



Executive Board
269th Meeting
17 March 2009
London, England

Decisions Adopted
(269)

1. The Executive Board, chaired by Mr G.V. Krishna Rau of India, met on 17 March 2009.

Item 1: Adoption of the Agenda and schedule of meetings

2. The Board adopted the draft Agenda contained in document EB-3956/08 Rev. 2 and took note of the schedule of meetings.

Item 2: Votes in the Council and Executive Board for coffee year 2008/09

3. The Board took note of the situation of outstanding payments affecting voting rights as at 13 March 2009 and of the redistribution of votes in the Council and Executive Board for coffee year 2008/09 contained in document EB-3952/08 Rev. 1. The Board further noted that Norway had assigned its votes to Switzerland for coffee year 2008/09.

Item 3: Programme of activities for 2009/10

4. The Executive Director introduced document WP-Council 192/09 containing a draft programme of proposed activities in coffee year 2009/10. This had been prepared on the assumption that the International Coffee Agreement (ICA) 2007 would be in force during 2009/10. The activities were based on the goals and actions in the draft strategic action plan for 2009-2014 (document WP-Council 173/08 Rev. 2), which would be considered by the Council during the week. It was a preliminary document, subject to further revision in the light of changes to the strategic action plan. The Head of Operations drew the attention of

Members to the titles of two proposed studies in Activity 9 ('Employment generated by the coffee sector worldwide' and 'Market for certified coffee') and invited Members to contribute suggestions for a topic for the seminar in 2009/10 (Activity 29).

5. In discussions on this item, points made by delegates included the need to broaden the scope of the programme of activities. Concerning studies, the two studies which would be considered by the Council at this Session (on fertilizer prices and coffee consumption in ICO non-member countries) were very useful. It would be useful to publish this type of study at regular intervals. It would also be important to include activities related to the Consultative Forum on Coffee Sector Finance in the programme. It was proposed that an initial meeting of the Forum should take place in September 2009 in the light of difficulties facing small and medium-sized producers. Section II should be retained in future programmes, as it was important to include regular activities in the programme. The programme included many activities relating to the new Agreement and the resources allocated for implementing them might not be adequate. Regarding possible certification programmes, one delegate suggested that these should be dealt with by the private sector, rather than including them in the activities of the ICO.

6. The Chairman invited Members to send suggestions and comments on this document to the Secretariat by 31 July 2009. The Board took note of this information, and further noted that the Council would discuss this document during its 102nd Session.

Item 4: Coffee development projects

Item 4.1: Projects under consideration by the ICO

7. The Projects Officer informed that the Virtual Screening Committee (VSC) held its third physical meeting on 16 March 2009 (the report of this meeting was subsequently circulated as document WP-VSC 7/09). It had considered Articles relevant to projects under the ICA 2007, the terms of reference for the Projects Committee and cooperation with other agencies, among other matters. The VSC had recommended that the methodology of the Common Fund for Commodities (CFC) should continue to be used as it was standard for most international donor agencies. Existing tools for screening projects should be maintained; and Members should be encouraged to submit concept notes for new project ideas rather than fully developed proposals, to avoid wasting time and resources. The VSC had also recommended screening new proposals for similarities with proposals in the pipeline, and suggested that the ICO should assist with screening projects which were not eligible for CFC funding and provide technical endorsement for submission of these proposals to other donors. It also recommended that new proposals should include a list of potential donors suggested by the beneficiary countries, in view of the need to secure alternative sources of financing for projects, and that the ICO should use its website as a platform to increase the visibility of project activities. Noting that the number of projects already approved by the Council continued to increase, it recommended that the Projects

Committee should consider establishing a time limit for proposals to remain in the pipeline, criteria for removing them from the pipeline and the number of proposals accepted per round and/or in the pipeline. The VSC stressed the need to establish clear procedures for its work with the Projects Committee under the ICA 2007. In view of the importance of its role in appraising proposals, physical meetings should be more regular and the one-year term of appointment for Members of the Projects Committee should be increased.

