100118/Final Version

Report on a Project Evaluation

Better Cotton Initiative (BCI/2007-09)

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Executive Summary

In a nutshell: This project has in its initial phase (2007-09) delivered most of the expected results. It enjoys unmitigated support from all stakeholders consulted in this evaluation. For the operational phase (2010-12) financial contributions will have to increase. Even more importantly, the end-of-pipe pull effect has not yet reached the farm level where the BCI drivers expect the main changes to happen.

The outputs achieved are impressive in three respects. First and foremost, criteria and standards for 'Better Cotton' have been laid down through a well-conceived process of reflection, stakeholder interaction and thorough discussions in all BCI regions. They show both flexibility for special circumstances and unity, for instance by way of common 'minimum criteria'. Secondly, an institutional and policy formulation and implementation framework exists which appears capable of tackling the more difficult tasks ahead. Thirdly, with sufficient stakeholder support and a sufficient number of farmers able to meet especially the social criteria required, BCI can deliver the results envisaged for 2012 and eventually wean itself off the governmental donors in order to become fully self-financed.

While pushing ahead on a tight schedule, the project has unfortunately also left a number of problems without solutions. The decision to drop the initially foreseen pilot phase does increase the risks of a faulty start of field operations. Other problems are of a more systemic nature.

Here is a summing up of the main problems:

1. The main deficit which may yet jeopardise the credibility of Better Cotton concerns the verification system. Since December 15 there is the 'farm assessment' but it is still un-tested, and for the rest of the supply chain there are not even guidelines.

2. There is little if any awareness of the BCI at the grassroots, at least in those places visited by the evaluator in November 2009. Without much more and immediate producer information, involvement and support the first sales of Better Cotton could easily set a wrong precedent.

3. Under these circumstances the focus on farmgate appears appropriate but not sufficient to get better cotton bales to the

consumers. Verification, traceability, ginnery operations clearly demand a follow-through after Better Cotton leaves the farm – a kind of 'black hole' still largely unaddressed during the initial phase.

4. In addition, the farmgate focus should not obviate from the fact that BCI requires more involvement throughout the supply chain. Better cotton requires not only better farmers but also better ginners, better traders, better mills and better retailers and brands (not to speak of better banks, better input suppliers and better consumers)!

5. The issue of producer incentives has so far been avoided – perhaps because there are no farmers among the BCI drivers? This evaluation submits for further consideration four avenues with possible solutions at little or no additional cost, in particular a formal BCI commitment to guarantee immediate payment.

6. The interaction between BCI and (local) government policies is a systemic issue which needs to be addressed in several instances. In cases of conflicts such a dialogue between unequal partners – including foreign stakeholders – will admittedly be difficult. It is all the more necessary to get started.

7. The concrete impact of Better Cotton where lower standards prevail has been neglected. For instance, is BCI satisfied if children working on cotton farms are being treated better than their siblings producing only food crops, or cotton garments? Can BCI envisage 'cotton without pesticides' while paddy fields and crops rotating with cotton, such as chick peas, are treated weekly with chemicals?

8. BCI is on the way to becoming the standard-setting body for cotton production worldwide. It is not there yet: important producers have not joined, important traders, retailers and brands hesitate or will not commit themselves, and there are competing initiatives and standards. BCI stakeholders now have three years to prove the authority, adroitness and credibility of the better cotton system. This is the ultimate challenge to BCI's own good governance.

Overall and probably from a sponsor's viewpoint, BCI remains a high-risk venture. Given the potential dividend, this evaluator considers the risk worth taking – for the next three years.

0. Background

This evaluation was undertaken between mid-October and December 2009. The main purpose was (a) to assess the results achieved in the light of the project objectives and (b) to analyse the implementation strategy in respect of its relevance, effectiveness, efficiency and sustainability.[1]

This report starts with a description of the project context (1). The purpose and scope of the evaluation are presented together with the methods utilised (2). The main chapter consists in a critical analysis of the project outputs in the initial phase as measured against the strategic objectives (3). From this analysis follows a number of conclusions and recommendations for further consideration and discussion (4).

1. Project Context

The original drivers of the Better Cotton Initiative (BCI) were cotton product retailers and brands, together with one NGO, the WWF.[2] BCI today brings together actors and observers from throughout the very long supply chain of this commodity. They all understand that (developing country) cotton is associated with poverty, environmental and social problems. For different reasons and priorities they jointly undertake to seek measurable improvements in the three key facets of cotton cultivation to make it more sustainable (economically, environmentally, and socially). Unlike organic and fair trade cotton initiatives and programmes, BCI addresses 'mainstream' cotton in all BCI countries and beyond. The means by which 'better cotton' is to reach the final consumer is not through a new label but a verifiable and credible accreditation system.

The BCI operates in phases.

(A) The start-up phase, from 2007 to 2009, was based on a number of preparatory and scoping projects in several countries by

[1] The terms of reference for this evaluation on behalf of SECO, and agreed with BCI Management, are reproduced in Enclosure 1.
[2] Actually, the origins of BCI go back to a cotton project by WWF Switzerland and WWF Pakistan. According to the BCI Website the BCI founding members were adidas, Gap Inc., H&M, ICCO, IFAP, IFC, IKEA, Organic Exchange, Oxfam, PAN UK, and WWF (http://www.bettercotton.org/index/120/history.html) accessed 20.12.09

WWF, IKEA and others. Specific outputs were defined for each year.[3]

(B) The initial operational phase is geared towards the BCI Strategic Plan, translated in ten goals to be achieved by the end of 2012 (reproduced in Enclosure 6).

(C) Beyond 2012, draft plans for further 'expansion' and 'mainstreaming' phases exist until 2018.[4]

This evaluation analyses only the achievements of the initial phase (2007-09), bearing in mind the overall project strategy as defined in the ten goals.

2. Purpose, Scope and Methods of the Evaluation

In view of the complexity, ambition and importance of the BCI project, SECO as a main sponsor[5] and the BCI Secretariat have agreed to conduct an external evaluation at the end of the initial phase, in order to assist (a) BCI Council in furthering the Better Cotton system and its implementation, and (b) SECO to assess and develop its commodity trade promotion strategies, particularly those based on a multistakeholder process. Another, more thorough evaluation in the year 2012 is to review the whole better cotton system.

Thus the scope of this evaluation is fourfold:

1) <u>Relevance</u>: adequate representation of key stakeholders in the Steering Committee/Council; choice of countries and regions;

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[3] Published in WWF/BCI, Annual Progress Report 2007 - Better Cotton Initiative, p.3. Please refer to para 1 of the Terms of Reference (Enclosure 1).

[4] Quote from Draft 2012 Strategic Plan:

- **2013-15 Expansion: Growing supply and demand.** The focus here will be to adapt (as necessary) the Better Cotton System to allow greater and more diverse supply of Better Cotton for increasing demand, and greater support from governments and supply chain intermediaries.
- **2015-18 Mainstreaming: Normalising supply and demand**. The focus here will be on integrating and normalising the Better Cotton System as part of day-to-day business within the cotton sector, and transforming the role of the BCI to support such a mainstream commodity.

[5] The other sponsors of the initial phase were the Swedish International Development Cooperation Agency SIDA (implementation mandate with WWF Sweden) and the Interchurch Organisation for Development Co-operation (ICCO - http://www.icco.nl/delivery/icco/en/doc.phtml?p=cotton accessed 20.12.09). The BCI budget and contributions by sponsors have so far never been but will be published as from 2010.

consultation process; farmgate as an appropriate focus of BCI; replication potential of this approach.

2) Effectiveness: outputs vs. planned results; weaknesses and adjustments; replication potential of the multistakeholder approach for other commodities.

3) Efficiency: adequacy of financial and human resources; strengths and weaknesses; BCI elements essential for the efficiency of the multistakeholder approach.

4) Sustainability: conditions for the implementation phase; current governance structure; respective roles and responsibilities of the various stakeholders.

Governance and institutional framework of the BCI are centred on the Council (which in July 2009 has replaced the former Steering Committee) as the main owner of the initiative, supported by the Secretariat and field staff of altogether 7 persons.[6] The BCI General Assembly and the BCI Advisory Committee appear to play less crucial roles.

The evaluation method essentially consisted in a review of all documents made available (listed in Enclosure 3) and a cross-checking with the evaluator's observations of achievements and feedback obtained in his interviews with key stakeholders as well as a few specialists not directly related to BCI ('control group'). These interviews were held in Berlin, Bern, Mumbai, Hyderabad (India) and Zurich as well as with many other stakeholders and observers but over the phone (cf. Enclosure 2). Due to unavoidable circumstances only a few preliminary talks with persons involved in the BCI could be held before the field visit to Mumbai and Hyderabad. The last-minute choice of India prevented a more than documentary preparation for this part of the evaluation. Fortunately, BCI staff went out of their way to facilitate the evaluator's work in each and every respect. Their precious assistance and the un-bureaucratic support of SECO are herewith acknowledged with thanks.

