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Item 7 of the Provisional Agenda

DRAFT FIVE-YEAR ACTION PLAN 2003-2007

Note by the Managing Director

Introduction

1. A draft of the new Five-Year Action Plan 2003 to 2007 of the Common Fund for Commodities was prepared by a Working Group of the Executive Board chaired by Mr. Jobst Holborn (Germany) and at one meeting by Mr. Claudio Riedel Telge (Guatemala). The Executive Board at its Thirty-Fourth Meeting in October 2002 considered the draft Action Plan prepared by the Working Group and finalized the plan with several amendments (document CFC/EB/34/3/Rev.3).

2. The draft Action Plan takes note of the comments made by Governors during the Thirteenth (2001) Annual Meeting of the Governing Council, suggestions made by Executive Directors and of the relevant documents considered by the Executive Board. The draft Action Plan also incorporates a number of the suggestions made by the consultants who evaluated the implementation of the first four years of the current Five-Year Action Plan 1998-2002.

Building on Experience Gained

3. The new Action Plan 2003 to 2007 builds on the experience gained during the current Five-Year Action Plan 1998 to 2002 and takes account of the changes which have taken place in the overall economic conditions. The new Plan reconfirms the commodity focus of the Common Fund, which means that the Fund will address common, generic problems of relevance to a number of developing countries. The Plan continues the particular attention to the least developed countries, the poorer strata of the population in other developing countries and countries with economies in transition, on smallholders and small to medium sized enterprises involved in commodity production. Project quality, impact, beneficiary focus and manageability remain important criteria in selection and design of projects. Projects will stay in the range of about USD 1 million to USD 5 million. The logical framework remains an essential tool and the high co-financing ratio of about 50% will be maintained. The Common Fund will continue to see its role as facilitator and catalyst, using its resources as seed money to stimulate broader development.

New Orientation

4. The Plan 2003 to 2007 sets new accents and incorporates a number of new concepts. The main aspects of the new orientation include:

- The concept of sustainable development is underlined;
- The supply chain concept will be an essential element in project design, implementation and monitoring;
- Impact orientation of project design and monitoring;
- The dissemination component of projects will be strengthened including an exit strategy;
- Reconfirmation that the Common Fund will get more involved in project design in close contact with beneficiaries and country representatives;
- The Common Fund will strive to facilitate access by Member Countries to reliable sources of information on developments and forecasts in the commodity sectors;
- The Advocacy role of the Common Fund on commodity related concerns in international fora and the international debate is underlined;
- Executive Directors and their Alternates are invited to play an active role in the formulation, monitoring and implementation of projects in their constituencies;
- The Establishment of Trust Funds and Partnership Programmes for the purpose of allocating additional finance to Common Fund projects;
- Paying attention to diversification.

5. Other new aspects of the Plan 2003 to 2007 refer to:

- Underlining the importance of market access;
- Concentration of projects on Member Countries, having regard for the fulfilment of their financial obligations and their previous involvement in Common Fund financed projects;
- Simplified project structure so as to facilitate design, start up and implementation;
- Phased implementation of projects, starting with a pilot, as appropriate;
- Replication of projects in different regions taking account of their special circumstances;
- Capacity building and emphasis on the use of local expertise;
- Gradual increase of the number of loan financed projects, depending on the appropriateness for the beneficiaries;
- Seeking strategic partnerships with other institutions, the private sector and civil society;
- Increase of the Fast Track Facility from USD 60,000 to USD 120,000 per Fast Track project;
- Strengthening the human resource base of the Secretariat while maintaining, overall, a lean Secretariat;
- Encouraging the ICBs to incorporate the chain management concept and poverty reduction in their Commodity Strategies.

6. The new Five-Year Action Plan 2003 to 2007 contains a financial projection of the expenditure and commitments as well as the sources of finance over the Plan period.

For Consideration by the Governing Council

7. The Governing Council is asked to consider and approve the Five-Year Action Plan 2003 to 2007 attached to this Note.

DRAFT ACTION PLAN 2003 TO 2007
OF
THE COMMON FUND FOR COMMODITIES

1. INTRODUCTION

Many developing countries, and in particular the least developed among them, base substantial sections of their economic activity on commodities. It is estimated that out of the 2.4 billion people engaged in agriculture in developing countries about 1 billion derive a large part of their livelihood from the production of export commodities.

In recognition of this fact the Common Fund, as an intergovernmental financial institution, 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. Through its market based and commodity focused approach the Common Fund acts as facilitator and catalyst in development, using its resources as seed money to stimulate broader development. In co-operation with other multilateral as well as national institutions, the private sector and civil society the Common Fund shall contribute to reducing the imbalances that exist between the players in the globalized world economy, alleviating poverty and opening up sustainable ways of economic and social progress.

2. CONTEXT

In its activities the Common Fund shall take full account of the overall environment in which its actions and measures are taking place, in particular the supply side constraints and weaknesses in producers' capacities, the national development plans and poverty reduction strategies, the general trend to accord the private sector a stronger role in economic development, the evolving trends in the supply chain, the forging of public-private partnerships, and the drive to integrate developing countries fully into the liberalized global markets. Particular attention needs to be paid to the prevailing difficulties in accessing markets for goods from developing countries due to stricter quality requirements and trade distorting practices. The importance of market information and new trends in trading and communication, such as e-commerce, trade concentration in the hands of fewer participants, the weakening position of producers and reversal of trade flows are recognized.