8. The Board took note of this report and expressed its appreciation to the VSC for its excellent contribution to appraising projects to develop the coffee sector in producing countries.

Qualitative and quantitative rehabilitation of coffee with the aims of improving living conditions of coffee farmers afflicted and displaced by war and their restoration to their areas of origin as well as the protection of their biophysical environment in the Democratic Republic of Congo

9. The Head of Operations introduced document EB-3960/09 containing the report of the Virtual Screening Committee (VSC) on this proposal which had been submitted by the *Office National du Café* of the Democratic Republic of Congo (see document WP-Board 1055/08). It had been revised on the recommendation of the VSC and Board in September 2008, and the VSC had considered the revised proposal to be adequate in all technical areas screened.

10. The Board took note of this information and decided to recommend approval of this proposal to the Council.

Improving coffee quality in East and Central Africa: Scaling up of enhanced processing practices in Ethiopia and Rwanda and Sustainable coffee production by smallholder farmers in Ethiopia: An integrated approach for quality improvement, poverty reduction and biodiversity conservation

11. The Head of Operations said that the above two proposals were contained in documents WP-Board 1053/08 and WP-Board 1052/08, respectively. In September 2008, the Council had decided that the concepts of both projects should be merged into a single concept, and terms of reference prepared for submission to the CFC to fund a detailed project proposal for consideration by the Council. In January 2009, CABI had submitted a revised proposal for the project entitled ‘Improving coffee quality in East and Central Africa: Scaling up of enhanced processing practices in Ethiopia and Rwanda’. It had been submitted after the deadline of 19 December 2008 and did not include elements of the second proposal as suggested by the Council. In February 2009, the Government of Ethiopia had advised the ICO that it was only supporting the proposal submitted by CABI, as the second proposal did not meet its internal requirements for financial assistance from development partners.

12. The Board took note of a statement by the representative of Ethiopia confirming that the proposal revised by CABI ('Improving coffee quality in Eastern and Central Africa: Scaling up of enhanced processing practices in Ethiopia and Rwanda') had been revised to reflect the comments of the VSC and Executive Board. It would benefit from the experience of the Project Executing Agency, which had been involved in the pilot project 'Improving coffee quality in East and Central Africa through enhanced processing practices in Rwanda and Ethiopia', and he requested the Board to consider submitting the proposal for approval by the Council at its Session during the week. The Board took note of this information and decided that, in line with established project procedures, the revised proposal should first be reviewed by the VSC, which could then submit its recommendation directly to the Council.

13. In response to the request by Indonesia for support for projects involving this country to address concerns such as the coffee berry borer (CBB), the Board noted that countries needed to take the initiative in formulating proposals and mobilizing support for projects from funding agencies. A proposal from Indonesia dealing with the CBB had been considered in May 2008 (document WP-Board 1051/08). It was closely related to another project 'Integrated management of the CBB with a quality and sustainability component for coffee-growing in Central America'. The Council had approved the latter project for submission to the CFC subject to the proponents taking into account the findings of the CFC impact assessment on the concluded project 'Integrated management of the CBB'. The proposal submitted by Indonesia and ideas put forward at the ICO Seminar on the CBB on 17 March 2009 would also be taken into account before proceeding with the proposal.

14. The Board took note of this information and further noted that Cuba had expressed interest in developing a project to assist with rehabilitation following the damage to coffee producing zones caused by Hurricanes Ike and Gustav in 2008. Finally, it noted that projects for consideration by the Board and Council in September 2009 should reach the Secretariat by 26 June 2009.