[6] At its first meeting, the following organisations were elected to the Council: (i) Retailers & Brands: H&M, IKEA, Levi Strauss & Co. (ii) Suppliers & Manufacturers: Ecom Agroindustrial Ltd. (iii) Civil Society: Pesticide Action Network UK, Solidaridad, WWF (iv) Producers: ABRAPA, Federation of Farmers Associations India, International Federation of Agricultural Producers.
Chair: Guido Verijke (IKEA), Vice-chair: Walter Wagner (WWF), Treasurer: Damien Sanfilippo (PAN-UK), Secretary: Janet Mensink (Solidaridad)

3. Analysis of the Project Outputs

The above-mentioned outputs for the years 2007 and 2008 have already been commented in the BCI Annual Reports for those two years and reviewed by the BCI Steering Committee. Since they quite naturally flow into the 2009 outputs this report will focus on the latter, i.e. on the criteria and standards for Better Cotton (b), the question of incentives for better cotton farmers (c), the farm assessment and the verification system (d), the communication rules (e), and finally on the institutional framework of the BCI (f). However, before doing so, the evaluator wishes to share three somewhat surprising results from his field visit (a).

a. Surprises

The first surprise – for the evaluator – concerns an issue which the results of the cotton harvests of the last five years appear to have settled, at least in India and for the time being. Bt Cotton is now almost universally applied – and virtually everybody seems to like the result. The evaluator was not, of course, in a position to conduct a survey, and even less to verify the environmental side of the matter. But anecdotal evidence collected from a number of different stakeholders very strongly points to an economic and ecological success story, after considerable initial difficulties, for all but a few: yields and revenues (despite higher seed costs and credit needs) have increased, while insecticide use (mainly against the bollworm) has been very strongly reduced, with corresponding improvements in farmers' health. Recent impact studies for India confirm this impression from the field, albeit with somewhat lower success rates than those given to the evaluator.[7] Only one person met by the evaluator expressed a diverging view to this general enthusiasm,[8] and the last word from science is by no means out.[9]

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[7] Quaim et al. (2009). According to these studies, with Bt Cotton insecticide use in India was reduced by 41% and even conventional cotton required less chemical inputs, possibly because of an overall disease decrease. Bt Cotton generated gross revenue increases of 37%, and net income increased by 89% to $135/ha; the country-wide farmer income increased by around $1bn over a period of 5 years. Moreover, larger yields from genetically modified cotton seeds resulted in more employment: female workers' income increased by 55% and related activities generated an additional 80 US-Cents for each dollar earned on Bt Cotton fields, 60% of which for people with a disposable income of less than $2 per day.

[8] Prof. O.S. Reddy, the Former Director of the Institute of Genetics at Osmania University and now Scientific Advisor to the Consortium of Indian Farmers Associations estimates that ten years hence there will be no Bt Cotton for a variety of reasons including new resistances, secondary pests and new diseases.

As for Pakistan, the Pakistan Cotton Ginners Association (PCGA) in mid-December expected a harvest increase of 12.1m bales compared to 11.6m bales in 2008, but the local WWF experts anticipated a decrease of up to 20% mainly because of the *Cotton Leaf Curl Virus* (CLCV) attacking equally Bt and conventional cotton, without good pesticides being available. Brazil, where the pesticide *Aldicarb* is said to still be used[10] despite national legislation and the WHO Class 1A list (and the BCI minimal criteria) is said to have similar problems with *Boll Weevil*.

The second surprise resulted from the visit to Gummadidala, a village about 45km to the North of Hyderabad. The proximity of the booming megalopolis has not only led to employment generation in the newly established chemical, electronic and aeronautic industries; the 'sucking effect of progress' also improved wages and working conditions of '*permanent agricultural labour*' (which in many rural areas seems to have almost completely replaced *bonded labour*). Education and entrepreneurship have taught the newly independent farmers how to cope with new techniques and risks, and finance is more easily available today. In addition, governmental price increases before the last general election certainly contributed to the income increases (world market prices of cotton are presently even higher). Such progress does of course not constitute a general pattern.[11] Less ideal conditions apply in more remote areas, even in the relatively wealthy Medak District where Gummadidala is located, not to speak of other parts of Andhra Pradesh and India. For instance, the Federation of Farmers' Associations (FFA)[12] receives less positive results in its surveys and maintains a long list of concerns and demands for improvements

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[9] For instance, Wang and Andersen (2006, p.13) consider that unanticipated effects of secondary pests could completely erode the benefits of Bt cotton cultivation for Chinese farmers. They suggest mandatory refuge planting, concurrent with Bt adoption, a technology prescribed in the United States to combat bollworm resistance to Bt Corn and Cotton.

[10] According to the BCI Secretariat, USA and Australia also use this product.

[11] Another success story, not verified by the evaluator, was reported by BASIX for the village of Kotla in Adilalabad District where the local Cooperative Society with 82 farmers and a turnover of 15 Mio Rupees obtained considerable productivity increases, runs credit schemes without problems of collateral, procures inputs collectively and sells directly to the gin. At present they envisage building their own ginnery. BASIX now looks for a replication of such a model propagated under the slogan *not contract farming but contact farming*. It says it is willing to work with BCI.

[12] In reality the FFA is rather an employers' organisation (including self-employed family enterprises). The evaluator has not seen any employed farm workers in FFA. Although Indian labour legislation grants the right to self-organising labour also in agriculture, there seems to be no agricultural trade unions established by 'permanent agricultural labour' or landless farmers.

for cotton producers.[13] But even the NGO which had played a leading role during what some have called the 'cotton suicides' (1997-98) now notes a considerably higher level of satisfaction and welfare among many in the farming community, even for the disadvantaged women and landless labourers and including in more remote areas like Warangal where that NGO is based.[14]

Production-related policies are a third element calling for attention. The very large number of state interventions in India (and elsewhere) is not really a surprise. However, as will be shown below, several mutually self-defeating policies impact directly on cotton, most of all for water, and this is an issue also for BCI.

b. Criteria and Standards for Better Cotton

In July 2009 Council approved the BCI production principles and criteria (including the minimum production criteria).[15] The strategic goals for 2012, the BCI farm assessment (verification), the communication rules and the benchmarks for Better Cotton were adopted in December 2009 – the latter including special provisions for family smallholdings and for smallholder employers. Many important and instrumental steps have thus been completed. The roll-out of BCI can start!

Since Better Cotton is not yet on the market, the analysis of project outputs is necessarily limited to a theoretical assessment of the adopted criteria and procedures in the light of the eleven strategic goals for 2012. In most of his interviews the evaluator came to ask the same two questions: 'Can Better Cotton be produced? And if so, how could it be handled onwards from the farmgate through the next steps in the cotton chain?'

This section deals with the first of these questions. To the extent made possible through the information and documents at hand it addresses (1) general awareness indicators, (2) environmental and

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[13] Examples in the evaluator's files. Mr. Chengal Reddy proposed to "involve the real farmers" and (instead of NGOs) to rely on FFA's own extension work and farmers' groups.

[14] Mr. Mrali from MARI says that most big landlords had sold their land, because they had "better opportunities and less risk." According to MARI land ownership today is mostly with small and medium farmers (in Warangal, for instance, 82% of all farmers own less than 2ha).

[15] Minimum Production Criteria laid down by BCI as a part of the production criteria (reproduced in Enclosure 3) apply where farmers commit to making continuous improvements through a series of steps defined in the progress framework as benchmarks. These farmers must also complete a minimum number of benchmarks within the following three growing seasons, different for each category of farmers, to meet the Progress Requirement. Cf. BCI Farm Assessment, Final Draft p.2 and p.12.

(3) social criteria and, finally, the (expected) economic performance of Better Cotton (4).

(1) General awareness of BCI criteria and standards

BCI so far has mainly communicated with itself and in search of new end-of-pipe members, NGOs and sponsors. In cotton producing countries governmental authorities, some trading companies and farmers associations are aware of BCI and many participated in the regional working groups. However, there has been no information to and consultation with those farmers who now are expected to produce Better Cotton. In particular, there have been no training activities and hardly any implementation discussions beyond those directly involved. The question therefore would be whether Better Cotton and its criteria are sufficiently well known to allow farmers to produce it as of 2010, and to sell it in a way which ensures that it plausibly reaches traders at the ginnery gates. 'Tell us the conditions (and give us some money) and we'll get organised' was a sentence all too often heard by the evaluator, even from persons who had participated in one or even two BCI regional workshops.

Original plans for a *pilot phase* were dropped in 2008.[16] Instead (and subject to availability of project funding) BCI was to move straight into the implementation phase with the intention to use the period up to 2012 to evaluate results. The year 2009 was to be spent on awareness-raising with farmers and similar activities (first contacts with ginners, preparation for changes required by the decent work requirements etc.). The Steering Committee explained this major departure from the original terms of reference with practical considerations – and with its impatience to see Better Cotton on the market as quickly as possible.

The impression this evaluator obtained from his discussions is that, generally speaking, upstream BCI participants know what Better

[16] Cf. the Annual Report 2008. The Report from the December 2008 Steering Committee states: 'During 2008 the BCI began doing detailed planning and preparation for the pilot projects that were planned for the 2009-2010 growing season in the pilot regions of Brazil, India, Pakistan, and West & Central Africa. Through taking existing best practice in project life cycle management, and tailoring it to cotton production in the different country contexts, it became clear that a one-year period starting in 2009 would not be an effective time frame to truly test the Better Cotton System (especially the Global Production Principles and Criteria), and that a three or four-year time frame was more appropriate, especially to evaluate whether growing 'Better Cotton' has the desired positive change for farmers, cotton farm workers, cotton farming communities and the environment.' Donors were informed about this change in the February 2009 meeting.

Cotton means – but they do not know in very precise terms what it means to them. Implementation discussions had not started in any of the organisations interviewed and places visited. The changes required in each case seemed to be unclear, even to some people which had participated in the regional workshops. For instance, the various public authorities engaged in cotton in Maharashtra or Andhra Pradesh had not yet started to adapt their extension services, nor have farmers associations, or NGOs engaged in cotton activities like MARI[17] and BASIX.[18] The question also arises whether a unique focus on cotton can at all be handled by organisations dealing with many products and/or with specific issues such as microcredits issues? If not, by whom?

In this situation it is quite clear that the next phase will be an experimental one. All BCI members interviewed have expressed the view that the quantities obtained at the beginning matter less than strict adherence to BCI standards and minimum criteria. Whether everybody is aware of the implications of such an empiric (not to say haphazard) approach is another question.

Better Cotton sales in 2010?