3. GENERAL OBJECTIVES

Common Fund financed measures and actions shall be designed and implemented in a way that they reach the target beneficiaries and make an identifiable contribution to sustainable development and poverty reduction paying due respect to the role of the private sector and civil society. Due regard will be given to the commodity related aspects of the Programme of Action for the Least Developed Countries adopted by the Third United Nations Conference on the Least Developed Countries in Brussels in May 2001 and of the Plan of Implementation agreed at the World Summit on Sustainable Development in Johannesburg in September 2002 (Annex I).

Taking into account the experience gained in commodities by the Common Fund, in particular during its Five-Year Action Plan 1998 to 2002, and in view of the Fund's mandate to concentrate on commodities, the Fund shall contribute to reducing the economic imbalance between developed and developing countries, assist in making commodity chains efficient and diversifying commodity production and trade, improving quality and productivity in a sustainable way, and aiming at predictable conditions in commodity trade.

In particular, efforts should seek:

- to improve access to markets and reliability of supply for primary products and the processed products thereof;
- to expand processing of primary products in developing countries with a view to promoting their industrialisation and increasing their export earnings through moving up the value addition chain including packing for the consumer markets;
- to improve the competitiveness of commodities and enhance the cost effectiveness of commodity production;
- to improve marketing, storage, financing, distribution and transport systems for commodity exports of developing countries, including an increase in their participation in these activities;
- to improve market structures in the field of commodities of export interest to developing countries and to address market failures;
- to broaden the range of exportable commodities and their respective chains;
- to encourage the corporate social responsibility of multinational and national companies engaged in the commodity sectors;
- to highlight the importance of commodities in economic development and the concerns of commodity producers.

4. BENEFICIARIES

The Agreement Establishing the Common Fund for Commodities (the Agreement) stipulates that due emphasis shall be given to the least developed countries (LDCs) and to small producers-exporters and to the commodities of interest to these groups. The Action Plan 2003-2007 re-confirms the focus on the least developed countries and on the poorer strata of the population in other developing countries. Small-holders as well as small and medium sized enterprises involved in commodity production, processing and trade in LDCs, other developing countries and countries with economies in transition will also take part in Common Fund financed projects. Least developed countries shall receive particular attention with regard to the location of projects.

Projects will concentrate on member countries of the Common Fund with due regard to the fulfillment of the financial obligations of member countries. Within the overall LDC focus and the concentration on the poorer strata of the population in other developing countries, attention should be paid to those member countries which so far have not benefited, or have benefited least, either directly or indirectly, from Common Fund financed projects.

5. COMMODITY FOCUS

The Common Fund successfully tested and implemented the novel concept of commodity focus, which entails concentrating on general problems of commodity production, processing and trade. The outcomes of Common Fund financed projects are therefore of relevance to a number of countries with commodity centered economies and can reach many beneficiaries. The Common Fund will continue to make its experience gained in this field available to the benefit of the populations involved in commodities in developing countries and in countries with economies in transition.

In addition to commodities of particular interest to LDCs and the poorer strata of the population in other developing countries, the Common Fund shall also pay attention to non-traditional commodities and those with development potential including value addition and the supply chain. ICBs shall be encouraged to further incorporate so-called orphan commodities into their mandate.

6. IMPORTANCE OF THE SUPPLY CHAIN

The Agreement states that "the measures shall be commodity development measures, aimed at improving the structural conditions in markets and at enhancing the long-term competitiveness and prospects of particular commodities. Such measures shall include research and development, productivity improvements, marketing and measures designed to assist, as a rule by means of joint financing or through technical assistance, (and) vertical diversification..."(Article 18.3(c)).

In addition, the First Account Net Earnings Programme established by the Governing Council (Decision 1(VII/1995)) uses funds specially made available for this Programme "within the framework of the present operations to enhance the capacity of the Common Fund to finance commodity market development actions through projects designed to assist developing countries, and especially the Least Developed and landlocked among them, to function effectively in a liberalized global economy. Due consideration will be given to countries with economies in transition. Such projects would focus on, *inter alia*: promoting physical market development; the enhancement of market infrastructure and support services to facilitate private sector initiatives; institution-strengthening including training at all levels; enhancement of commodity market risk management and commodity trade financing; and micro-policy advice on commodity market development."

Measures and actions by the Fund will pay due regard to their impact on the supply chain of a commodity, including field preparation, production, harvest, pre- and post-harvest measures, processing, quality, packaging, storage, transport, marketing, market development, transfer of appropriate technology, financing; etc. Measures and actions may address particular elements of the chain. The interrelationships of the elements of the chain, in particular weak links, shall be taken into account. Where appropriate and in the interest of improving the incomes of the beneficiaries, measures and actions can aim at shortening the supply chain. Fair trade, ethical trade and organic production shall be considered.

