



Decisions Adopted
(270)

1. The Executive Board, chaired by Mr G.V. Krishna Rau of India, met on 22 September 2009.

Item 1: Adoption of the Agenda and schedule of meetings

2. The Board adopted the draft Agenda contained in document EB-3962/09 Rev. 1 and took note of the schedule of meetings.

Item 2: Votes and contributions

**Item 2.1: 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 18 September 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. 2¹.

**Item 2.2: Initial distribution of votes in the Council
for coffee year 2009/10**

4. Paragraph (5) of Article 13 of the 2001 Agreement provides that the distribution of votes shall be determined by the Council at the beginning of each coffee year. Under the provisions of Article 13, the votes of exporting Members and of importing Members are based on their exports and imports, respectively, in the preceding four calendar years. The Board noted that documents ED-2069/09 and ED-2070/09 contained information on the

¹ A revised document was subsequently approved by the Council (document EB-3952/08 Rev. 3).

statistical basis for the initial distribution of votes among exporting and importing Members respectively². Members were invited to inform the Secretariat if they had any amendments to the figures in these documents, following which the initial distribution of votes (document EB-3966/09) would be considered by the Council.

Item 3: Coffee development projects

Item 3.1: Projects under consideration by the ICO

5. The Head of Operations introduced document EB-3965/09 containing the report of the Virtual Screening Committee (VSC) on two revised and two new proposals to be considered by Members.

Raising Vietnamese coffee farmers' income through increased farming efficiency and quality management (revised)

6. The Projects Officer said that this proposal had been submitted by the Ministry for Agriculture and Rural Development of Vietnam (see document WP-Board 1049/08 Rev. 1). The project was originally entitled 'Enhancing resource use efficiency in coffee production and processing by Farmer 2 Farmer learning'. This was the third and last time that the project could be considered by the VSC, according to ICO project procedures. The VSC had considered the revised proposal in August 2009 and the majority of its Members had recommended it should be approved. Vietnam was not yet a member of the Common Fund for Commodities (CFC), however its representatives were due to meet the CFC this week to discuss membership matters. Membership was a requirement for CFC funding, and alternative sources of funding would otherwise need to be sought. She added that co-financing had been secured from a major donor, the Bill and Melinda Gates Foundation, as well as from two private sector organizations.

7. In discussions on this project, the point was made that the project had improved considerably, although the budget could benefit from further revision. Members also noted that the CFC preferred regional projects.

8. The Board noted that the project could be submitted to other donors such as regional development banks if CFC financing were not available, and decided to recommend approval of this proposal to the Council.

² Revised documents were subsequently circulated to the Council (documents ED-2069/09 Rev. 1 and ED-2070/09 Rev. 1).

Sequencing the genome for enhanced characterization, utilization, and conservation of Coffea germplasm diversity (revised)

9. This proposal was submitted by the National Coffee Research Centre (Cenicafé) of the National Federation of Coffee Growers of Colombia in collaboration with Cornell University (see document WP-Board 1054/08 Rev. 1). The Board noted that the proponents had requested that the proposal should be withdrawn from the Agenda so that a more comprehensive proposal could be developed.

10. The Executive Director said that varieties of coffee were disappearing and highlighted the importance of action on the coffee genome which could help to improve coffee quality as well as enhance resistance to pests and diseases. He invited Members (including Brazil, Colombia, Côte d'Ivoire, Ethiopia and Central American countries, such as Costa Rica) to assist him in organizing consultations with research institutions in their countries with a view to cooperating on the development of a project of practical application for the coffee community.

11. The Board welcomed this suggestion which could result in a project which would benefit producers in the long-term.

Coffee genetic resources conservation and sustainable use: global perspective (new)

12. The Project Officer said that this proposal had been submitted by the InterAfrican Coffee Organisation (IACO) (see document WP-Board 1058/09). The VSC had considered the proposal and had been split on whether to recommend it for approval or revision.

