



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

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Draft strategic action plan 2009-2014

Background

1. This draft strategic action plan for the International Coffee Organization (ICO) has been prepared pursuant to the International Coffee Agreement (ICA) 2007, which was concluded in London, in September 2007, and which will enter into force when the requirements of Article 42 (Entry into force) have been met. It has been revised to reflect comments by Members at the 100th Session of the Council in May 2008.
2. The aim of the strategic action plan is to set out the overall direction and priorities of the Organization under the ICA 2007 after its entry into force and up to 2014. The plan will provide the context for the development of annual programmes of activities, which will prioritize and allocate resources for the items outlined in this document.
3. It is proposed that the strategic action plan should be a rolling plan which can be updated as required by Members, and that it should be reviewed during coffee year 2012/13 and revised as appropriate.

Action

The Council is requested to consider the draft strategic action plan.

DRAFT STRATEGIC ACTION PLAN

Introduction

This strategic action plan, which replaces the plan of action approved in response to the 2001 Agreement (document EB-3767/01 Rev. 2), has been prepared pursuant to the International Coffee Agreement (ICA) 2007. The ICA 2007 is more comprehensive than its predecessors. It recognizes the changing patterns of trade in coffee and coffee products, and also includes specific references to the wider international development policy framework, especially with regard to issues relating to sustainability and to the achievement of the Millennium Development Goals. These emphasize poverty alleviation and the rights of local communities, as well as a commitment to wider sustainable development and sound environmental management. Annex I shows the Objectives of the ICA 2007.

The new strategic action plan builds upon and updates the main elements of the previous plan, while including a number of key differences and setting out a strategy for the advancement of the objectives of the ICA 2007. As such, it provides guidance on the overall direction of the International Coffee Organization (ICO), in terms of both policy initiatives and project activities, and will form the basis for developing the annual programme of activities.

This strategic action plan is composed of three sections. The first section provides background information on the ICO and the world coffee sector. The second section outlines strategic goals and proposed activities for the Organization. The final section provides an indicative approach for monitoring and evaluation of the strategic action plan.

SECTION I

CONTEXT AND ISSUES FACED BY THE WORLD COFFEE SECTOR

This section seeks to identify relevant factors, both internal to the Organization and in the external environment, for the development of organizational strategy.

International Coffee Agreement 2007

The text of the ICA 2007, the seventh Agreement since 1962, was approved by the International Coffee Council on 28 September 2007. It will last for ten years after its entry into force, with the possibility of extension for a further eight years. The Agreement aims to strengthen the role of the ICO as a forum for intergovernmental consultations, facilitate international trade through increased transparency and access to relevant information, and promote a sustainable coffee economy for the benefit of all stakeholders, particularly small-scale farmers in coffee producing countries. As was the case with the 1994 and 2001 Agreements, it has no market-regulatory clauses.

The 2007 Agreement is an important instrument for development cooperation and will provide the legal framework for core activities undertaken by the Organization after it enters into force. Sixteen ICO Members are Least Developed Countries, with low incomes and high economic vulnerability, and the Preamble specifically acknowledges the contribution of a sustainable coffee sector to the achievement of internationally agreed development goals, including the Millennium Development Goals, particularly with respect to poverty eradication.

International Coffee Organization

The ICO was established in 1963 when the first International Coffee Agreement entered into force in 1962 for a period of five years. It has administered successive Agreements negotiated since then, including: the ICA 1968 (and its two extensions), the ICA 1976 (with one extension), the ICA 1983 (and its four extensions), the ICA 1994 (with one extension), the ICA 2001 (with one extension), and the recently concluded 2007 Agreement.