**Item 4.2: Projects under consideration by the
Common Fund for Commodities (CFC)**

15. The Head of Operations introduced the progress report on projects contained in document EB-3959/09. He reported that the CFC Consultative Committee had considered two projects at its meeting in January 2009. In the case of the project entitled 'Building capacity for coffee certification and verification in Eastern Africa', submitted by the East African Fine Coffee Association (EAFCA), the Consultative Committee had recommended that the CFC Executive Board should approve it in April 2009, subject to some minor revisions, which were being made by EAFCA. In the case of the 'Competitive coffee enterprises programme' project submitted by the National Coffee Association (ANACAFÉ) of Guatemala, the CFC had been satisfied with the concept but had requested further information on the loan component. ANACAFÉ was working on this and was considering

the possibility of submitting the proposal directly to the CFC Executive Board in April 2009. The Head of Operations also reported that the CFC Project Appraisal Committee would consider two proposals in July 2009: ‘Trifinio sustainable coffee project’ and ‘Study of the potential for commodity exchanges and other forms of market-places in West Africa’. The Board took note of this information.

**Item 5: Implementation of the
Coffee Quality-Improvement Programme (CQP)**

16. The Head of Operations introduced document EB-3958/09 containing a report on the CQP for coffee year 2007/08. Twenty-eight exporting Members accounting for nearly 69% of world exports were implementing Resolution 420. During coffee year 2007/08, the 25 Members who had effectively provided information for the period of the report had exported nearly 57.63 million bags. Total exports of green coffee during the coffee year amounted to 88.3 million bags, around 65.3% of which was in full compliance with Resolution 420. The volume of coffee graded by the London International Financial Futures and Options Exchange (NYSE Liffe) deemed to be below the targets of Resolution 420 in coffee year 2007/08 amounted to 2.4 million bags, an increase of over 88% compared to the same period in 2006/07, and an increase of over 61% compared to 2005/06. Of this amount, 62% was from Vietnam and 11% from Indonesia. In the case of coffee graded by Intercontinentalexchange (ICE), over 84% of coffee passed the gradings analysis in coffee year 2007/08. He added that a presentation on the new Robusta coffee grading system at NYSE Liffe to the PSCB on 16 March 2009 was available on the technical presentations area of the ICO website (<http://dev.ico.org/presents/presentation0809.htm>).

17. In discussions on this item, the Board noted that the volume of coffee graded by NYSE Liffe deemed to be below the targets of Resolution 420 had increased considerably. The point was made that the effects of climate change and changing weather patterns were having a considerable impact on the quality of coffee, together with pests and diseases, and this was an issue which needed to be addressed. The report on the CQP was based on data from Certificates of Origin issued by producing countries and the grading results of the Exchanges in London and New York. The volumes of defective coffee were known at the time of export, as well as on delivery to the warehouses of the Exchanges. Coffee was being offered and traded on the market although it did not meet the quality requirements of the Exchanges. The ICO could only determine the volumes of coffee and quality involved in accordance with the parameters of the CQP. If it was known at the start of the process that coffee did not comply with the target standards, it should be possible to track this. This could be further reviewed at a later date. The importance of the CQP as a tool for assisting producing countries in surmounting the recent coffee crisis was highlighted. There had been political will for implementing it and it would be useful to review the programme in the light of recent events. The point was also made that it was regrettable that Resolution 420 was not compulsory, as it was an important instrument for improving quality and contributing to

balance in the market. Quality was a priority and it was in the interest of all Members to participate in the CQP. The Board noted that Resolution 420 was a voluntary initiative and data on coffee quality were not available from countries which did not participate in it. The Executive Director added that while some countries were not yet participating in the CQP, they were making efforts to improve the system for processing for coffee, and stressed the need for exporting Members to make every effort to provide the information in Box 17 of the Certificates of Origin.