At this point in time, the only feasible approach for 2010 sales of Better Cotton appears to be a bottom-up and *ad hoc* system whereby a sufficiently large number of farmers in one or several adjacent villages are collectively willing to produce such cotton and in sufficient quantities and appropriate schedules to warrant segregated ginning.[19] This condition in turn requires an adequate institutional framework, with excellent training, communication and extension services. Each village, or farmers' group ready to operate the changes required by BCI, would best be served with a different institutional set-up and training and extension services. One such operation might best be accompanied by a local NGO.[20] Besides environmental or social NGOs, there are also organisations involved for instance in Integrated Pest Management or smallholder credit schemes.[21] Another place may want to follow the Farmers' Asso-

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[17] Modern Architects for Rural India, see List of Contacts

[18] BASIX benefits from support by the International Finance Corporation (IFC), from Switzerland (SDC) and others, and says it is the largest (private) agricultural extension service provider in India, working with 600'000 farmers, and has developed a successful model for cotton production.

[19] In order to ensure speedy treatment it will be important to obtain regular access to the gin, unlike for organic cotton which today is apparently only treated after the last bale of conventional cotton has left the ginnery.

[20] Such NGOs often benefit from the support of an international NGO, a seed company or an intergovernmental organisation like the IFC.

[21] In reply to a question from the evaluator BCI Secretariat confirmed that no concrete actions had been undertaken in respect of the often crucial issue of investment and production finance. It is hoped

ciation advice and services[22] offered over the recent period, sometimes in cooperation with a private company engaged in cotton seeds supplies[23] or with other inputs distributors.[24] Yet another Better Cotton producer group might be suitably accompanied by various traditional governmental extension services, or by the powerful Cotton Corporation of India (CCI).[25] Given a choice, farmers will obviously opt for the organisation in which they have the highest level of confidence and from which they get the best overall support. Whether these are organisations such as WWF which have been running cotton support programmes in India and Pakistan since 2006, or one of the other set-ups is less important than the resulting 'better' cotton from 'better' farmers.

Not very surprisingly, each of the four possibilities mentioned above was discussed and respectively offered to the evaluator as the best alternative by their own proponents and most always accompanied by more or less deprecating remarks on the quality and performance of all or some of the other channels. What follows very clearly from these merely anecdotal observations is that, utmost attention will have to be paid in each single case to the appropriate institutional arrangement for producing the first bales of Better Cotton.

Better Cotton will be sold in many different ways because it will have to rely on the existing support and trading structures which are different in each village and producer unit. Overall monitoring by regional coordinators and BCI management will be difficult under these circumstances, replication even more. This problem is compounded by two connected difficulties which are still largely unaddressed i.e. the structure of producer organisations and incentives, and the still missing track-and-trace system also involving the ginneries. These issues are discussed in Sub-Sections (c) and (d) below.

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for that purpose to link up with IFC which has a 'sustainable supply chain programme'. The evaluator met with a Hyderabad-based NGO co-sponsored by the World Bank's International Finance Corporation IFC, called BASIX, which made an excellent impression of professionalism and grassroots orientation.

22 The *Commodity Interest Groups (CIG)* a producer-based set-up existing in many places were mentioned as an organisational possibility.

23 In India, both Syngenta (in collaboration with the Fair Labour Association FLA which participated in the Second BCI Workshop) and Monsanto operate such schemes, partly or fully through their respective private charity arms.

24 In Gummadidala, several such companies are already present and contribute to training and extension activities of the Farmers' Association: United Phosphorus Limited, a Pesticides and Seeds Marketing Company, Golden Seeds, and Unicorn Seeds. Even an incentive trip to Bangkok was apparently on offer for successful inputs traders.

25 An interesting case was mentioned where Coca Cola India Ltd. buys 'Better Mangoes' for export processing directly from the farmers.

(2) Environmental criteria

Integrated Pest Management (IPM) has become a well-accepted and largely-practiced concept. Training and extension both in Pakistan and India, often times involving important financial assistance from governments and from institutions such as the Asian Development Bank and the European Union, have brought about widespread and considerable progress. The same applies to West Africa and, to a lesser extent, to Brazil. In Pakistan and with the help of WWF the system has evolved into Better Management Practices (BMP), covering a series of issues additional to pest management. This far-reaching, multi-year process is the most important condition for BCI's success on the environmental front, and it has been well documented in different studies on the impact of water conservation projects.[26]

The biggest pesticide killer, however, has doubtlessly been the introduction of Bt Cotton resistant to a number of pests including the bollworm (which still feeds on rotating crops such as chick peas), and where pesticides are only needed against the 'sucking pests'.[27] In Gummadidala, for instance, pesticide use is said to be down by 80%, and farmers which used to spray 2-4 different chemicals twice a week over a period of 4 months are now spraying only 3-4 times over the whole cotton production cycle, using only 3-4 products altogether[28] which are mixed with micro-nutrients and some 'semi-organic' chemicals. Another piece of good news was that the local chemical product traders affirmed they already had or at least could easily switch to BCI-compatible pesticides, including 'biochemicals' and endrin-free 'biopesticides' – contrarily to FFA claims in reference to the Stockholm Convention.

The situation is less obvious with the other major environmental criterion, i.e. water use. Salinisation, apparently a serious problem in other regions of India as well as in many other countries, was not flagged as a major problem to the evaluator during his field visit.[29] But like just about everywhere else, ground water levels are generally lower each year, and despite the fact that regular

[26] Cf. CABI (2003) and CABI (2009).

[27] In Gummadidala, mention was made of jassid, aphids, thrips and white fly; there are almost no more mealy bugs.

[28] acephate, Confidor / Admire (Tradenames for imidacloprid) and acetamiprid

[29] One complaint by a farmer was that (governmental) soil test results were said to be communicated only after the growing season.

rainfalls have become increasingly rare, and late,[30] the extension of 'drip irrigation' is hampered by the generous subsidies for farming water.[31] Systems and percentages vary, even within India, but with up to 90% subsidies both for infrastructure and water use there is simply no incentive to save water. One example of self-defeating policies from Gummadidala: The public electricity authority had reduced to 7 hours per day the time a farmer can draw water from each tubewell. But another arm of the government seemed to have forgotten to limit the number of (free) tubewells in a single paddy field! Even so, the development of more drought-resistant cotton seeds was indicated as a priority.[32] At the same time, understandably, precious little concrete efforts were made in terms of drip irrigation, despite subsidies also provided for the introduction of this technology.

Anecdotal evidence and studies available from the other BCI regions suggest a similar picture, except perhaps in respect of the legal standards which, in Brazil and in West Africa, are already quite strict, but according to the producer representatives, with serious implementation deficiencies.

(3) Social criteria

Social criteria are both the most sensitive issue and the one where BCI has taken longest to adopt its own policy. This is not to say that BCI and its 'socially minded' stakeholders spent no effort here. On the contrary, several scoping studies were undertaken and contacts did take place with ILO headquarters, with the IFC, and in some of the BCI countries. However, at the end of BCI's initial phase and unlike for the environmental side, concrete results seem to still be lacking everywhere.

The good news here is that, in amazing India, public authorities, NGOs and (employer) farmers basically agree on the state of affairs in this respect: Labour legislation applies, and it is to some extent being implemented. Consequently, there seems to be not

[30] The 2009 monsoon appears to have brought one of the lowest and latest rainfalls ever. India is said to have to import sugar, rice and many other commodities in order to avoid major market disturbances. Cf. Agripolicy Advocacy, September 2009. Imports of cotton (!) to India (and to Pakistan) are a new phenomenon due to other reasons.

[31] Indian Cotton is still mainly rainfed.

[32] Incidentally, it was also said that high density planting was chosen only when the rains were delayed (but pesticide spray would then be more difficult), whereas with good rains "we plant 'check-row'".

much *child labour* on the farms (i.e. youth below the legal minimum age of 18 and from outside the family). Bonded labour apparently has almost completely turned into 'permanent agricultural labour' where wages can compete and increase with other employment opportunities (if available), despite increasing mechanisation[33] and where some social mobility is possible. On the negative side, freedom of association appears to exist in theory only, a fact which would be in contradiction with at least three of BCI's 'minimum' criteria.[34] Furthermore, in respect of the also required 'fair warning principles' and 'disciplinary actions … proportionate to the conduct in question' there seems to be room for improvement.

Fortunately, in general terms rural communities are viewed as being more harmoniously structured than cities and factories. This also reduces workers' abuse – and it makes monitoring by farmers of BCI's social criteria easier and more credible.

In this respect, Pakistan seems to be less advanced.[35] It appears that even the minimum criteria of BCI will not be immediately enforceable, even though a number of project activities also had a social component.[36] Only very recently concrete efforts have started to move into a development phase supported by ILO and the IFCs 'Better Work' programme, by way of a joint partnership with BCI and World Bank funding. Following up on an earlier desk study, this project is to identify the biggest social problems at the grassroots and the changes required for meeting BCI social criteria. Among the latter, a transparent and clear policy and system for disciplinary measures (6.26) and child labour (6.3) are said to be in the forefront.

In other words, while India seems to increasingly enjoy socially acceptable conditions for cotton farmers, (socially) Better Cotton

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[33] Ploughing (1m deep?!) and, for paddy, even harvesting.

[34] See Enclosure 3 for all and for all minimum production criteria. The minimum criteria discussed in respect of freedom of association are the following:

> 6.1. Smallholders (including tenants, share-croppers and other categories) have the right, on a voluntary basis, to establish and develop organisations representing their interests.
>
> 6.7. All workers and employers have the right to set up and join organisations of their own choosing, and to draw up their constitutions and rules, to elect their representatives and to formulate their programmes.
>
> 6.8. Workers and employers have the right to bargain collectively.

[35] Cf. CABI database – Projects in Pakistan.