13. The Board took note of this information and of a statement by the representative of IACO on the importance of this project and of conserving coffee genetic resources for the sustainable development of the global coffee industry. The project related to applied research and as such would be eligible for funding by the CFC. Ethiopia and Uganda would respectively be the centres of excellence for Arabica and Robusta coffee. Other African countries, including Angola, the Central African Republic and the Democratic Republic of Congo, could also potentially work with the centres of excellence to assist with preserving genetic resources.

14. In discussions on this project, Members expressed support for this proposal which was an important project for the region and noted offers of technical assistance from Brazil and Kenya through institutions in these countries. It was also suggested that as the project involved biodiversity, it could be eligible for funding from the Global Environmental Facility (GEF).

15. The Board noted that the Secretariat would consider the most appropriate donor for the project and decided to recommend that the proposal should be approved by the Council.

Enhancing the potential of Robusta gourmet coffee production in Uganda (new)

16. The Projects Officer said that this proposal had been submitted by the *Istituto Agronomico per l'Oltremare* (IAO) of the Italian Ministry of Foreign Affairs (MAE), with the support of the Government of Uganda (see document WP-Board 1059/09). It built on the lessons learned during the pilot project currently being implemented in Central America entitled 'Enhancing the potential of gourmet coffee production in Central American countries' (CFC/ICO/39). The VSC had been split on whether to recommend the proposal for approval or revision.

17. The representative of Uganda made a statement on the importance of this project. In discussions on this matter, the point was made that this was a valuable proposal. The need for the project to have regional application was raised, both to improve the chances of securing funding and to benefit the region as a whole. Other countries such as Angola and Tanzania could participate in it.

18. The Board took note of this information and decided to recommend that the project should be revised to include other countries in the region.

19. Finally, the Board noted that new and revised project proposals for consideration in March 2010 should reach the Executive Director by **18 December 2009**.

**Item 3.2: Projects under consideration by the
Common Fund for Commodities (CFC)**

20. The Head of Operations introduced the progress report on projects contained in document EB-3959/09 Rev. 1 and reported on the following projects considered by the CFC since the last meeting:

- *Building capacity for coffee certification and verification in Eastern Africa:* In April 2009, the CFC Executive Board approved this proposal which would include Burundi, Congo (Dem. Rep.), Ethiopia, Kenya, Madagascar, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe. The EU had approved its co-financing contribution in July and legal documents were currently being prepared.
- *Competitive coffee enterprises programme:* In July 2009, the CFC Consultative Committee recommended the proposal for approval by the CFC Executive Board in October 2009. Implementation of the project was expected to commence in Guatemala and Jamaica in early 2010 with co-financing from Oikocredit.

- *Trifinio sustainable coffee project:* In July 2009, the CFC Project Appraisal Committee (PAC) decided that this proposal did not qualify for CFC funding as El Salvador was not a member of the CFC.
- *Study of the potential for commodity exchanges and other forms of market-places in West Africa:* The CFC PAC considered this proposal in July 2009 and suggested that the proponents should consider all documents produced by the CFC on this topic and take into account the experiences of each participating country in order to address this issue strategically.
- *Improvement and diversification of coffee production of smallholders in Central America:* The CFC PAC considered the proposal in July 2009 and suggested that the proposal should be further revised taking into consideration the coffee priorities of the countries involved.

21. The Head of Operations added that the CFC Consultative Committee would consider three project proposals in January 2010:

- *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*
- *Improving coffee quality in Eastern and Central Africa: Scaling up of enhanced processing practices in Ethiopia and Rwanda*
- *Raising income security of smallholder coffee farmers in Malawi and Tanzania through sustainable commodity diversification* (in the case of this project, the CFC had appointed a consultant to prepare the full proposal).

22. In discussions on this item, the Board noted that the procedures for reviewing projects through the VSC and Executive Board were increasingly effective and the ICO was submitting projects which met CFC requirements and were viable for funding from it. One requirement was that countries should be members of the CFC. The CFC also preferred projects of a regional nature. Under the new Agreement mechanisms for project activities and sources of financing would be further developed and the ICO would build on the experience gained with the CFC.