18. The Board took note of this information and of the progress report on the CQP contained in document EB-3958/09.

Item 6: Financial and administrative matters

Item 6.1: Report of the Finance Committee

19. The Chairman of the Finance Committee, Mr Mick Wheeler of Papua New Guinea, said that the Committee had met on 16 March 2009 and had reappointed him as Chairman for coffee year 2008/09. The Committee had received a report on the financial situation as at 28 February 2009 (contained in document WP-Finance 68/09) and a report on the financial resources of the Organization as at 31 December 2008 contained in document ED-2056/09. The Committee had noted that the income for the first five months of the coffee year showed a positive variance of £14,740, which was mainly due to the rental of the conference facilities. There had been a slow-down in the use of the facilities in this quarter, and this situation was likely to continue for some time, which would affect income from this source. Lower interest rates would also affect income from interest, although the ICO had been able to place some funds on long-term deposits at a favourable rate.

20. The Committee had conducted a preliminary review of the draft Administrative Budget for 2009/10 contained in document WP-Finance 67/09 and would consider a revised document at a second meeting of the Committee on Thursday 19 March. He would report directly to the Council on the outcome of the Committee's discussions.

21. The Committee had also considered document WP-Council 172/08 Rev. 2 containing proposals for revisions to the Financial Regulations and Financial Rules of the ICO in the light of the ICA 2007. With respect to paragraph 2 of Rule 6 (Administration of the Budget), authorizing the Executive Director to transfer any sum under an item in the Budget to another item up to a limit of 10% of its value, the Committee recommended an absolute limit on the sum, to give the Executive Director greater flexibility, and had requested the Secretariat to take account of this suggestion. Revisions to Rule 3 and Rule 8.5 had also been discussed. The Committee had recommended that the Council should take the final decision on the document as a whole.

22. The Board took note of this report.

**Item 6.2: Administrative Accounts of the Organization
for the financial year 2007/08 and Report of the Auditors**

23. Rule 62 of the Rules of the Organization provides that the Executive Director shall submit to the Council through the Executive Board the Accounts of the Organization and the Report of the Auditors thereon in accordance with the provisions of Article 27 of the Agreement. The Chairman of the Finance Committee reported that the Committee had reviewed document EB-3957/09 containing the Administrative Accounts of the Organization for the financial year 2007/08 and Report of the Auditors, and had decided to recommend approval by the Executive Board. He reminded Members that, as recommended at a previous meeting, the auditors for the next financial year would be changed. The Board took note of this information and, on the recommendation of the Finance Committee, decided to submit this document for approval by the Council.

Item 6.3: Payment of arrears

24. Under the provisions of Resolutions 429 (Uganda), 430 (Democratic Republic of Congo) and 437 (Nicaragua), the Executive Director was requested to inform the Executive Board of compliance with the terms of these Resolutions.

25. The Chairman of the Finance Committee reported that Uganda had paid all its outstanding contributions and its contributions for 2007/08 and was in full compliance with the schedule of payments for 2008/09 established under Resolution 429. Nicaragua was also in compliance with the schedule established under Resolution 437. The Democratic Republic of Congo had made some small regular payments but was behind the schedule established in Resolution 430. The Committee had noted the efforts being made by this country, but recommended that its voting rights should continue to be suspended and further recommended that the Executive Director should continue discussions with the representatives of the Democratic Republic of Congo with a view to agreeing a revised schedule for repayment of arrears.

26. The Board took note of this information and expressed its appreciation to Nicaragua and Uganda for their commitment in complying with the provisions of Resolutions 437 and 429, respectively.

Item 6.4: Other financial and administrative matters

27. The Chairman of the Finance Committee said that the Committee had considered document WP-Finance 64/09 containing proposals for revisions to salary scales and the basis for contributions to the Provident Fund for staff in the General Service category. An increase of 3.6% had been recommended by the International Civil Service Commission (ICSC), with effect from 1 October 2008. Provision for the costs of the proposal (£20,500) could be met from within the budget for 2008/09 (Item 1 – Personnel). The Committee had taken note of this information and had decided to recommend that this proposal should be approved.