[36] For instance, the Pesticide Risk Reduction for Women in Pakistan (2002 - 2003) funded by the Arab Gulf Fund for the Development of United Nations (AGFUND), or the Pakistan Sustainable Cotton Initiative (2005-2007) implemented by IKEA and WWF-Pakistan in Bahawalpur district.

from Pakistan in the year 2010 is highly unlikely. As for Brazil, the production dichotomy between small and large farmers poses an additional challenge; generally speaking and like for the environment, the whole sector seems to lag behind national legislation – an additional incentive for producer organisations to call on their members to live up to the BCI commitments which they had helped to develop! In West Africa the situation is unclear; a study soon to be conducted by Solidaridad is to shed more light on the changes required before the 2010 production season.

(4) Economic value

Economic gains from technological and other improvements, as the third pillar of sustainability, are clearly the win-win driver for all BCI stakeholders. This is true, first, for gains from better farming practices such as IPM or drip-water irrigation. Secondly, this also applies at least to some extent to productivity gains arising from shortening the supply chain and from streamlining processes e.g. through collective input purchasing. (Of course, the gains especially in the latter field would come at the expense of middlemen or of other rent seekers who do not provide added value.)

The crucial question here is whether observance of specific BCI criteria will bring economic gains to farmers in addition to productivity increases already obtained from better management practices. After all, everybody is aware, and agrees, that Better Cotton can also be sold to 'un-better' traders and without the international commitments and the monitoring costs which a credible verification implies. Traders say that 'better trade' and the closer relationship which certification and technical assistance entail will both increase productivity and income, without increasing the farmgate price for Better Cotton.

The cost of Better Cotton is an issue so far largely skirted in BCI. Retailers like IKEA have clearly signalled their expectation that a bale of Better Cotton will not cost more than 'un-better' bales. WWF agrees; it has calculated that the value of seed cotton in a 1kg cotton product costing $25 or more at retail level is $0.34 (which is equivalent to 0.128%).[37] Such calculations, whether totally accurate or not, should not lead to the conclusion that the additional effort at farm level to produce Better Cotton has no influence on the prices down the value chain. Firstly, traders see a

[37] WWF (2007), p.1

kind of automatic multiplier throughout the value chain. Secondly, monitoring segregated trade flows and certifying Better Cotton increase farm gate prices regardless of their levels – and it accrues exclusively to Better Cotton. The cost factor thus remains crucial and adds to the importance of demonstrating a strong 'pull factor' by retailers (and consumers). Many retailers are already impatient to see such cotton in their own products and on their own shelves. But just to declare that Better Cotton only will do (retailers) or to insist on child labour abolition (NGOs) will not by itself bring about the changes requested from the farmers. To the very least, this will take increased financial and project support by stakeholders and perceived as such in the cotton fields. Needless to say that this is a matter of high urgency, because planting decisions for the next harvests are being taken right now, and farmers have to take these decisions without looking at the Better Cotton production criteria – simply because they do not know them.

At the same time, the break-even point for BCI to operate without public funding for core activities looks even more remote.

c. Incentives for Better Cotton Farmers

Another issue so far left open in BCI is the question of producer incentives.[38] It is agreed that farmer support will be of paramount importance – but there seem to be no proposals made or decisions taken in this respect, safe that Better Cotton must not be more expensive.

Needless to say that many farmers ask precisely that question and expect some form of support, at least by way of free training and extension services, if not more. This is even more the case where farmers are associated with fair or organic trade, especially in West Africa or India (Warangal).

Farmers' readiness for change will largely be determined by the additional economic benefits they can see in producing Better Cotton (and selling it as such to interested clients). They will want to measure their gains against the short-term costs of necessary adaptations in the environmental and social fields. This implies that the pull effect from the retailers – and the conditions attached – need to reach the farm, a message which none of the persons in-

[38] The BCI document on 'farmer support' is considered a good if incomplete overview of existing projects and initiatives. The evaluator is not aware of discussions held on the basis of that document.

terviewed had received very clearly. No pull, no money, just a request to change?

Maybe the key to this unavoidable problem lies in the 'relationship' conjured by some BCI members. Indeed, Better Cotton implies a progressive 'contractualisation' of cotton production. In this perspective several cooperation models become possible. Four alternatives to additional finance but perhaps decisive incentives were suggested to the evaluator:

1. A guarantee by interested buyers of Better Cotton for immediate cash payment;[39]
2. Collective inputs purchasing with timely supply guarantees;
3. Collective (and free?) transport to the ginnery (which may be located more than 200 km from the village).
4. Reliable services like soil testing or weather and other risk insurance schemes.

The start-up phase for Better Cotton sales involves several crucial governance issues. The evaluator considers appropriate producer organisation and incentives as the two most important but as yet unsolved problems. He strongly recommends that BCI Council adopts and communicates a <u>formal commitment to guarantee immediate cash payment, at farmgate, for all better cotton</u>.[40]

d. Transparent Verification System

Everybody agrees that verification is crucial. This starts at the farm and ends at the last point of sale of the finished better cotton product. Reflections in BCI have so far mainly focused on the primary production. Options considered range from different Public/Private Partnership models[41] and the Sustainable Agriculture Initiative (SAI)[42] to a BCI-operated, non-accredited certification

[39] Even CCI seems to frequently default on its pledge to pay upon delivery, while Chiquita, to name an example of this company's 'Better Bananas' programme, is proud to guarantee immediate payment to its almost 100'000 salaried persons all over the world.
[40] Quality adjustments to be made on the spot, or at a later stage.
[41] PPPs, also implementing the necessary pilot projects and allowing for impact assessments during BCI's first operational years.
[42] SAI was started by Danone, Nestlé and Unilever in 2002 to encourage the development of sustainable agriculture worldwide. In 2008 SAI was said to have 21 members including Coca-Cola, McDonald's and Sara Lee.

body (like the Rainforest Alliance) or a contract with an already existing certification body accredited (and audited) with a national accreditation authority to carry out environmental and social verification (like SGS or UTZ). This discussion is still on-going. The only instrument in place today, as a pre-condition for verification, is the BCI Farm Assessment.

In December 2009, the '**BCI Farm Assessment**' was adopted as a 'central mechanism for assessing whether farmers can grow and sell Better Cotton'.[43] Specific guidelines have been laid down for family smallholdings, smallholder employers and large farm employers. The carefully drafted rules start with a participatory self assessment process at each farm (with *smallholders* initially participating in the form of '*Learning Groups*'). In order to be recognised by BCI the group has to submit a '*Results Indicator Report*' for scrutiny by the *Production Unit*, through a '*Documentation Officer*' who is also a member of the group. A three-layered verification procedure ensures compliance with BCI Standards under the supervision of the *BCI Regional Coordinator*: (i) participatory peer review, (ii) second party checks carried out at the farm level by the *Producer Unit* (i.e. the farmers' representatives), the *Implementing Partner* (e.g. a local NGO also providing farmer support, perhaps in collaboration with a BCI retailer or brand member) and by the BCI Regional Coordinator who is to attest to the conformity of the production with BCI criteria and standards, and (iii) by the only truly credible type of verification, i.e. third party verification carried out by independent parties (who must be approved BCI verifiers).[44]

In order to increase and ensure credibility and transparency, all these steps and decisions are subject to appeal (to the BCI Executive Director); there is also a grievance management process established under the guidance of the BCI Council and its Grievance Management Committee. In addition, during and after the harvests participating farmers will have to collect data against BCI farm level results indicators.[45] External

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43 Farm Assessment, draft version November 2009, p.2
44 According to the (draft) Farm Assessment guidelines, 3rd Party Verification is done by nationally based BCI approved verifiers both for Learning Groups and large farms seeking to grow Better Cotton, of which 50% are at random and 50% are based on a risk analysis conducted by the BCI Secretariat. The decision on what, where and how is made by the BCI Secretariat. All large farm employers growing Better Cotton are 3rd party verified within every 3 year period, and in the first year that Better Cotton is grown (expected in the 2010-11 season) all Implementing Partners / Producer Units / Learning Groups growing Better Cotton should also be 3rd party verified.
45 The ten **BCI *farm results indicators*** are the following:
1 Total cotton production area (ha)
2 Total cotton production (kg)
3 Pesticide use and type (kg or ltr/ha/yr per pesticide)
4 Water use for irrigation (m3/season)
5 Fertiliser use and type (kg/ha/yr per fertiliser type)

inputs will also come from a National Stakeholder Council to be established on the basis of the regional workshop participants, i.e. including (local) government, researchers, industry, trade union and civil society representatives. The tasks of the National Stakeholder Council are to monitor the farm assessment mechanisms and to provide advice to the BCI Secretariat.[46]

The whole procedure is to allow for an evaluation of both compliance to the BCI criteria, and of the inherent benefits for producers from the BCI, namely whether financial profitability has increased, inputs reduced, health and working conditions improved and fibre quality enhanced.

At first sight this procedure looks rather top-heavy and bureaucratic – but this is probably necessary, at least at the initial stages of the BCI. Moreover, a continuous flow of information from and back to the farm will undoubtedly be conducive to on-farm capacity building and to establishing a better relationship throughout the supply chain, as an important source of information for BCI Monitoring, Evaluation and Learning (MEL) – and thus allow for better cotton and for better prices for all participants. (Net income, of course, will also depend on the cost of the procedure for each participant.)

On the negative side it has to be noted that, just like for the BCI production criteria and standards, none of the farmers interviewed by the evaluator, including their representatives, were aware of the farm assessment methodology being prepared. The long time invested in developing these methods was probably necessary – but the delays incurred are obviously making it more difficult to actually sell Better Cotton as from 2010.