Marketing aspects form an important element in improving the earnings of producers through opening up of new and niche markets, developing new products and/or to obtaining a better share of the differential between the producer price and the price charged to the final consumer. Regional markets and value-added by-products should also be covered.

7. FUNCTIONS

The Common Fund for Commodities will mainly concentrate during the period of the Five-Year Action Plan 2003 to 2007, on the following functions:

- Financing and Monitoring Projects;
- Information Dissemination and Advocacy.

as detailed in the following sections.

8. FINANCING AND MONITORING PROJECTS

Common Fund financed projects shall follow a clear link between objectives, activities and outcome with measurable targets. The Common Fund recognizes the importance of beneficiary participation and impact in each step of project design, formulation and implementation. The Common Fund will provide financing for projects concerning commodities of particular interest to developing countries. The Fund will take an active role in the design of projects and will continue monitoring projects.

8.1 Project Preparation and Submission

The projects financed by the Fund will continue to address the needs of the target beneficiaries. To this effect the Common Fund will maintain close contacts and enter into early consultations with member countries, inter alia through the Fund's Regional Commodity Round Table Meetings, with commodity producers and their associations and the International Commodity Bodies (ICBs), taking into account their special expertise in particular commodities. Projects should be in line with national development policies and be demand driven.

With the view to improve project quality and to shorten the time for project preparation and approval, the Common Fund will get more involved in the formulation of those projects which the Consultative Committee has generally endorsed. The cost of such project preparation will be allocated to the project itself. Beneficiary participation and the use of local consultants and other expertise in the formulation of the projects are recommended in order to enhance local project ownership. The Project Preparation Facility will concentrate on the design of loan financed projects.

In project design, qualitative and quantitative targets and milestones shall be clearly set out. The design of projects shall take the chain perspective as well as the beneficiaries into account. Due regard will be given to private sector involvement, and complementary activities with private entities shall be sought. The economic and financial rate of return shall be taken into account, the latter always in connection with loan financed projects. Environmental considerations shall be taken into account in Common Fund financed projects. Beneficiary involvement is an essential element in project development, and involvement of country representatives, as far as practical, is recommended. Project design shall particularly focus on impact.

Prior to implementing a full project, a pilot, as appropriate, can be initiated to test and validate the viability of project objectives and potential impact.

The logical framework remains an essential tool in project development and assessment. Each project shall clearly state its final objective while specifying qualitative and quantitative indicators with which to measure the impact of the project and the attainment of the project's objective.

Member countries may submit project proposals and ideas, also for Fast Tracks up to USD 120,000, directly to the Managing Director who will get the ICBs duly involved in the appraisal process.

8.2 Project Selection

Project quality, impact, beneficiary focus, replicability, sustainability, cost effectiveness and manageability are of prime importance. Overly complicated projects, those with a large number of institutions involved or spanning over a large number of countries or different continents should be avoided. Replication of projects in different regions or continents, having regard to the diverse conditions, is preferred. Detailed selection criteria are laid down in the Project Manual of the Fund.

The Common Fund will continue to concentrate on small to medium sized projects, with an indicative range of costs from US Dollars 1 to 5 million, and on projects which are suited for the absorption capacity of LDCs.

8.3 Project Execution

When selecting Project Executing Agencies (PEAs) and consultants, attention will continue to be paid to suitably qualified and cost effective institutions and experts from the region in which the project will be executed. Thus projects would have a longer lasting effect and would take fully account of the specific conditions of the region. Such an approach would also cover the need for capacity building in the context of a project.

Approved projects should be implemented without undue delays by the Project Executing Agencies and their associated institutions.

8.4 Financing through Grants and Loans

In order to recycle the financial resources of the Fund, loan financed projects should gradually be added to the grant financed project portfolio. The ratio of loan financed projects should be gradually increased and will be guided by the specifics of the project and by its appropriateness for the beneficiaries. Generally, all projects which meet the project selection criteria as laid out in the Project Manual of the Fund and generate a sufficient financial rate of return are suitable for loan financing. Loans shall be given in the framework of the loans policy approved by the Governing Council, having regard for their security and being supported by appropriate guarantees.

Projects for commodities of importance to LDCs or the poorer strata of the population in other developing countries will mainly be financed by grants. Grants can also support specific components of loan financed projects.

8.5 Monitoring and Evaluation of Projects

Attention shall be given, already at the design stage, to an impact oriented monitoring and evaluation system. Monitoring of project progress shall be strengthened. Projects will be monitored by the Secretariat and the ICBs on a continuous basis and the progress assessed against the targets set. ICBs should regularly report on the progress of their projects.

The ex-post evaluation of completed projects is essential in order to assess the impact, cost effectiveness, sustainability and replicability of Common Fund financed projects and to draw lessons from past experience. This will be in addition to the regular mid-term and terminal evaluations. Normally 3 completed projects per annum shall be ex-post evaluated by independent outside experts; the projects for ex-post evaluation will be randomly selected from a stratified sample. The cost of these ex-post evaluations will be charged to the Second Account or the First Account Net Earnings Programme, respectively. Evaluation results shall be shared with stakeholders.