28. The Chairman of the Finance Committee further reported that the Committee had considered document WP-Finance 65/09 containing proposals for revisions to salary scales for staff in the Professional and higher categories. An increase of 2.33%, consolidating the post adjustments of the past year, had been recommended by the ICSC with effect from 1 January 2009. This consolidation was on the basis of the ‘no loss – no gain’ formula, and represented no additional cost to the Organization. The Committee had taken note of this information and had decided to recommend that this proposal should be approved.

29. The Committee had also considered document WP-Finance 66/09 containing proposals for revisions to the education grant and dependency allowances for staff in the Professional and higher categories. The financial effect of the revisions for the financial year 2008/09 amounted to £1,400. The cost of this increase could be met from within the budget for 2008/09 (Item 1 – Personnel). The Committee had taken note of this information and had decided to recommend that this proposal should be approved.

30. The Board took note of this information and, on the recommendation of the Finance Committee, decided to approve the proposals for revisions to salary scales and the basis for contributions to the Provident Fund for staff in the General Service category, and proposals for revisions to salary scales, education grant and dependency allowances for staff in the Professional and higher categories respectively contained in documents WP-Finance 64/09, WP-Finance 65/09 and WP-Finance 66/09.

Item 7: Other business

International Coffee Genome Network (ICGN)

31. The Executive Director introduced document PSCB-113/09 containing a concept note entitled ‘Sequencing the Coffee Genome’ and a report on the Coffee Genome Sequencing Initiative received from the ICGN. He had attended a meeting on this subject in January 2009, and said that the issue of coffee genomics was of the utmost importance for the future sustainability of the coffee sector.

32. The representative of the ICGN, Dr Marcela Yepes, gave a presentation to the Board, a copy of which was circulated at the meeting and is available on the technical presentations section of the ICO website. She explained that sequencing of the coffee genome was needed as genetic variation in wild coffee accession was considerable and still largely unexplored. Sequencing it would help to decipher the genetic and molecular bases of important biological traits and would help to pave the way for the development of new coffee cultivars with high performance characteristics such as disease resistance and quality traits. The benefits for the coffee sector included ensuring the future of sustainable coffee production in the long-term in respect to climate change and possible innovation in terms of enhanced quality. She noted the need for support for meeting the long-term goals of this initiative from the ICO and the

private sector. This would help to give continuity to efforts to ensure that the information generated would be for public use and would be freely available to the coffee scientific community. Support was needed for a global strategy for conservation of *Coffea* genetic resources and to encourage networking, long-term database maintenance and international genomics research in coffee.

33. The Executive Director noted the importance of cooperation from producing and consuming countries in supporting this type of activity. He reminded Members that, in September 2008, the Board had considered a project submitted by CENICAFE of Colombia on *Coffea* germplasm diversity. He invited producing countries to consider how the different research institutes in their countries could best collaborate and share their experiences and develop a common approach to this issue, bearing in mind that it would benefit all producers and result in varieties with greater resistance, as well as a better product for consumers. He would continue his contacts with the scientific community with a view to presenting a proposal for further development, and would stress the importance of scientific research in supporting the future sustainability of the coffee sector at the meeting of the CFC and International Commodity Bodies (ICBs) in April 2009.

34. In discussions on this item, the importance of this research to assist with adapting to climate change was stressed. It was estimated that 70% of world production would be affected by climate change and changes in weather patterns including rainfall. New varieties needed to be developed in response to these changes, but it could take between five and 15 years to develop these. This was a valuable initiative that would have important benefits for producing countries, and the resources required were relatively modest. Research and development were essential to ensure the future sustainability of the world coffee economy, and an institutional framework was needed to facilitate this. The ICO should coordinate efforts in this important area by bringing together producing and consuming countries and researchers, and seeking finance for research. The need for research and development on inputs for coffee production was also highlighted.

35. The Board expressed its full support for this initiative and for the Executive Director's efforts to build a consortium and seek support for a project that would have long-term benefits for the coffee sector.

Item 8: Future meetings

36. The Board noted that the date of the next meeting would be confirmed by the Secretariat after the meeting.