INTERNATIONAL COTTON ADVISORY COMMITTEE
1901 Pennsylvania Ave. N.W. Suite 201
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MEMORANDUM No. 446

To: Members of the Standing Committee and Coordinating Agencies

From: Executive Director

Subject: Common Fund for Commodities

Date: June 26, 1989

The following press release was issued by the United Nations in New York on June 19, 1989, following the coming into force of the agreement establishing the Common Fund for Commodities:

"Agreement Establishing Common Fund For Commodities Enters into Force Today, Following Decision Taken by Meeting of Ratifying Countries

"New York, 19 June (UNCTAD) -- Following the decision taken at United Nations Headquarters today by a meeting of the ratifying countries, the remaining procedural requirement for entry into force of the Agreement establishing the Common Fund for Commodities has been fulfilled. The Agreement provides for the setting up a new international financial institution of major importance to international commodity trade and to developing countries.

"The idea of the Common Fund was the subject of intense debate in 1976 at the fourth United Nations Conference on Trade and Development (UNCTAD) in Nairobi and incorporated in the Integrated Programme for Commodities which was adopted by that Conference (resolution 93 (IV)). The negotiations leading up to the adoption of the Agreement establishing the Fund were carried out from 1976 to 1980 under UNCTAD's *aegis*.

"Today, 103 countries accounting together for 67.16 per cent of the capital have ratified the Agreement. The total resources thus committed to the Fund at the beginning amount to about $315 million of capital and about $230 million of voluntary contributions, for a total of approximately $545 million. Exchange rate changes will occurred since the Agreement was adopted in 1980, however, will somewhat reduce this amount in dollar terms, without significantly affecting the ability of the Fund to discharge its obligations.

"On the occasion of the entry into force of the Agreement, the Secretary-General of UNCTAD, Kenneth K.S. Dadzie, said: "The entry into force of the Agreement establishing the Common Fund is a major achievement for UNCTAD and a reason for hope for commodity producers, particularly in developing countries. The potential impact of the activities of the Fund will far transcend what the level of resources committed to it so far might suggest, provided the participating Governments act with the necessary pragmatism, imagination and determination. In this connexion, it is encouraging to note that they have agreed to my proposal to convene the first annual meeting of the Governing Council, the supreme organ of that institution, only three weeks after the entry into force of the Agreement."

"The Fund has been structured along two main lines of activity, financed through two separate Accounts:

"The Common Fund's First Account is intended to serve as a source of finance for International Commodity Organizations (ICOs) established under international commodity agreements that contain buffer-stocking provisions. Association of ICOs with the Common Fund is governed by strict rules that exclude the use of Common Fund resources for speculative purposes. The UNCTAD secretariat officials point out that, as in any bank or similar financial institution, it will not be the capital of the Common Fund that will be made available as loans but the resources generated through borrowing guaranteed by stocks warrants and additional guarantee capital subscribed by members of ICOs associated with the Fund. The capital of the Fund would, therefore increase progressively with any increase in the numbers of associated ICOs or their financing needs. Thus the potential impact of the Common Fund in terms of the resources that can be made available to associated ICOs for buffer-stocking far transcends the capital of the institution.

"The Fund's Second Account will help finance commodity measures other than stocking such as research and development, quality and productivity improvement, and market development, as well as efforts to promote local processing and to find new uses for commodities. In addition to the $230 million in voluntary contributions pledged so far to the Second Account and still outstanding, a targeted capital base of $70 million is expected to be allocated by Governments from the capital of the Fund. Projects have been drawn up involving a wide range of commodities, but implementation has been in abeyance pending the Common Fund becoming operational.

"The First Account will be activated when ICOs elect to be associated with the Common Fund and negotiate mutually satisfactory terms of association with it. At the moment, there are two ICOs which rely on buffer stocks: those relating to cocoa and natural rubber. It is therefore expected that the Second Account may be the more active of the two accounts in the initial stages of the Fund's operations. Moreover, it could contribute to the broader programme of the structural diversification of commodity-dependent economies foreseen by UNCTAD VII.

"The first annual meeting of the Governing Council, the supreme organ of the institution, in which all ratifying countries participate, will be held from 10 to 21 July in Geneva.

"Among the issues that the Governing Council will have to consider are the appointment of the Managing Director of the Fund, the location of its headquarters, the election of the 28 members of its Executive Board, and the necessary arrangements for finalizing the rules and regulations and other modalities required for the operations of the Fund.

"There are, at present, seven official candidates for the post of Managing Director, namely, Saad Alfarargi (Egypt), Indrajit Singh Chadha (India), Vremudia Pemda Diejomaoh (Nigeria), Jamès V.Gbebo (Ghana), Budi Hartantyo (Indonesia), A.H.S. Ataul Karim (Bangladesh) and Henrik Skouenborg (Denmark).

"For the headquarters of the Fund, the candidatures of Amsterdam and Brussels have so far been proposed.

"Countries Ratifying Agreement

The countries which have ratified the Agreement establishing the Common Fund for Commodities are Afghanistan, Algeria, Angola, Argentina, Australia, Austria, Bangladesh, Belgium, Benin, Bhutan, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cameroon, Canada, Cape Verde, Central African Republic, Chad, China, Colombia, Comoros, Congo, Cuba, Democratic People's Republic of Korea, Democratic Yemen, Denmark, Djibouti, Ecuador, Egypt, Equartorial Guinea, Ethiopia, Finland, France, Gabon, Gambia, Federal Republic of Germany, Ghana, Greece, Guatemala, Guinea, Guinea Bissau, Haiti, Honduras, India, Indonesia, Iraq, Ireland, Italy, Jamaica, Japan, Kenya, Kuwait, Lesotho, Luxembourg, Madagascar, Malawi, Malaysia, Maldives, Mali, Mexico, Morocco, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Pakistan, Papua New Guinea, Peru, Philippines, Republic of Korea, Rwanda, Samoa, Sao Tome and Principe, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Spain, Sri Lanka, Sudan, Swaziland, Sweden, Switzerland, Syria, Togo, Tunisia, Uganda, USSR, United Arab Emirates, United Kingdom, Venezuela, Yemen, Yugoslavia, Zaire, Zambia and Zimbabwe."