presents advantages for the funding agencies, i.e. CFC and its partner donor agencies. The focus on very specific intervention areas of development will yield maximum benefits and impact for each donor dollar invested. In doing so CFC and its partner donor agencies will also avoid over-stretching their efforts and diluting their resources. Finally the programme approach will make the CFC support more predictable, at least during the initial five-year planning period. The programme approach will lead to focusing the CFC resources on pre-agreed areas of priority to the stakeholders, thereby increasing the overall efficiency of CFC project assistance.

15. The Fund's Programme Approach is to be seen as a commodity-specific framework of a coherent set of priorities and, based thereon, focused activities designed to achieve specific, time bound development objectives within four identified operational niche areas of the Common Fund namely:

- supply chain management,
- diversification,
- market access, and
- market development.

16. The Fund's Programme Approach is particularly geared towards identifying targeted priority issues that are presumed to present the greatest opportunity for poverty reduction for small holder meat and dairy producers and the poorer strata of populations through specific and sharply focused interventions. Specific projects seeking Common Fund support should be identified and developed in the light of this Programme.

17. The overall Programme Approach of the Fund is based on a participatory approach involving close consultation with stakeholders, particularly the target beneficiaries, the relevant International Commodity Bodies and their constituents. The foreseen Programme, the development of which is in a formative process, has the period 2008 to 2012 in perspective, coinciding with the Third Five-Year Action Plan of the Common Fund for Commodities.

IV. STAKEHOLDER CONSULTATION

18. During a 3 hours forum, the meeting is expected to review the current situation of supply and demand and the competitive positions of the developing producing countries. The participants will also assess the relevance of the challenges that meat and dairy producers face within the specific operational niche of the CFC and will identify three or four specific areas or themes for future CFC project support in the coming five years. This framework will be reviewed and updated as deemed appropriate taking into account the changes taking place in the meat and dairy sector in different geographical regions, in particular when affecting the positions of the smallholder farmers and SME producers.

Proposed Programme (3 hours):

- Introduction.
- CFC presentation - Overview of CFC mandate, priority fields.
- Discussion – Contributions by participants – of the major constraints affecting the development of the meat and dairy sector.

- Identification of possible priority areas and strategies of intervention to address the constraint identified for meat and dairy sector development within the fields of:

  - Supply Chain Management
  - Diversification
  - Market Access
  - Market Development

- Concluding remarks.