23. The Executive Director invited Members to view a preliminary display in the Library of project materials for the ICO stand at the CFC 20th Anniversary in Amsterdam in December 2009. This was an excellent opportunity to see the results of concluded projects

and preliminary results of projects currently being implemented. He added that he had been invited to make a presentation on behalf of other International Commodity Bodies (ICBs) on collaboration between the CFC and ICBs at the CFC anniversary meeting.

24. The Board took note of the progress report on projects contained in document EB-3959/09 Rev. 1 and of reports under this item.

Item 3.3: International Coffee Genome Network (ICGN)

25. The Executive Director said that the issue of the coffee genome and the way forward had been discussed under Item 3.1 above. The ICGN had made a presentation to the Executive Board in March 2009, and he had been in regular contact with its representatives since that time. The ICGN was an informal group of scientists working on the sequencing of the coffee genome which had practical applications for improving quality and resistance to pests and disease. He would organize consultations with research institutions to see if the ICGN could obtain legal status and become eligible for funding from other agencies and develop a programme of work. He would report on this matter to Members at the next meeting. The Board took note of this information.

Item 4: Implementation of the Coffee Quality-Improvement Programme (CQP)

26. The Head of Operations introduced document EB-3963/09 containing a report on gradings for Arabica and Robusta coffees for the period October 2008 to June 2009. 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 during the period of the report amounted to 2.22 million bags (43.6%) out of a total of 5.07 million bags graded in that period, an increase of 25% compared to the same period in 2007/08. Of this amount, 75% was from Vietnam and 9% from Indonesia. In the case of Arabica coffee graded by Inter-Continental Exchange (ICE), over 80% of coffee passed the gradings analysis for the period October 2008 to June 2009. He added that the NYSE Liffe classification included an additional tenderable grade since February 2009 – ‘P’ for Premium Class (referring to coffee exceeding the usual classification standards grades 0 to 4).

27. The Head of Operations also introduced document EB-3964/09 containing a report on the implementation of the CQP for the period October 2008 to June 2009. Twenty-eight exporting Members accounting for just over 67% of world exports were implementing Resolution 420. During the period of the report, the 26 Members who regularly provided information for the period of the report had exported nearly 44.06 million bags, or 63.19% of total world exports of green coffee during the period compared to 66.21% for the same period in coffee year 2007/08.

28. The point was made that the volumes which had not passed the gradings had increased, reflecting changing weather patterns in producing countries, and the need to focus on climate change. The Executive Director stressed the need to receive information from producing countries and said that there would be an ICO mission to Vietnam and Indonesia in October 2009 to discuss compliance with statistical requirements and provide technical assistance. He hoped that this would improve information on coffee quality.

29. The Board took note of this information and of the reports contained in documents EB-3963/09 and EB-3964/09.

Item 5: Financial and administrative matters

Item 5.1: Report of the Finance Committee

30. The Chairman of the Finance Committee, Mr Mick Wheeler of Papua New Guinea, said that the Committee had met on 21 September 2009. The Committee had received a report on the financial situation as at 31 August 2009 (contained in document WP-Finance 72/09). The Committee had noted that other income for the first eleven months of the year showed a negative variance of £4,133, which was due mainly to lower interest rates receivable on deposits. There were savings however of £5,344 on total expenditure, resulting in an overall positive variance of £1,211 against the budget. The Committee had noted that, despite an extremely difficult financial climate worldwide, the Organization's financial situation could be summarized as satisfactory.

31. The Board took note of this report.

Item 5.2: Draft Administrative Budget for the financial year 2009/10

32. The Chairman of the Finance Committee said that the Committee had discussed in detail the revised draft Administrative Budget for 2009/10 contained in document WP-Finance 67/09 Rev. 2 since substantial changes had been made since it was reviewed in March 2009. The changes were caused by alterations in the post adjustment in March 2009 and exchange rate fluctuations; equally importantly, income forecasts had also been adjusted as a result of the fall in interest rates and a slow-down in the use of the conference facilities. Actions taken by the Executive Director to anticipate the effects of these changes included the early retirement of staff and not replacing staff who were retiring. These changes had helped to balance both the budget for the current year and the draft budget for 2009/10. The Committee had been concerned about the effect of any reduction in staff on services and new activities under the ICA 2007; however the Executive Director confirmed that the work of staff who were retiring would be reallocated among existing staff and he believed that the impact should not be significant. In the case of one member of staff who was retiring, this post would need to be replaced in due course. The Committee had also discussed the question of remaining in the UN salary system, but had decided that, after following the