Moreover, farm assessments are only the first step in a complete track-and-trace system. It is far from clear how Better Cotton can be reliably traced, first of all to and through the ginnery, and from there to traders, mills and eventually to the retail shops of BCI participants. A few attempts to organise 'farm to retailer' verification have apparently been made. Nevertheless, activities in both Pakistan and India were focussing on better farming practices

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6 Use of health and safety precautions
7 Quality of fibre including contamination (classification)
8 Working conditions
9 Child labour
10 Forced labour
11 Profitability of cotton production (net income/ha/yr)

rather than on what happens after the farm gate. The Second Workshop in India, for instance, mainly dealt with farm assessments and impact indicators, while issues such as segregation and identification stopped short at the gin. Very few efforts seem to have been undertaken to involve any ginners in the BCI, despite the fact that BCI recognises 'that the cotton gin is a lynchpin for the supply chain for Better Cotton, and that BCI requires the support and collaboration of ginners for the supply chain for Better Cotton to work.'[47] The responsibility beyond farm gate was left rather vaguely to the interested operators.[48]

A perhaps useful comparison when looking at BCI verification and accreditation plans would seem to be **Globalgap**.[49] This increasingly well-known organisation has already become a key reference for Good Agricultural Practices in the global market place, by offering a complete track-and-trace system translating consumer requirements into agricultural production, especially for vegetables. It has an independent certification system ensuring adherence to its voluntary, farmgate-based standards by about 90'000 producers in 90 countries. Recent enlargements of its geographic composition have turned it into a mainstream player which all producers of the covered commodities have to reckon with for their exports to markets where retailers insist on those standards. Equally interesting is the fact that Globalgap – with the support for instance by the German aid agency GTZ, provides extensive technical assistance to small producers in countries like Kenya and Madagascar. This evaluation obviously cannot compare BCI and Globalgap in detail. It is only suggested here that BCI's learning process could benefit from the history and experience (and errors) which Globalgap has already made in respect of verification and certification.

A full-fledged verification system will of course have to recognise that there are direct commercial interests and relationships that come into play at all stages.[50] In its search for a credible system and as a new player, even without a direct commercial interest, BCI will have to deal very carefully with many different organisations such as farmers, traders, ginners, and millers that potentially

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[47] Cf. BCI, Supply Chain, p.9
[48] The BCI Draft 'Step by Step Guide to Implementation of the Better Cotton System' is equally imprecise in this matter.
[49] http://www.globalgap.org (accessed 23.11.09)
[50] The absence of a full verification system is perhaps also due to the concerns which have led to an antitrust policy statement approved by the BCI Council on 2 September 2009. The evaluator is well aware that earlier commodity arrangements (e.g. the International Copper Study Group based in London) had run into legal problems in the United States, precisely for letting operators interact too closely during their annual meetings. He does however have some doubts whether the adopted policy would in all cases effectively shield BCI from possible lawsuits.

need to collaborate. Fortunately BCI is well aware of this challenge and of the weaknesses in its present system. In December 2009 Council decided to carefully review the process as a whole at the end of the 2010-12 operational phase and for that purpose to contract an external evaluation to review the effectiveness of the Better Cotton System, including the Farm Assessment mechanisms.

This evaluator considers the lack of pre-tests for the Farm Assessment, and the absence of a full-range verification system, as one of BCI's weak points and potential dangers for the operational phase.

The one good news here is the assertion by ECOM (India) that, given sufficient interest from their clients, and in collaboration with their preferred local milling company, they could deliver Better Cotton from the farms and through those ginneries in India which they trust for reliability and accountability.

e. Communication rules

A very late addition to BCI governance is a set of communication rules approved by Council on December 15, 2009.

All members are bound by the generally applicable rules, with two sets of specific, additional rules applying to those who (a) financially support smallholder cotton producers (b) <u>and</u> procure Better Cotton (see Enclosure 5 for examples of communication texts for use by different BCI members).

These rules aim at ensuring appropriate use of the (future) BCI 'logo' and the BCI 'word mark' and thereby establish Better Cotton as a *de facto* trademark with binding character for BCI members. The BCI trademark would eventually be used in three ways: on-product, point of sale, and at corporate level. Different BCI member categories have approached this issue from different angles. Of particular importance will be the equal treatment of and by end-of-pipe operators (retailers and brands).

Such rules are clearly of capital importance for the well-functioning and the credibility of BCI as a whole. The text now adopted is a well-balanced reflection of the different stakeholder interests, stopping short of establishing a BCI label for end consumers, but pointing the way to a so-called 'B2B' logo, in combination with a word mark.[51] Based on the experiences made during the operational phase of BCI, some revisions may well be necessary. Nevertheless, two aspects may require earlier attention: trademark protection under trademark legislation, and specific rules for use by better cotton producers and, perhaps, ginners (see below recommendations).

f. The institutional framework of the BCI

As indicated earlier, the evaluator takes it that the Steering Committee (now Council) and the BCI Secretariat constitute the principal institutions of this project. This section analyses the present framework in respect of four possible governance issues.

The different roles and responsibilities of the various stakeholders should be reflected at both operational and decisional levels. There is a natural divide between stakeholders in the supply chain and those from outside the cotton industry, i.e. the NGOs and governments. Presently, the BCI Statutes and By-laws distinguish five categories of members: Producers, Suppliers and Manufacturers, Retailers and Brands, Civil Society and Associate members. Also, the 'Membership Association Document' and the 'Guide to Membership Obligations' recognise the different positions within the cotton supply chain and define the commitments for each member category as well as the partnership agreements for non-members supporting BCI. While all members must pay a membership fee and adhere to eleven 'Principles of Participation and Obligations' to guide activity by its Members, principles 7-11 differentiate between member categories. Generally speaking, all the principles are formulated in rather vague terms and without being quantified.[52] Moreover, even for the five differentiating principles there is no mention on how fundamental stakeholder differences are to be taken into account, for instance by way of caucuses, in the consultation process or through appropriate (inter-category) voting procedures. In the General Assembly, each member has one vote, and all members elect all Council members. The only reference to the governance issue of member differentiation is found in the By-

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[51] The communication rules now adopted can be considered as the basis for a Business-to-Business Label (B2B) operating as a verified proof of better cotton between operators along the whole supply chain.

[52] For example, Principle 8.1 for Retailers and Brands foresees that "Members shall use increasing volumes of Better Cotton over time."

laws stating that any one category of Council members can veto a decision if nobody in that category supports it.[53]

Secondly, BCI Decisions, even when adopted on a consensual basis, are not mandatory for at least part of its members. Farmer representatives, for instance, cannot commit their membership and even less their governments. Traders, whatever their own preferences, will source cotton according to actual requirements of their clients. And NGOs are committed to their membership, without having to or even being able to induce consumers to buy Better Cotton, at least as long it is not labelled as such at retail levels.

Thirdly, the big advantage in this procedure is the inclusiveness of the process. Although BCI originated from a coalition of retailers and (environmental) NGOs, it is today perceived by all stakeholders as a forum where all have their say and where good decisions can be reached even with opposing interests. It has been repeatedly pointed out to the evaluator that this is the main feature which distinguishes BCI from organic and from fair trade cotton, and that only common ownership has the potential to change mainstream production of all cotton. The evaluator understands this argument and generally concurs with it. At the same time he wishes to emphasise that some decisions can only be taken by those who will have to abide by them (including those who are expected to publicly support them). The bottom line would be to agree that multistakeholders can together develop the BCI but will never be a democracy.

The third issue as yet unaddressed occurs where 'better than legal' standards are required by BCI. True, quite often the reality may fall short of the legal minimal standards in a given country, in one or more respects. But there are cases where inputs such as BCI-allowed pesticides are simply not available, or more expensive than the traditional ones in countries where lower legal standards apply. Similarly for social criteria where BCI may imply that children working on cotton farms have to be treated better than their siblings producing only food crops, or work in a local garment factory.

[53] Cf. (Final Draft) Article 10.7.: "[…] a double majority is required for the Council to make a decision: a simple majority of the members of the Council present; and at least one Council member of each membership category that has more than one organisation on the Council."

A fourth issue is linked to the fact that the verification system approved by Council has not been field-tested. The evaluator estimates that this issue is compounded by the fact that (a) the Steering Committee has come out clearly against a Better Cotton Label, and (b) that for simplicity and cost reasons the aim is for only one system irrespective of where the cotton is grown. This evaluator fully understands the reasons behind these decisions and does not recommend a new cotton label even for retailers' purposes; nor does he advocate several totally different verification systems. But better cotton production without a failure-proof and well-accepted verification system throughout the supply chain amounts to a high-risk venture, because errors at the inception stage could turn out to be fatal for the whole project. The BCI Council has decided to review this process along with the whole better cotton system after the operational phase of the next three years. Such a review could come too late.[54]

4. Conclusions and Recommendations

The conclusions and recommendations in this chapter follow the scoping criteria defined in Chapter 2 above.

1. Relevance:

(1) The representation of key stakeholders in the BCI Council appears adequate in the sense that all major interests are present. However, important producers have not joined, important traders, retailers and brands hesitate or will not commit themselves. Still worse, there is one actually and one potentially competing project: (i) 'Cotton made in Africa'[55]

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[54] In this context the case of Indian organic cotton comes to mind, because it serves to underline the importance of a credible tracing system: In 2008, India became the world's biggest producer of organic cotton. According to several persons interviewed in this evaluation, the reason for this surprising record was not a production rally but rather a miraculous multiplication of certificates attesting to the organic content of so many additional cotton bales leaving the ginneries…

[55] 'Cotton made in Africa' was initiated as a project by the Otto Group (www.otto.com) and today comprises commercial cotton traders and retailers including Otto, Rewe, Tchibo and 1'888 cotton mills (cf. www.cotton-made-in-africa.com accessed 18.12.09). It receives support from the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Deutsche Investitions- und Entwicklungsgesellschaft (DEG), the Aid by Trade Foundation, Deutsche Welthungerhilfe and the Bill & Melinda Gates Foundation. Its members have to subscribe to the Business Social Compliance Initiative BSCI which was founded in 2003 by the Brussels-based Foreign Trade Association. According to its website it is 'the broadest business-driven platform for the improvement of social compliance in the global supply chain' and offers 'companies a comprehensive monitoring and qualification system covering all products sourced from any country.' (cf. http://www.bsci-eu.org/). Its Code of Conduct is based on the core labour standards of ILO and on other international conventions including the UN Global

and (ii) the Dutch Sustainable Trade Initiative (IDH).[56] The evaluator has not had a chance to look into these two programmes. However, in order to avoid duplication and reduced relevance of BCI this calls for attention by Council. The commitments of all BCI members imply that they insist on BCI production criteria in whichever other projects they are involved. Furthermore, SECO and SIDA, but also WWF and Solidaridad should raise the issue with their German and Dutch colleagues.