9. INFORMATION DISSEMINATION AND ADVOCACY

The Common Fund will continue to pay due regard to the activities, responsibilities and competence of individual Member Countries and other partners. In order to complement these activities, avoid duplication and maximise the full impact of its interventions, the Common Fund for Commodities will adopt a strategic and targeted approach to information dissemination and advocacy. Information dissemination and advocacy will be directed at achieving Common Fund objectives and contributing to the outcomes stated in paragraph 12.

9.1 Dissemination of Project Results

The dissemination of project results to all interested parties in member countries is an essential element of projects financed by the Common Fund. The dissemination component of projects shall be strengthened and contain an exit strategy involving all interested parties, including the private sector, so as to sustain project impact. Information on project results will be made available to Member Countries, in particular relating to new techniques and methods developed by Common Fund financed projects. Modern means of communication shall be applied whenever appropriate.

9.2 Advocacy

The Common Fund will draw the attention of the international community to the strategic role of commodities in the development process of many developing countries and particularly the least developed countries and, in conjunction with the ICBs, will voice commodity related concerns in international fora and the international debate, elaborating measures to transform the commodity base into an engine of growth and diversification. In this context, the Common Fund will respond to the pre-occupation of its Members.

9.3 *Access to Information on Commodities*

The importance of access to reliable information and forecasts of trends to stakeholders in the commodity chain is recognized. The Secretariat will endeavor to direct member countries and their commodity sector, on request, to reliable and timely sources of information available in the public domain. This will be done in collaboration with the ICBs and their databases, in partnership with private information providers and through links in the Common Fund website.

9.4 *Intellectual Property Rights (IPRs)*

The Common Fund shall continue to hold and exercise the intellectual property rights generated by projects financed by the Fund in the interest of the target beneficiaries and the Fund itself and with the view of making the intellectual property available to Member Countries.

10. CO-OPERATION WITH OTHER INSTITUTIONS

In achieving the objectives, attention should be paid to strategic partnerships with other institutions, the private sector and civil society, maintaining the Common Fund's character as a financing institution.

10.1 *International Commodity Bodies (ICBs)*

The ICBs provide essential expertise on the commodities within their mandate. The role of ICBs in the project cycle comprises, initiation, endorsement and submission of project proposals and supervision of approved projects. The Common Fund will continue to closely co-operate with the ICBs as stipulated in Article 18.3 (b) of the Agreement and encourage the ICBs to incorporate the chain management concept and poverty reduction in their Commodity Strategies.

10.2 *Other Multilateral, Regional and National Institutions*

The Fund will continue to seek close collaboration with other multilateral, regional and national institutions engaged in development including joint, parallel or co-financing of projects, so as to avoid duplication and to achieve synergies, taking account of their comparative advantages in the supply chain. Complementary co-operation with these institutions should also be sought in the field of loan financed projects. Cross-links between projects should also be taken into account.

10.3 *The Private Sector and Civil Society*

Co-operation shall be sought with private institutions and companies, their associations and with civil society in the financing and implementation of projects. New and innovative partnerships on a complementary basis should be formed with the private sector.

11. ROLE OF EXECUTIVE DIRECTORS

Executive Directors and their Alternates are invited to play an active role in liaising with the countries of their constituency regarding the generation, implementation and assessment of projects as well as sharing information on commodity relevant matters. The Managing Director will inform Executive Directors during the regular Board meetings about major issues relating to projects in their constituencies. Executive Directors and their Alternates will receive copies of the agenda of the Consultative Committee and may send comments on subjects on the Agenda to the Managing Director.

12. OUTCOME AND IMPACT

Outcomes should be directly linked to the CFC objectives and CFC measures and actions shall contribute mainly to the following:

- sustainable improvements in the welfare and livelihoods of commodity-dependent people through increased income, reduced vulnerability to shocks and by strengthening their asset base, including through diversification;
- improvement of policies, either directly or indirectly, at various levels that inter alia facilitate improved market access for commodity exports from developing countries without leading to excessive dependence;
- strengthening the capacity of stakeholders, including regulatory frameworks in which they operate, to compete in an increasingly globalised marketplace.

13. CAPITAL SUBSCRIPTION

In line with the decisions taken by the Governing Council, Member Countries with outstanding capital subscriptions are urged to make their payments, in order to strengthen the capital base of the Common Fund for Commodities.

14. FINANCIAL PROJECTION: EXPENDITURE

14.1 *Projects*: During the Plan period, the Fund will aim at 8 to 12 new projects per year plus about 10 Fast Tracks per year with a total average financial volume of about USD 38 million, of which the Fund will finance roughly half, leveraging its resources by attracting monies from other partners in commodity development. This includes the possibility that the Common Fund co-finances commodity related measures which are mainly under the aegis of other institutions. Thus, over a five year period an amount of USD 76 million will be required from the Fund for projects under the Second Account. Projects under the First Account Net Earnings Programme (FANEP) will continue to be financed by net interest earned on the cash resources in the First Account. It is estimated that about USD 21 million will be required for FANEP projects over the Plan period.

