

Governance in the cotton supply chain – from watersheds to supply chain partnerships

UC Berkeley, Haas School of Business

March 2, 2011

Governance is.....

...the act of conducting business and running an organization or government in a trustworthy and credible manner. It relates to decisions that define expectations, grant power, monitor, or verify performance.

Good governance helps organizations comply with rules of fair play in regards to its dealings with its competitors, employees, customers, and suppliers.

Overview

- Good governance is a critical component of a healthy cotton industry
- Water governance will be increasingly important as demand for limited resources (cotton and water) increase
- Water is best governed at the local level under national or regional frameworks
- Water governance requires enforceable policies, meaningful stakeholder engagement and valuing ecosystem services

Why focus on water governance

Water is a vital resource

- A basic human right
- Essential to communities and ecosystem health
- Essential to most of the supply chain

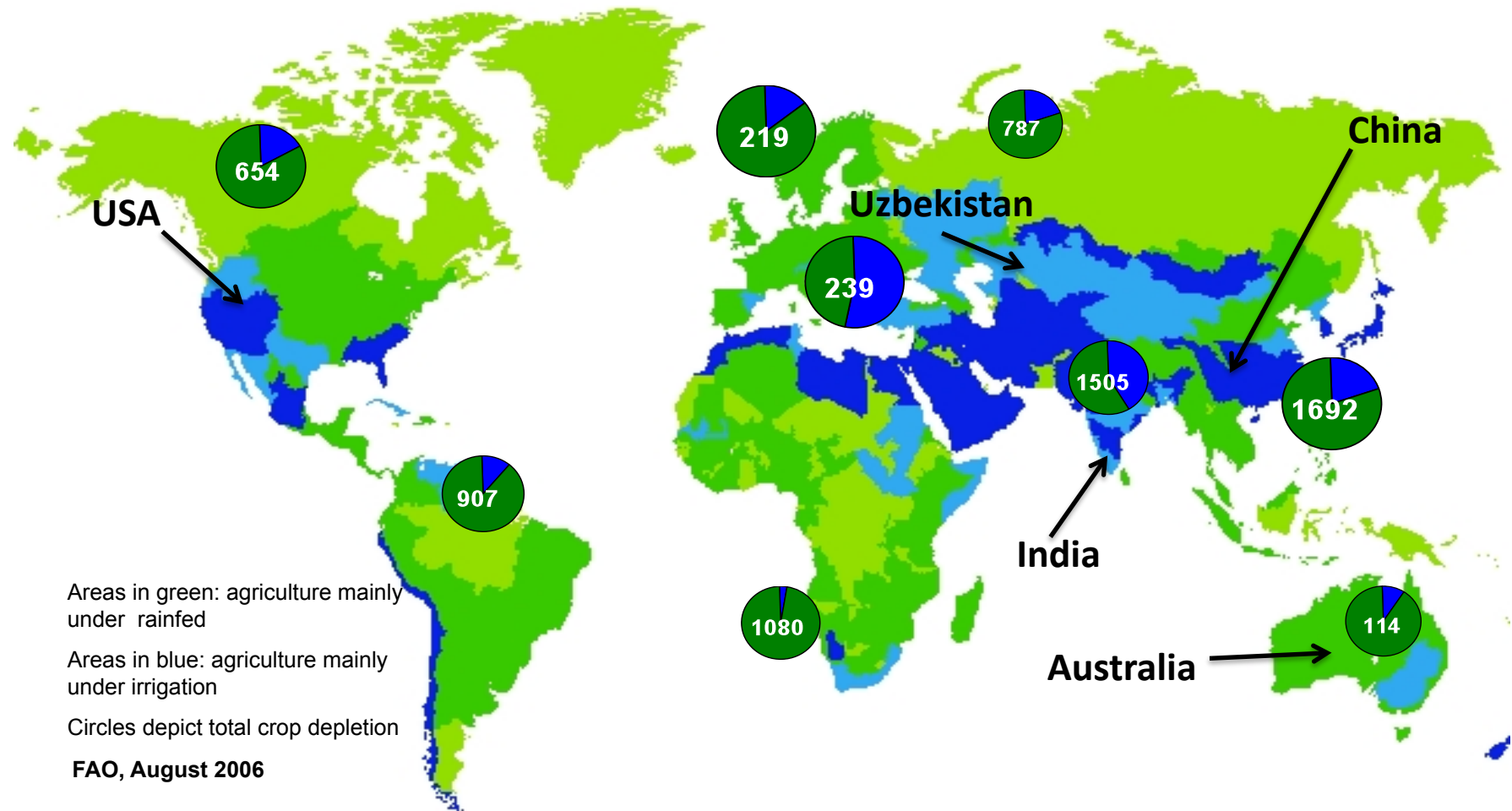
Competition for water will increase

- Other crops (food, biofuels)
- Processing will compete with urban users

Climate change will have sweeping impacts

Political tensions over water will likely increase

Water governance will be most critical to cotton production in irrigated regions



Strong policies and stakeholder engagement is the foundation of good water governance

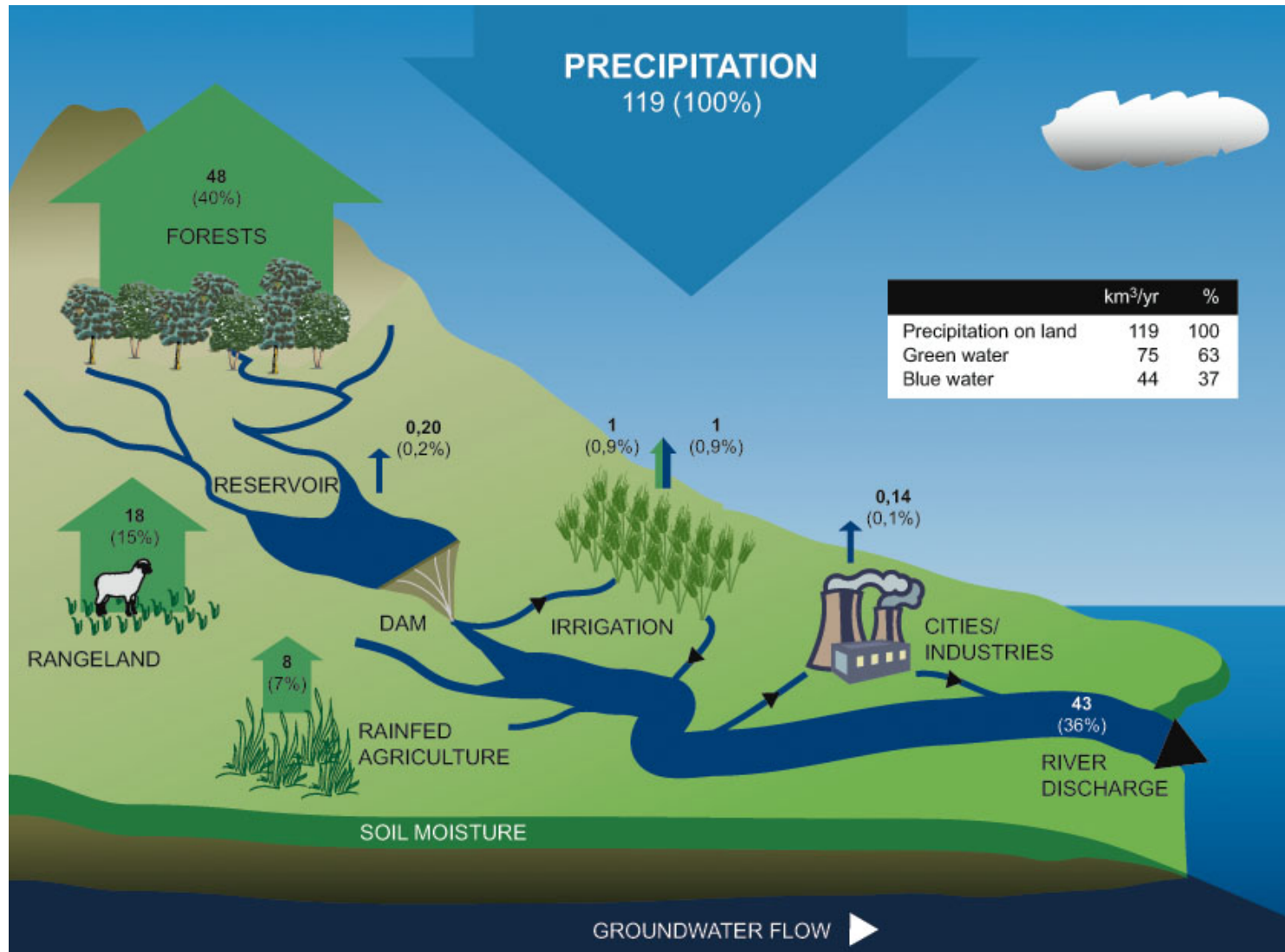
Water governance incorporates systems—political, social, economic, and administrative—to develop and manage water resources and delivery to different members of society.