(2) The choice of countries and regions appears judicious.[57] China and Central Asia are rightly recognised as the two main missing candidates for the BCI and included in the draft work plan 2010-12.[58]

(3) Farmgate as the present focus of BCI: At first sight an obvious choice. At the same time it may be perceived like a job delegated from the other end of the supply chain without incentives or commitments of its own. Anyhow, today everybody agrees that the farmgate focus alone will not bring about better cotton. In particular, the declared objective to obtain bales of 100% Better Cotton at the ginnery gate re-

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Compact and the OECD Guidelines for Multinational Enterprises. According to published BSCI system rules, regular members (mostly retailers, but BSCI is also open to importers and manufacturers of consumer goods) have to commit themselves to auditing their suppliers and integrating them into the compliance programme. Such auditing and integration must be carried out by certified SA8000 SSA Auditors (Senior Systems Auditors) within a timeframe of 3 years. However, the management tools which are to guarantee a high level of comparability, transparency and quality of external audits are restricted to BSCI Members, and the BSCI Database where information from the audits is collected is not published.

[56] The objective of the Dutch Sustainable Trade Initiative (IDH) is to improve the sustainability of international supply chains, by tackling social, ecological and economical bottlenecks for the first chain actors in developing countries (cf. http://www.linkedin.com/companies/dutch-sustainable-trade-initiative-idh- accessed 19.12.09). For cotton, it is said to envisage a worldwide programme, including in cooperation with IKEA, ICCO and some brands, but with a so far unspecified content. Its website for cotton does refer to BCI, but so far without an acknowledgement of BCI production criteria (http://www.duurzamehandel.com/nl/katoen accessed 19.12.09). The Dutch arm of 'Solidaridad' is also involved in the discussions between BCI and IDH in view of a collaboration agreement between the two organisations.

[57] The very recent application for BCI membership of the cotton industry in the United States (and an expression of interest from Australia) is good news, especially if these producers can be motivated to provide technical support to their colleagues in developing countries.

[58] Special procedures have been laid down for work in countries outside the present geographical focus of BCI: proponents wishing to see better cotton grown in such countries are to enter into a Consultation Agreement with the Better Cotton Initiative. Based on the results, an Implementation Partnership Agreement will be concluded with the BCI. Commitments include the setting up of a National Stakeholder Council, acceptance of the communication rules and a financial contribution to BCI in order to cover the costs of BCI monitoring and verifying compliance.

quires commitments of and cooperation with several other operators. Not surprisingly, there have been suggestions that the project be extended to the ginneries.[59] Better cotton requires better farmers, better ginners, better traders, better mills and better retailers and brands (not to speak of better banks, better input suppliers and better consumers)!

(4) Replication potential of this approach: Multistakeholder initiatives have come to be considered as a kind of panacea for many development issues and especially for commodities.[60] According to all consulted stakeholders, BCI does particularly well in this respect, despite the very long cotton supply chain – and despite being a particularly difficult commodity in terms of industrial relations.[61] Genuine inclusiveness and mutual trust are certainly of crucial importance for reaching good and feasible decisions around a stakeholder table. Its relative success in this respect obviously does not make BCI a recipe for other multistakeholder commodity projects. For example, 'Better Tropical Timber' or 'Better Soybeans' obviously require quite different structures and modalities and pose other governance challenges than BCI. But all these initiatives have one point in common: without clear and effective preferences from the real end consumers they may look like a tail wagging the dog…

2. Effectiveness:

(5) The critical mass required for Better Cotton to become a commercial reality can not only be sought and expressed in market shares of participating retailers. The present situation and the targets determined by BCI by 2012 are by any standard an impressive and ambitious goal – but not a sufficient condition for success. A probably decisive factor is the 'pull' needed to convince producers as the first agents in the supply chain to change their production methods. Consumer concerns will not change producer behaviour unless producers are put in a situation where they can make these calculations

[59] BCI, India Regional Working Group 1 (2-4 April 2008) — Summary Report, p.2

[60] The evaluator wishes to commend BCI *en passant* for the thorough and comprehensive examination by BCI of the many multistakeholder initiatives and projects already in existence, based on an internal study undertaken by Ergon Associates.

[61] The 'general mistrust' which according to a major trader mars the whole cotton supply chain would seem to also contain the best potential in relationship improvements. 'Better' operators could offer better prices and at the same time improve their own profitability.

and take an informed decision. Until now, the evaluator has not received clear indications on the real strength of these consumer concerns. In this respect the above-quoted Global-gap, or the tropical timber trade, appear to be miles ahead of cotton!

(6) The envisaged BCI logo and word mark should become protected trademarks as quickly as possible. This is also a matter of protecting 3 years of multistakeholder investment!

(7) The new communication rules are a well-conceived piece of competition regulation. However, additional communication rules (and protection) will be required for producers and other operators, eg for obtaining 'better' credit.

(8) Weaknesses and adjustments: BCI must accompany farm assessments and the producer units, and it must reach out to what today looks like a black box from a traceability perspective, i.e. the ginneries. It is not enough to delegate this responsibility solely to the purchasers – especially if they are not to pay higher than market prices for Better Cotton.[62]

3. Efficiency:

(9) Adequacy of financial and human resources: The evaluator estimates that the input-output relation was about optimal for the initial phase. However, the operational phase (2010-12) will require a substantial increase in actual field work. In particular, retailers and brands, as well as large producers or producer cooperatives and their supporters, will need to translate their commitment to BCI through pilot project support to farmers. Information available to the evaluator indicates numerous pilot projects for the year 2010 – but there is no list of such projects available with the BCI Secretariat.

(10) Strengths and weaknesses: All consulted stakeholders consider the present multistakeholder composition as capital strength of BCI. Better Cotton involves elements which are absent from most market places. Widely held consultations on

[62] E.g. this quote from BCI, Section 2/D Supply Chain: 'Organisations interested in purchasing Better Cotton post-ginning will need to use their own supply chain relationships. BCI will only provide information about the production and location of Better Cotton up to the ginning stage of the supply chain.'

all of these elements are therefore crucial, and the work undertaken in this respect is very impressive. At the same time, there are decisions which each member category must take for itself. In particular, the stakes of 'non-traders' are clearly different from those of the operators on the market whose decisions may commit their very (commercial) existence. This fundamental difference is not reflected in BCI's Constitution.

(11) A difficult issue are governmental policies in cotton producing countries. As shown above in the case of irrigation subsidies they are sometimes incoherent and mutually self-defeating. But even more importantly, many such policies seem to be quite unsustainable in the medium and long term. While this is in many instances understandable, it could also jeopardise BCI efforts for overall sustainable cotton production. Another example in this respect are politically determined producer prices, because they may circumvent collective production contracts based on a long-term relationship with Better Cotton traders offering some of the above-indicated incentives. The evaluator's recommendation to look into appropriate ways and means to deal with such issues should not be misinterpreted as a 'high moral ground' argument all too often advanced by end-of-pipe consumers and their representatives. It is simply an advertisement for BCI not to develop its programmes without taking into consideration the policy frameworks in which they operate in each producing country.

4. Sustainability:

(12) Conditions for the implementation phase: 'Better Cotton' is now defined and hence could be produced in certain places and quantities as from the next harvest.[63] However, there has been no feedback directly from farmer groups on the concrete changes they are envisaging for 2010. The regional coordinators have signalled problems in each country. In addition, with the farm assessment and the verification system still being untested, the year 2010 looks more like a year of experimental and test sales, and only in the most

[63] Estimates only have been given to the evaluator, ranging from 80'000t for all BCI countries, 20'000t for Brazil (June 2011 harvest) and (on condition of fulfilling the minimum social criteria) up to 200'000t for Pakistan. For 2012, BCI Council has laid down an objective of 300,000 MT of cotton lint (see Chapter 1 above).

'grassroot-oriented' locations. This rather empirical and pragmatic approach seems to be acceptable to most Council members who also envisage a review of the whole Better Cotton System by 2012. Time will show …

(13) Current <u>governance structure</u>: The institutional framework of BCI has had an excellent start-up, especially with major operators at the end of the supply chain participating actively from the inception of the project and together with (mostly environmental) NGOs. At present, producers (and, indirectly, their governments) are taking an active interest and indicate at least a 'conditional readiness' to operate the required changes. Traders, however, are still a rare appearance in BCI, and there is no ginner and no miller (except for rather rare situations of vertical integration). This absence of BCI awareness in the middle of the supply chain appears to the evaluator as the weak link in the system, and as the main 'job undone' of this initial phase, especially in view of a credible verification system.

Finally, the evaluator strongly recommends a <u>common and communicated BCI commitment to (at least) ensure immediate cash payment for all Better Cotton</u>. This would both increase homogeneity, visibility and credibility of the BCI system.

(sig.) Christian Häberli, Consultant

Enclosures

1. Terms of Reference
2. List of Contacts
3. Documentation
4. BCI Production Principles & Criteria
5. Communication Rules (Summary)
6. Strategic Goals 2012

Enclosure 1

Terms of Reference

Better Cotton Initiative (2007-2009): External Evaluation

1. Background information

Cotton cultivation is associated with severe ecological and social problems in many regions of the world, especially in developing countries. This is mainly because cotton is a highly water-intensive and pest-sensitive crop grown in semi-arid and water-scarce areas.