14.2 *Information dissemination*: Dissemination of the outputs of Common Fund supported projects is normally carried out from the project budgets. Dissemination of other commodity related information to Member Countries, on request, would require development and maintenance of a web-based system with linkages with other sites in the public domain providing such information. An amount of USD 500,000 will be required for development and maintenance of such a system.

14.3 *Advocacy*: The Advocacy role of the Common Fund would entail that the Common Fund becomes further engaged in commodity related events as well as in initiating such events, highlighting the important role of commodities in the economic development of most developing countries, and in particular the LDCs. An amount of USD 500,000 will be required over the Plan period for this purpose.

14.4 The human resource base of the Common Fund Secretariat shall be strengthened so as to enable the Secretariat to fulfill the tasks assigned to it while having regard for prudent financial management.

14.5 Forecast of total expenditure over the Plan period will be about USD 98 million.

15. FINANCIAL PROJECTION: SOURCES OF FINANCING

15.1 Shares transferred from the First Account to the Second Account. These resources can only be used for loans in the context of projects; Annex II provides an overview on the shares which could still be transferred in the form of Promissory Notes to the Second Account. In case further shares in the form of Promissory Notes were transferred from the First to the Second Account, additional funds would be available for loan financed projects, and Member Countries are invited to transfer such shares.

15.2 Voluntary Contributions to the Second Account as pledged as well as new Voluntary Contributions to be used for grant and/or loan financing of projects. Total pledges outstanding at the beginning of the Five-Year Plan 2003-2005 amount to USD 116.6 million and are given in Annex III per country; the income projection is based on the honoring of pledges made by Member Countries in the amount of USD 75 million during the Plan period, leaving USD 41.6 million for the period after this Action Plan (Annex IV).

15.3 Targeted Contributions

15.3.1 Co-financing/Counterpart contributions: The Common Fund will attract additional resources for the purpose of co-financing of projects. The combined cash and in-kind co-financing ratio of 50% shall be maintained, leveraging the resources of the Common Fund.

15.3.2 Trust Funds and Partnership Programmes shall be established for the purpose of allocating additional finance to Common Fund projects, speeding up the delivery for co-financing, as well as harmonisation of donor project reporting. Monies allocated to Trust Funds can be earmarked for particular generic purposes, e.g. projects which are exclusively implemented in LDCs, are for the support of a particular commodity, etc.. Partnership Programmes will be agreed to support particular components of CFC financed projects and will allow for a fee that covers the administration of the money contributed.

15.4 *Interest* is generated on cash made available through Voluntary Contributions and Shares in cash transferred to the Second Account. The amount of projected interest will depend on cash available, investment opportunities in line with CFC rules and policy, and prevailing interest rates. It is estimated that interest generated in the Second Account will be in the range of USD 6.94 million over the Plan period. USD 8 million is estimated to be allocated to the First

Account Net Earnings Programme from net interest earned from the First Account over the Plan period.

15.5 Some monies will be available at the end of the year 2002, as explained below under Opening Balance.

16. OPENING AND CLOSING BALANCE

16.1 Opening Balance: The balance of uncommitted resources in the Second Account will be USD 3.67 million in the form of Promissory Notes at the end of 2002. USD 13.33 million will be uncommitted in the First Account Net Earnings Programme at the end of 2002. The Opening Balance, consisting of the combined uncommitted resources of the Second Account and the First Account Net Earnings Programme, will therefore be USD 17.00 million at the beginning of the year 2003.

16.2 The *income and expenditure/commitments* during the period 2003 to 2007 is forecast as follows:

Income:	USD million
- Pledges for Voluntary Contributions (Second Account)	75.00
- Interest Earned by the cash resources in the Second Account	6.94
- Interest Earned by the cash resources in the First Account Net Earnings Programme	4.20
- Anticipated transfer of net interest from the First Account to the First Account Net Earnings Programme	8.00
Total forecast of income over 2003 to 2007	94.14

Expenditure/Commitments:	USD million
- Projects under the Second Account	76.00
- Projects under the First Account Net Earnings Programme	21.00
- Advocacy and Information Dissemination	1.00
Total forecast of expenditure/commitments over 2003 to 2007	98.00

16.3 The *closing balance* at the end of the Five-Year Action Plan 2003 to 2007 will be:

	USD million
- Opening Balance (combined Second Account and First Account Net Earnings Programme) at 1 January 2003	17.00
- Projected Income	94.14
- Projected Expenditure/Commitments	- 98.00
Closing Balance at 31 December 2007	13.14
- Outstanding Pledges for Voluntary Contributions at 31 December 2007	41.56
Total Projected Resources at 31 December 2007	54.70

17. STATUS OF THE COMMON FUND

The Common Fund will continue as an autonomous organization with a lean Secretariat.

18. MID-TERM REVIEW

In the year 2005 the Executive Board will undertake a mid-term review of the Action Plan and develop recommendations for the longer-term financial sustainability of the Common Fund, including a financial projection, and report its findings and recommendations to the Governing Council during the same year.

19. INFORMATION ON FINANCING OF ONGOING PROJECTS

Member Countries will provide the cash equivalent of their Promissory Notes as shown in Annex VI in line with Decision EB/XXXIII/17.