system for over 40 years, a strong case would be needed to make any change. The Committee had looked at options for reducing the costs of the premises, including sub-letting the ground or second floors, moving outside the United Kingdom, and sharing the premises and services with other international organizations, noting that the lease would be reviewed in 2011. The Executive Director was keeping a number of options under review. In conclusion, the Committee had decided to recommend that the budget should be approved.

33. The Board took note of this information and further noted the request for an analysis of the costs of the Organization under the new Agreement, as well as confirmation that the post adjustment figures implemented reflected those of the International Maritime Organization (IMO).

34. The Executive Director said that the Organization had made every effort to manage the additional costs in a prudent way without using the Reserve Fund. In the case of the rent review, a clause in the lease limited any increase to £14 per square foot. The existing rent was approximately £26 per square foot, around half of what more recent tenants were paying on other floors in the building.

35. The Board expressed its appreciation to the Chairman and Members of the Finance Committee for their constructive efforts and agreed to recommend to the Council that the draft Administrative Budget for 2009/10 contained in document WP-Finance 67/09 Rev. 2 should be approved³. Based on overall expenditure of £2,927,000 and estimated revenue from external sources of £159,000, the potential contribution per vote would be £1,384, representing an increase of 3.9% compared with the financial year 2008/09.

Item 5.3: Appointment of registered auditors

36. The Board noted that under the provisions of Rule 62 of the Rules of the Organization, the Executive Director was required to appoint registered auditors annually in consultation with the Executive Board. The Board took note of the recommendation of the Finance Committee that the current auditors, Smith Williamson, who were appointed in 2008, should be reappointed and further noted that the Executive Director proposed to appoint Smith Williamson as the auditors of the ICO for the financial year 2009/10.

Item 5.4: Payment of arrears

37. 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.

38. The Chairman of the Finance Committee reported that Uganda had paid all its outstanding contributions and its contributions for 2008/09 and was in full compliance with

³ Subsequently approved by the Council and distributed as document ICC-103-13.

the schedule of payments established under Resolution 429. Nicaragua was not in compliance with the schedule established under Resolution 437. It had repaid the arrears outstanding in early March 2009 according to the Resolution, but had not paid the sum due later in March 2009, nor its contribution for 2008/09. The Democratic Republic of Congo had made some regular monthly payments but was behind the schedule established in Resolution 430 and had not paid its contribution for the current year. The Committee had noted the efforts being made by these countries, but had recommended that the voting rights of the Democratic Republic of Congo should continue to be suspended, and the votes of Nicaragua should also be suspended.

39. The Executive Director added that a procedure for payment of contributions in phases was not in the Financial Rules of the ICO and required a Council Resolution. If contributions were not paid, countries would have their voting rights suspended, in accordance with the Financial Regulations.

40. The Board took note of this information. It expressed its appreciation to Uganda for its commitment in complying with the provisions of Resolution 429 and noted that the votes of the Democratic Republic of Congo and Nicaragua were suspended.

Item 5.5: Finance Committee 2009/10

41. The Board noted that the terms of reference for the Finance Committee (document WP-Finance 2/04) provided for the appointment of the representatives of the Finance Committee by the Executive Board at its September meeting. The Board decided that this matter should be considered by the Council during its 103rd Session from 23 to 25 September 2009.

Item 6: Other business

Jacques Thinsy of Belgium

42. The Board noted that this would be the last meeting attended by Mr Jacques Thinsy of Belgium, and expressed its appreciation for his contribution and guidance to the ICO over almost 40 years.

Item 7: Future meetings

43. The Board noted that the next meeting would take place in Guatemala during the week of 1 to 4 March 2009, assuming the ICA 2001 was still in force at that time.