The Better Cotton Initiative (BCI) aims to promote measurable improvements in the key environmental and social impacts of cotton cultivation worldwide to make it more sustainable (economically, environmentally, and socially) and thus provide market access to more and more sensitized buyer groups of sustainable produced soft commodities. BCI endeavours to initiate global change in the mass market, with long-term benefits for the environment, farmers and other people dependent on cotton for their livelihood.

'Better Cotton' is being defined through a collaborative multi-stakeholder approach that leverages the commitment of global buyers of cotton and/or cotton products to demand large and increasing amounts of 'Better Cotton'. BCI's approach is to define 'Better Cotton' by establishing global principles, criteria and enabling mechanisms that are applied through regionally specific implementation strategies and tools. BCI will use regionally-based indicators to measure the impact of the implementation strategies and tools, as well as the overall success of BCI. It is not designed with a product label in mind.

The outputs initially identified are the following:

1) By end-2007 draft global criteria and standards for Better Cotton have been developed and agreed by the Steering Committee.
2) By end-2008 regionally adapted mechanisms for implementing the Better Cotton standards have been developed and agreed, including BMP guidance and support programs.
3) By 2009 the Standard Adoption Board (or equivalent) has agreed to the criteria and standards for Better Cotton and on a transparent verification system.
4) By 2010 buyers and investors representing more than 10% of global cotton trade have committed to steadily increase the share of cotton purchased according to the Better Cotton criteria.

The approach of the BCI is in-line with SECO’s trade promotion approach as it specifically contributes to the goal of introducing better environmental and labour practices for export goods (cotton) in developing and transition countries, improving standards of living and reducing poverty in farming communities. An involvement of SECO in the BCI is consistent and complementary with its ongoing support of Organic and Fair Trade cotton projects, since the different approach are complementary. Besides SECO support, SIDA is the other donor agency providing funding for BCI.

2. Implementing partner

The project organization of BCI is centred around the Steering Committee (SC), which drives and governs the initiative. The SC consists of a maximum of 20 people drawn from interested stakeholders, highly committed to the goal of the BCI64. The general principle is that there should be a balance of interests among the SC members among a) the cotton industry (growers representative bodies), b) buyers and investors (retailers, brands and banks), and c) NGOs (environmental and social) and international organizations. The SC is supported by the Initiative Manager, who takes care of the day-to-day project management and Technical coordinators focusing on the environmental and social dimension to help develop the principles and criteria of Better Cotton.

3. Purposes of the evaluation

The parties (SECO and BCI) agreed to conduct a final external evaluation with following purposes:
First purpose is related to "accountability", i.e. assessment of results achieved, namely the outcomes and outputs of the project with the resources allocated.
Second purpose is related to "the strategy of intervention": was the process chosen the most appropriate one to fulfill the objectives? Was the chosen focus (farmgate) relevant? Role of BCI in promoting the implementation of the Better Cotton principles and criteria?

4. Scope and focus of the evaluation

4.1 Scope

The results of the evaluation will be used in particular by:

1) SECO as a basis for further developing its strategies for trade promotion of sustainable produced commodity in the mass market through a multistakeholder process;
2) BCI council as a basis for future work related to BCI system and its implementation;

4.2 Evaluative Questions

The evaluation shall answer the following questions:

Relevance

- Were the Steering Committee members adequately representative of key stakeholders involved along the cotton value chain?
- Based on which criteria were the countries or regions chosen?
- Were the regional working groups appropriate for consultation with relevant national stakeholders?
- Was the chosen focus of BCI to address farmgate level appropriate? Was the overall value chain functioning sufficiently analysed and taken into consideration to ensure the sustainable production and trade of Better Cotton?
- Lessons learned: What are the main factors of success that would allow the replication of the approach in other regions/countries?

Effectiveness

- How do the actually achieved outputs and outcomes compare with the planned results in terms of quality and quantity?

[64] Adidas, Pan-UK, Gap Inc., H&M, ICCO, IKEA, Organic Exchange, UNEP, WWF (May 2007)

- Were any planned results not achieved, what were the most relevant weaknesses?
- Were adjustments made in the approach during implementation to overcome these weaknesses?
- <u>Lessons learned</u>: What are the most important factors of success respectively weaknesses that need to be considered for the replication of the multistakeholder standard setting approach to promote the sustainable production and trade of a commodity for the mass market? How to best promote the implementation of Better Cotton principle and criteria taking into account the key interests and role of the various stakeholders active along the value chain?

<u>Efficiency</u>

- Were the financial /human resources and time allocation appropriate for the data collection and analyse related to the various components of the BC system?
- What were the strengths and the weaknesses of the approach chosen for the development of the BC system?
- <u>Lessons learned</u>: Which elements of the BCI are essential for the efficiency of the multistakeholder approach to define and approve global principles and criteria for Better Cotton?

<u>Sustainability</u>

- How to ensure that the benefits produced by BCI are further developed through an implementation phase of the Better Cotton principles and criteria?
- Is the current governance structure sufficiently solid to promote the Better Cotton system and the implementation of the Better Cotton principles and criteria?
- What are the respective roles and responsibilities of the various stakeholders along the cotton value chain to ensure the sustainable production and trade of Better Cotton?

5. Evaluation methods and process

Suggested key elements of the methodology to be used by the evaluator include:

- Document review of all major documents including project document, progress / annual reports and planning reports;
- Cross-checking achieved results as documented/monitored against own observations of achievements and feedback from key partners/stakeholders;
- Interviews with BCI key stakeholders and participants to Steering Committee (suggested reference list to be submitted by SECO)
- Interviews with SECO and SIDA (co-funder)

6. Evaluator qualification

The evaluator should have the following key qualifications:

- Strong expertise in technical cooperation programme design and implementation, especially in the field of sustainable commodity value chain development;
- Relevant expertise in voluntary multi-stakeholders standard setting processes;
- Prior evaluation experience in trade-related technical assistance projects, including in-depth knowledge of evaluation principles, methodologies and tools;
- Proven ability to write clear and concise analytical reports;
- Excellent knowledge of English.

The evaluator shall have no past connection with the object of the evaluation so that conflicts of interest are avoided and the credibility of the evaluation process and product is not undermined.

7. Deliverables and schedule

Management arrangements

SECO supports the evaluation process:

- It approves the evaluation terms of reference;
- It selects the evaluator
- It gets the CV of evaluators who applied and participates to the final choice
- It hires and contracts the evaluator and covers other consultant-related costs (travel, DSA, etc) and manages the corresponding contractual aspects.

7.1 Deliverables and deadlines
The evaluator will provide SECO with a Draft Report that should not exceed 20 pages (excluding annexes) by 20 November 2009. The evaluator will be responsible for final editing and submission of the report. The final report is due latest on 31 December 2009.

7.2 Timeframe for the evaluation process
The evaluation process will take place over a period of 3 weeks. It is expected to start in the second half of October 2009. The following planning is suggested:

October – November 2009

- Briefing/ meeting with SECO, documents analysis
- Phone discussions with key partners (suggested list of stakeholders provided by SECO)
- Field visit if appropriate and relevant
- Meeting with key stakeholders involved in BCI development
- Submission of draft report
- Discussion with SECO and relevant partners, finalization of report
- Submission of final report and management response to follow

Enclosure 2

List of Contacts

Africa

APROCA
Mamadou Ouattara

BCI

ECOM (also see India/Traders)
David Rosenberg

IFAP
Danielle De Man

IKEA
Anna Bexell

Secretariat
Lise Melvin
Allan Williams
Nicolas Petit
Isabelle Roger

Solidaridad
Janet Mensink

State Secretariat for Economic Affairs (SECO), Bern
Mr. Hans-Peter Egler, Head of Trade and Clean Technology Cooperation, Economic Development Cooperation
Ms. Chantal Oltramare, Programme Manager

Swedish International Development Cooperation Agency (SIDA)
Ola Nilsmo, Senior Advisor

WWF - also see India and Pakistan
Lena Tham (WWF Sweden)
Walter Wagner (WWF International and Switzerland)

Brazil

ABRAPA
Haroldo Rodrigues da Cunha

India

Government

Government of India, Ministry of Agriculture (Department of Agriculture & Co-operation)
Dr. Anupam Barik, Director, Directorate of Cotton Development, Mumbai

Government of Maharashtra, Department of Agriculture
Jayant Deshmukh, Divisional Joint Director of Agriculture, Aurangabad

Producers

Federation of Farmers Associations, Andhra Pradesh
Chengal Reddy, Honorary Chairman
Kata Sambasiva Rao, President, Cotton – Crops Association (A.P.)
P.V. Subbaiah Choudary, Progressive Farmer

P. Sreenivasa Reddy, Joint Director of Agriculture (Rtd), Farmer (Warangal)

Shri Manda Balram Reddy, Progressive Farmer (Gummadidala)
T. Sudhakar Reddy, Farmer and Trader (Gummadidala)

Prof. O.S. Reddi, Founder and Former Director of the Institute of Genetics at Osmania University, and Scientific Advisor to the Consortium of Indian Farmers Associations (New Delhi)

Srinath Rao, Assistant

Traders

The Cotton Corporation of India Ltd. (CCI)
Shri Subhash C. Grover, Chairman-cum-Managing Director

Ecom India Dhanya Agroindustrial Pvt Ltd
John Pestell, Bangalore and Mumbai

NGOs

Basix – Equity for Equity (Head Office, Hyderabad)
Gopala Krishna Ayitam, Associate Vice President
P. Narayana reddy, Manager – Consulting Services

Modern Architects for Rural India (MARI)
M. Mrali, Director (Warangal)

Kisan Service Organisation
Akkineni Bhavani Prasad, General Secretary (Hyderabad)

WWF India, Field Office Warangal / India Sustainable Cotton Initiative
P. Vamshi Krishna, Project Manager