Annex I

Programme of Action for the Least Developed Countries adopted by the Third United Nations Conference on the Least Developed Countries, Brussels, May 2001

Commitment 5 : Enhancing the role of trade in development
Para 68

"Commodities

(t) LDCs are particularly vulnerable to high fluctuations in resource flows through their exposure to external terms of trade shocks. The recent downward swing in the prices of primary commodities and the upward swing in petroleum prices are only the latest examples of the effect of volatility of commodity prices on the poorest countries. Diversification of the export base would therefore help LDCs to overcome one of the most important weaknesses of their development. Furthermore, economic development in LDCs would benefit from policies aimed at developing the informal sector and the small and medium-size enterprises in LDCs;

(u) Supporting capacity building in the areas of research and development, production, processing and marketing of commodities, including addition of non-traditional commodities where market niches offer fresh opportunities;

(v) Supporting diversification programmes in LDCs, including by strengthening activities covered by the Second Account of the Common Fund for Commodities and adaptive research and development (R&D) on production and processing aimed particularly at smallholders and small and medium-sized enterprises in these countries;

(w) Continuing to provide technical and financial support to enhance the productive capacities of LDCs through stimulating investment, human resources development and enhancing technological capacities with a view to increasing the commodity exports of LDCs;

(x) Providing assistance, including financial, technical and/or other forms of assistance, to LDCs in their efforts to create essential infrastructure to facilitate the functioning of liberalized domestic and regional markets;

(y) Encouraging private sector initiatives and supporting the establishment of partnerships with foreign companies as *inter alia* a vehicle for the transfer of production and marketing skills;

(z) Supporting LDCs' efforts in building institutional and technical capacities to gain access to and make use of modem risk management techniques and tools;

(aa) Continuing to provide compensatory financing in order to mitigate adverse consequences of commodity price volatility on LDC economies;

(bb) Supporting LDCs' efforts to develop and take advantage of niche markets for goods such as horticultural, meat, fish and organic products and handicrafts, as well as cultural products;”

Plan of Implementation adopted at the World Summit on Sustainable Development, Johannesburg, September 2002

IX. Means of Implementation
Para 89

" Build the capacity of commodity-dependent countries to diversify exports through, inter alia, financial and technical assistance, international assistance for economic diversification and sustainable resource management, and address the instability of commodity prices and declining terms of trade, as well as strengthen the activities covered by the Second Account of the Common Fund for Commodities to support sustainable development".

Cotonou Declaration
Adopted at the Ministerial Conference of the Least Developed Countries
Cotonou, Benin, August 2002

Paragraph 24 “Draw attention to the vital role commodities and agriculture play in their economies (as) an important provider of employment, export earnings, and Government revenue. In this context, call for strengthened collaboration between UNCCD, UNCDF, GEG and CFC and invite the international community to increase its financial and technical support to these institutions to that end.”

Paragraph 25 “Urge LDCs partners to provide sufficient financial resources to multilateral development organizations and to strengthen activities covered by the Second Account of the Common Fund for Commodities, without a decline in other concessionary funds available for LDCs”.

United Nations General Assembly
Report on “World Commodity Trade and Prospects”
prepared by the
Secretary General of the United Nations Conference on Trade and Development
(document A/57/381 of 5 September 2002)

Conclusions, paragraph 46

“Policy action in these areas, by individual Governments and the international community, with the active involvement of the private sector, can make a significant positive impact on the livelihood of developing-country commodity producers. International producer-consumer cooperation should be supported and the activities of the Second Account of the Common Fund for Commodities should be expanded. Increased funding should be made available to the Common Fund to finance research and development and extension services in developing countries as well as adaptive research on production and processing aimed particularly at smallholders and small and medium-sized enterprises in developing countries.”

ANNEX II

TRANSFER OF ADDITIONAL SHARES FROM THE FIRST ACCOUNT TO THE SECOND ACCOUNT IN THE FORM OF PROMISSORY NOTES

No.	Country	Total Number of Shares Transferable in the Form of Promissory Notes		
		Shares	**Euros**	**USD equivalent ***
1	Argentina	54.0	337,624.72	310,884.84
2	Austria	123.0	769,034.25	708,126.74
3	Benin	50.0	312,615.46	287,856.32
4	Bhutan	0.5	3,126.12	2,878.53
5	Botswana	50.0	312,615.46	287,856.32
6	Burkina Faso	50.0	312,615.46	287,856.32
7	Burundi	5.0	31,261.50	28,785.59
8	Cape Verde	50.0	312,615.46	287,856.32
9	Central African Rep.	50.0	312,615.46	287,856.32
10	Chad	50.0	312,615.46	287,856.32
11	China	555.5	3,473,158.61	3,198,084.44
12	Comoros	50.0	312,615.46	287,856.32
13	Cuba	8.5	53,144.64	48,935.59
14	Denmark	71.5	447,040.13	411,634.55
15	Egypt	73.5	459,544.91	423,148.95
16	Ethiopia	25.0	156,307.81	143,928.23
17	Finland	85.5	534,572.54	492,234.40
18	Gambia	50.0	312,615.46	287,856.32
19	Germany	860.0	5,376,987.21	4,951,129.82
20	Greece	50.0	312,615.46	287,856.32
21	Guinea-Bissau	50.0	312,615.46	287,856.32
22	India	53.5	334,498.60	308,006.31
23	Indonesia	16.5	103,163.16	94,992.64
24	Italy	373.0	2,332,111.86	2,147,408.60
25	Jamaica	7.0	43,766.13	40,299.85
26	Japan	1151.5	7,199,535.79	6,629,332.56
27	Lesotho	50.0	312,615.46	287,856.32
28	Malaysia	124.0	775,286.49	713,883.80
29	Mali	5.0	31,261.50	28,785.59
30	Mauritania	50.0	312,615.46	287,856.32
31	Morocco	0.5	3,126.12	2,878.53
32	Nepal	45.0	281,353.96	259,070.73
33	Netherlands	215.0	1,344,246.65	1,237,782.32
34	Nigeria	17.5	109,415.40	100,749.70