Elements of a strong water governance program should include mechanisms and processes to engage stakeholders in meaningful ways.

Governments must have capacity for water governance to work

- Policy
- Enforcement mechanism
- Political will
- Manpower

Water governance must be done on a watershed level



Liz Muller & Partners

Water governance must be aligned with multiple frameworks

- Water governance exists at:
 - Watershed level
 - National level
 - Regional (transboundary) level
- The interconnections between these different governance programs should be considered to optimize their effectiveness and integrity

IUCN's WANI toolkit provides useful resources for water governance guidance



www.iucn.org/about/work/programmes/water/resources/toolkits

Liz Muller & Partners

Rule: strong governance requires enforcement capacity and an agreed upon framework

- Depends on political will and government capacity to develop, maintain and enforce their governance program
- Needs policies, laws, institutions, regulations and enforcement mechanisms
- Should be built on the principles of: transparency, certainty, accountability and public participation



Negotiate: good governance starts with stakeholder engagement

The 4Rs of negotiations:

- The **rewards** associated with different options across all stakeholders
- The involuntary and voluntary water-related **risks**
- Water-related **rights**
- The various water-related **responsibilities** of state and non-state actors



Share: transboundary water governance should focus on shared benefits

- Type 1: Providing benefits to the river – enables better management of the watershed ecosystem
- Type 2: Yielding benefits from the river – efficient cooperative management leads to shared rivers
- Type 3: Reducing costs because of the river – lessens tensions between competing riparians
- Type 4: Generating benefits from the river – greater overall cooperation among states beyond the boundaries of the water body



Change: adapting to the effects of climate change on water regimes

- Reduce the vulnerabilities of people and societies to shifts in hydro-meteorological trends, increased variability and extreme events
- Protect and restore ecosystems that provide critical land and water resources and services
- Close the gap between water supply and demand



Pay: compensation for watershed services is critical

➤ Total Economic Value framework for valuing ecosystems

- Direct use value
- Indirect use value



➤ Payment Schemes

- Private
- Cap and trade
- Certification or eco-labeling

Alliance for Water Stewardship

- The Alliance is intended to be a voluntary certification scheme that works at a watershed level.
- The Alliance aims to establish a global water stewardship program that will recognize and reward responsible water managers and users by creating opportunities for enhanced community standing and competitive advantage.

Cotton's Revolutions

The mission of the Cotton's RevolutionsSM initiative is to lead the global cotton textile industry in strategic thinking efforts by providing a clearinghouse and discussion forum focused on cutting edge information related to the Cotton's RevolutionsSM topics including governance.

www.cottonsrevolutions.org

Liz Muller & Partners



liz muller & partners

T: +1.415.924.2335

M: +1.415.609.9040

Email: liz@lizmuller.com

Skype: [lizmullerllc](https://www.skype.com/en/contacts/lizmullerllc)

www.lizmuller.com

Liz Muller & Partners