Pakistan

WWF
Hammad Naqi Khan, Director, Freshwater and Toxics Programme

Others

Helvetas
Jens Soth

H&M
Henrik Lampa

GAP
Jose Arguedas

ICAC
Terry Townsend

Levi
Michael Kobari

Migros Genossenschaftsbund (MGB)
Johannes Zueblin

UTZ Certification
Anita Aerni, Sales Manager Europe

Enclosure 3

Documentation

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Enclosure 4

Production Principles & Criteria

1. Better Cotton is produced by farmers who minimise the harmful impact of crop protection practices[65, 66]

(min) 1.1 An Integrated Pest Management Programme is adopted that includes the following elements:
(i) growing of a healthy crop; and
(ii) prevention of build-up of pest populations; and
(iii) preservation and enhancement of populations of beneficial insects; and
(iv) regular field observations of the crop's health and key pest and beneficial insects; and
(v) management of resistance.
(min) 1.2 Only pesticides that are:
(i) registered nationally for the crop being treated; and
(ii) correctly labelled in the national language are used.
(min) 1.3 Pesticides listed in the Stockholm Convention are not used.
(min) 1.4 Pesticides are prepared and applied by persons who are:
(i) healthy; and
(ii) skilled and trained in the application of pesticides; and
(iii) 18 or older; and
(iv) not pregnant or nursing.
1.5 Use of pesticides in any of the following categories:
(i) WHO Class I
(ii) those listed by the Rotterdam Convention
(iii) endosulfan, is phased out, with the timeline based on the availability of better alternatives and ability for the risk to be properly managed.
1.6 Pesticides are always prepared and applied by persons who correctly use appropriate protective and safety equipment.
1.7 Pesticide application equipment and containers are stored, handled and cleaned so as to avoid environmental harm and human exposure.
1.8 Pesticides are applied in appropriate weather conditions, according to label directions, and or manufacturers' directions, with appropriate and well-maintained equipment.
1.9 Used pesticide containers are collected by a recycling programme, or disposed of safely.

2. Better Cotton is produced by farmers who use water efficiently and care for the availability of water

(min) 2.1 Water management practices are adopted that optimise water use.
2.2 Management practices are adopted to ensure that water extraction does not cause adverse effects on groundwater or water bodies.

[65] Version 2.0 Section 2A / Page 5-8
[66] Criteria preceded with **(min)** are BCI's 'Minimum Production Criteria'

3. Better Cotton is produced by farmers who care for the health of the soil

3.1 Soil management practices are adopted that maintain and enhance the structure and fertility of the soil.
3.2 Nutrients are applied on the basis of crop and soil needs. Timing, placement and quantity applied are all optimised.
3.3 Management practices are adopted that minimise erosion, so that soil movement is minimised and water courses, drinking water sources and other bodies of water are protected from farm run-off.

4. Better Cotton is produced by farmers who conserve natural habitats

4.1 Practices are adopted that enhance biodiversity on and surrounding the farm.
(min) 4.2 The use and conversion of land to grow cotton conforms with national legislation related to agricultural land use.

5. Better Cotton is produced by farmers who care for and preserve the quality of the fibre

5.1 Management practices are adopted that maximise the fibre quality.
(min) 5.2 Seed cotton is harvested, managed, and stored to minimise trash, contamination and damage.

6. Better Cotton is produced by farmers who promote Decent Work

Criteria applicable to all: smallholders (selfemployed/family smallholdings); smallholder employers; large farm employers

Freedom of Association

(min) 6.1 Smallholders (including tenants, sharecroppers and other categories) have the right, on a voluntary basis, to establish and develop organisations representing their interests. *(For provisions on worker organisation in the context of non-family employment, see additional criteria below.)*

Health and Safety

6.2 Access to potable and washing water is provided. (*See also Crop Protection Criteria*)

Child Labour

(min) 6.3 There is no child labour, in accordance with ILO Convention 138. Exceptionally, in the case of family smallholdings, children may help on their family's farm provided that the work is not liable to damage their health, safety, well-being, education or development, and that they are supervised by adults and given appropriate training.
(min) 6.4 For hazardous work, the minimum age is 18 years.

Forced Labour

(min) 6.5 Employment is freely chosen: no forced or compulsory labour, including bonded or trafficked labour.

Non-discrimination

(min) 6.6 There is no discrimination (distinction, exclusion, or preference) practised that denies or impairs equality of opportunity, conditions, or treatment based on individual characteristics and group membership or association.

Additional Criteria applicable to smallholder employers and large farm employers ("employers")[67]

Smallholder employers	Large farm employers
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
6.7 All workers andemployers have the right to set up and join organisations of their own choosing, and to draw up their constitutions and rules, to elect their representatives and to formulate their programmes.	
6.8 Workers and employers have the right to bargaincollectively.	
	6.9 Workers have the right to belong to a trade union and carry out lawful union activities without any fear of anti-union discrimination.
	6.10 Employers should provide access and reasonable facilities for workers' representatives.
HEALTH AND SAFETY	
6.11 Workers receive regular health and safety training appropriate to the work that they perform.	
	6.12 Employers meet their workers' basic requirements, as specified above, and including a clean place to eat, and access to adequate medical care at no charge.
	6.13 Employers identify work hazards, inform workers of safe work practices, and adopt preventive measures to minimise hazards in the workplace. Employers maintain records of any accidents and occupational diseases.
	6.14 Employers ensure that measures are in place to deal with accidents and emergencies, including first aid and access to appropriate transportation to medical facilities.
EMPLOYMENT CONDITIONS	
6.15 Waged workers are paid wages at least equivalent to the applicable legal national minimum wage or regional norm, whichever is higher.	
6.16 Where workers are paid at a piece-rate, this rate permits the worker to earn the applicable national minimum wage or regional norm (whichever is higher) during normal working hours and under normal operating conditions.	
6.17 Workers are paid regularly in cash, or in a form that is convenient to them.	
6.18 The principle of equal pay for work of equal value is observed.	
6.19 The worker's consent is obtained in advance as regards all working conditions.	
6.20 Workers are employed under legally binding (preferably written) contracts of employment.	
	6.21 Adequate records are kept in accordance with national law, but in any event sufficient to enable monitoring.
	6.22 Temporary, seasonal and (sub-) contracted workers receive equivalent benefits and employment conditions to permanent workers in relation to their period of employment.
	6.23 Working hours comply with national laws or relevant collective agreements, whichever is more favourable to the worker.
	6.24 Overtime work is voluntary and remunerated in accordance with the law or applicable collective agreements.
BASIC TREATMENT AND DISCIPLINARY PRACTICES	
6.25 Employers do not engage in or tolerate the use of corporal punishment, mental or physical coercion, sexual or other harassment or physical or verbal abuse of any kind.	
	6.26 There is a transparent and clear policy and system for disciplinary measures and this is communicated to workers. The system includes fair warning principles and any disciplinary actions are proportionate to the conduct in question.

[67] BCI Minimum Criteria **(min)** in this additional list are: **6.7, 6.8, 6.25, 6.26**

Enclosure 5

Communication Rules

Annex: 'Summary of suggested text to illustrate guide-lines'[68]

Areas of Participation	Suggested text to describe BCI Membership	Suggested text to describe support for Better Cotton
Member	**"As a member of the Better Cotton Initiative, (Organisation) has committed to *[insert as per membership obligations e.g. providing support to farmers to grow Better Cotton]*** as part of a wider industry commitment to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future." "Better Cotton is cotton grown in a way that aims to reduce stress on the local environment and improve the livelihoods and welfare of farming communities."	
Member + Financial support for farmers and farming communities	**"As a member of the Better Cotton Initiative, (Organisation) provides support to farmers and farm communities *[with x euros, for x farmers, in x country]* to grow Better Cotton** as part of a wider industry commitment to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future."	"Better Cotton is cotton that is grown in a way that reduces stress on the local environment and improves the livelihoods and welfare of farming communities. For example, in the year 20xx-20xx, as a result of financial support provided by xx, farmers in xx region/country were able to cut pesticide use by xx%".
Member + Financial support for farmers and farming communities + track & trace	**"As a member of the Better Cotton Initiative, (Organisation) provides support to farmers and farm communities *[with x dollars, for x farmers, in x country]* to grow Better Cotton**, **and sourced *[x % of its cotton as, x MT of]* Better Cotton last year** as part of a wider industry commitment to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future."	"As a member of the Better Cotton Initiative, we include Better Cotton in our products as part of our commitment to reduce our environmental impact and to benefit farming communities." (Followed by explanation, qualification and evidence.) "Better Cotton is cotton that is grown in a way that reduces stress on the local environment and improves the livelihoods and welfare of farming communities. For example, in the year 20xx-20xx, as a result of financial support provided by xx, farmers on xx farm were able to cut pesticide use by xx% and (*include other examples, which describe positive changes achieved at the farm level, where supported by documented evidence*).

[68] Version 3 December 2009

Enclosure 6

BCI's Eleven Goals for 2012[69]

1. 15% of global cotton production is represented by the demand of BCI Brand/Retailer members.
2. 1.3% of global cotton production (300,000 MT of cotton lint) is produced as Better Cotton in Brazil, India, Pakistan, and West & Central Africa.
3. 50% of Better Cotton (= 150'000MT) produced is used by BCI Brand/Retailer members.
4. The Better Cotton System is developed in China and Central Asia.
5. Publicly available information is accessible allowing any country to grow Better Cotton.
6. Globally 100,000 farmers are producing Better Cotton.
7. Enhanced financial profitability for farmers producing Better Cotton is demonstrated.
8. The analysis of data from farm assessment shows positive results.
9. BCI has a knowledge exchange platform on growing cotton more sustainably that is increasingly used over time.
10. The BCI association is operating in line with agreed statutes and by-laws.
11. At least 60% of the association's operating costs are covered by membership fees.

[69] *In* BCI, About BCI, final version, p.4