ANNEX II (Continued)

TRANSFER OF ADDITIONAL SHARES FROM THE FIRST ACCOUNT TO THE SECOND ACCOUNT IN THE FORM OF PROMISSORY NOTES

No.	Country	Total Number of Shares Transferable in the Form of Promissory Notes		
		Shares	**Euros**	**USD equivalent ***
35	Norway	51.5	321,993.97	296,492.05
36	Rep. of Korea	75.5	472,049.39	434,663.08
37	Rwanda	50.0	312,615.46	287,856.32
38	Samoa	50.0	312,615.46	287,856.32
39	Saudi Arabia	52.5	328,246.36	302,249.25
40	Sierra Leone	50.0	312,615.46	287,856.32
41	Singapore	33.5	209,452.30	192,863.67
42	Sri Lanka	62.0	387,643.24	356,941.90
43	Sudan	35.0	218,830.81	201,499.41
44	Swaziland	52.0	325,120.09	299,370.58
45	Sweden	132.0	825,305.01	759,940.86
46	Thailand	68.5	428,283.26	394,363.22
47	Uganda	50.0	312,615.46	287,856.32
48	United Kingdom	525.5	3,285,589.30	3,025,370.63
49	United Rep. of Tanzania	25.0	156,307.65	143,928.09
50	Russia	932.5	5,830,279.58	5,368,521.43
51	Yemen	100.0	625,231.07	575,712.77
Total		6816.0	42,615,747.53	39,240,580.37

* Converted at the average exchange rate between Euro and USD for the first eight months of the year 2002.

Note The transfer of shares from the First Account to the Second Account is voluntary. (Article 10.3 of the Agreement Establishing the Common Fund for Commodities and Decision GC/X/I of the Governing Council).

ANNEX III (Revised)

LIST OF COUNTRIES WITH OUTSTANDING PAYMENT FOR VOLUNTARY CONTRIBUTIONS

COUNTRY	PLEDGE			PAYMENT		BALANCE
	Date	Amount	USD Equiv.	Amount	USD Equiv.	(USD)
Austria	08/05/75	USD 2,000,000	2,000,000	USD 200,000	200,000	1,800,000
China	16/06/80	USD 2,000,000	2,000,000	FRF 1,444,500	252,535	1,497,465
				USD 250,000	250,000	
Denmark	03/06/79	DKR 14,800,000	1,698,734	USD224,242	224,242	1,474,492
Germany	01/10/81	DEM50,000,000	22,549,934	DEM 5,000,000	2,254,993	20,294,941
India	03/06/79	USD 5,000,000	5,000,000	0	0	5,000,000
Italy	19/04/80	USD 15,000,000	15,000,000	ITL 2,000,000,000	1,638,002	13,361,998
Korea (South)	13/06/83	USD 300,000	300,000	USD 30,000	30,000	270,000
Luxembourg	27/06/80	USD 150,000	150,000	0	0	150,000
Malaysia	15/05/79	USD 1,000,000	1,000,000	FRF 536,323	101,346	798,654
				USD 100,000	100,000	
Norway	14/05/79	USD 22,490,000	22,490,000	USD 4,794,160	4,794,160	17,695,840
OPEC Fund	13/02/81	USD 46,400,000	46,400,000	0	0	46,400,000
Singapore	03/06/79	USD 250,000	250,000	USD 25,000	25,000	225,000
Sweden	08/05/79	SKR 24,000,000	2,232,682	FRF 7,490,636	1,354,547	878,135
Thailand	03/06/79	USD 1,000,000	1,000,000	USD 483,340	483,340	516,660
United Kingdom	16/12/80	GBP 4,270,000	6,193,217	0	0	6,193,217
Total			128,264,567		11,708,165	116,556,402

ANNEX IV

PAYMENT OF VOLUNTARY CONTRIBUTIONS PLEDGED*

(USD Million)

	2001	2002	2003	2004	2005	2006	2007
Project approval		-12.00	-14.00	-15.00	-15.00	-16.00	-16.00
Call-in Pledges		0	15.00	15.00	15.00	15.00	15.00
Balance	18.25	6.25	7.25	7.25	7.25	6.25	5.25

(USD)

	Outstanding	%	2003	2,004	2005	2006	2007	**Sub Total**	**Balance Remaining**
Austria	1,800,000	1.548473585	232,271	232,271	232,271	232,271	232,271	1,161,355	638,645
China	1,497,465	1.288213887	193,232	193,232	193,232	193,232	193,232	966,160	531,305
Denmark	1,474,492	1.268451063	190,268	190,268	190,268	190,268	190,268	951,340	523,152
Germany	20,294,941	17.53392213	2,630,088	2,630,088	2,630,088	2,630,088	2,630,088	13,150,440	7,144,501
India	5,000,000	4.301315513	645,197	645,197	645,197	645,197	645,197	3,225,985	1,774,015
Italy	13,361,998	11.49483386	1,724,225	1,724,225	1,724,225	1,724,225	1,724,225	8,621,125	4,740,873
Luxembourg	150,000	0.129039465	19,356	19,356	19,356	19,356	19,356	96,780	53,220
Malaysia	798,654	0.687052568	103,058	103,058	103,058	103,058	103,058	515,290	283,364
Norway	17,695,840	15.22307822	2,283,462	2,283,462	2,283,462	2,283,462	2,283,462	11,417,310	6,278,530
OPEC	46,400,000	39.57210272	5,935,815	5,935,815	5,935,815	5,935,815	5,935,815	29,679,075	16,720,925
Korea	270,000	0.232271038	34,841	34,841	34,841	34,841	34,841	174,205	95,795
Singapore	225,000	0.193559198	29,034	29,034	29,034	29,034	29,034	145,170	79,830
Sweden	878,135	0.75542714	113,314	113,314	113,314	113,314	113,314	566,570	311,565
Thailand	516,660	0.444463535	66,670	66,670	66,670	66,670	66,670	333,350	183,310
United Kingdom	6,193,217	5.327796072	799,169	799,169	799,169	799,169	799,169	3,995,845	2,197,372
Total	116,556,402	100	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	75,000,000	41,556,402

*Exchange rate as at 31/12/01

ANNEX V

FORECAST OF RESOURCES AVAILABLE FOR FIRST ACCOUNT NET EARNINGS PROGRAM (2003-2007)

(USD Million)

Year	2003	2004	2005	2006	2007
Opening Balance	13.33				
Project Approval	-4.20	-4.20	-4.20	-4.20	-4.20
Finance Available	3.10	2.80	2.40	2.10	1.80
Balance	12.23	10.83	9.03	6.93	4.53

ANNEX VI

ENCASHMENT OF PROMISSORY NOTES FROM SHARE-CAPITAL IN THE SECOND ACCOUNT BY COUNTRY

(31/12/01)

No	Member Countries	Actual shares in P/N	Share %	2004	2005	Total (USD)
1	Argentina	22.50	2.32	116,231	7,857	124,088
2	Belgium	174.50	18.03	901,436	60,934	962,370
3	Cuba	9.90	1.02	51,142	3,457	54,599
4	Denmark	49.50	5.11	255,708	17,285	272,993
5	Finland	12.50	1.29	64,573	4,365	68,938
6	Germany	49.50	5.11	255,708	17,285	272,993
7	India	45.00	4.65	232,462	15,714	248,176
8	Indonesia	74.00	7.65	382,271	25,840	408,111
9	Ireland	49.50	5.11	255,708	17,285	272,993
10	Italy	49.50	5.11	255,708	17,285	272,993
11	Jamaica	49.50	5.11	255,708	17,285	272,993
12	Luxembourg	10.00	1.03	51,658	3,492	55,150
13	Mexico	72.00	7.44	371,939	25,142	397,081
14	Morocco	68.00	7.03	351,276	23,745	375,021
15	Nigeria	49.50	5.11	255,708	17,285	272,993
16	Norway	49.50	5.11	255,708	17,285	272,993
17	Portugal	50.00	5.17	258,291	17,460	275,751
18	Singapore	33.50	3.46	173,055	11,698	184,753
19	Sweden	49.50	5.11	255,708	17,285	272,993
		967.90	**100.00**	**5,000,000**	**337,985**	**5,337,985**

Note: This table does not include Promissory Notes transferred to the Second Account by Member Countries from Least Developed Countries

ENCASHMENT OF PROMISSORY NOTES FROM VOLUNTARY CONTRIBUTIONS BY COUNTRY

Member Countries	Ccy	Amount in P/N	in USD (31/12/01)	Share %	2004 (USD)	2005 (USD)	2006 (USD)	Total
1 China	USD	250,000	250,000	0.91	118,865	131,135	-	250,000
2 Germany	DEM	5,000,000	2,254,993	8.25	1,072,162	1,182,831	-	2,254,993
3 Ireland	USD	250,000	250,000	0.91	118,865	131,135	-	250,000
4 Japan	JPY	3,119,715,000	23,690,953	86.65	11,264,131	12,426,822	-	23,690,953
5 Singapore	USD	25,000	25,000	0.09	11,887	13,113	-	25,000
6 France	EUR	987,355	870,923	3.19	414,090	456,833	-	870,923
			27,341,869	100.00	13,000,000	14,341,869	0	27,341,869