As at August 2008, the ICO had 77 Members, which are divided into two categories: exporting and importing Members. There are 45 exporting Members and 32 importing Members, which together account for over 97% of world coffee production and more than 84% of world coffee consumption¹. The Council is the highest authority of the Organization and is composed of all Members. Under the 2007 Agreement, the Council will be supported

¹ Up until the ICA 2001, EC Member States were considered as individual Members of the ICO. Under the ICA 2007, the EC will have exclusive competence over matters governed by the Agreement and represent its 27 Member States.

by a Projects Committee, a Promotion and Market Development Committee and a Finance and Administration Committee. The Council will also be advised by the Private Sector Consultative Board, the World Coffee Conference and the Consultative Forum on Coffee Sector Finance.

The Council is assisted by the Executive Director and a Secretariat consisting of two divisions: the Operations Division, which undertakes core activities such as projects and statistical and information services; and the Administration Division which is responsible for personnel, and for logistical and financial matters. Annex II shows the organizational structure of the ICO.

The ICO has served the world coffee community for almost five decades, by working to address issues relating to the world coffee economy through international cooperation between producers and consumers and developing coffee policies and political solutions. It constitutes a unique forum where producing and consuming Governments meet on a regular basis to discuss key questions and difficulties relating to the world coffee economy, rural development and sustainability, as well as to coordinate policies. The presence of high-level representatives of Members, as well as observer countries and international organizations, enables government and industry to make valuable contacts and hold discussions on key coffee issues. The ICO provides unique advantages in areas of activity such as: coffee policy development; cooperation with other agencies; relations with the private sector; market transparency; promotion and market development; and sponsorship and supervision of projects. In addition, the Organization organizes World Coffee Conferences, held at multi-year intervals, where distinguished speakers address major issues facing the world coffee economy.

The Organization cooperates closely with specialized commodity agencies and other international organizations, such as the World Bank, the Food and Agriculture Organization of the United Nations (FAO), the Common Fund for Commodities (CFC) and the International Trade Centre UNCTAD/WTO (ITC), in order to benefit from the experience and expertise of relevant bodies. In view of the fact that many agencies have specific mandates to support agriculture and rural producers, the ICO is strategically placed to supply the necessary coordination and coherence to actions with respect to coffee. Further development of the links of the ICO with specialized commodity agencies and other international organizations is envisaged to explore synergies, especially with regard to the focus in the ICA 2007 on developing a sustainable coffee economy.

The ICO maintains close contacts with the private sector through a 16-strong Private Sector Consultative Board (PSCB), composed of representatives from producing and consuming Members. The PSCB provides advice on matters of practical relevance to coffee including food safety, health and sustainability. Members benefit from the ability of the Organization to mobilize cooperative initiatives with the private sector on issues such as the dissemination

of positive information on coffee to the media and interested parties through the Positively Coffee Programme and the Health Care Professions – Coffee Education Programme. The level of private sector participation in ICO activities will be further enhanced under the ICA 2007, particularly with regard to issues related to the coffee supply chain, food safety procedures, quality, positive communication on coffee, statistics and other matters.

The world coffee sector is currently served by the ICO through regular market reports, economic studies, seminars and expert panels on coffee issues, as well as access to statistical data on the world coffee trade and economy. Although the ICO is the leading supplier of world coffee statistics, coverage of subjects such as differentiated coffee and niche markets requires further development during the term of the ICA 2007.

The need to promote consumption and develop the world coffee market have led the ICO to sponsor the publication of the Step-by-Step Guide to Promote Coffee Consumption, containing valuable practical guidelines for promoting coffee consumption. The Guide has provided the methodological basis for several specific promotion programmes in producing countries and can be usefully deployed in emerging consumer markets. The ICO has also set up a Coffee Promotion Network, a collaborative Internet-based community, to interact and develop ways of promoting coffee consumption. In the belief that coffee quality is a key component of future market development, the Organization has instituted the Coffee Quality-Improvement Programme, a voluntary initiative to encourage Members to ensure that their green coffee shipments fulfil certain basic quality standards. In addition, the Organization supports education and training in coffee-related subjects, by means of workshops and other initiatives.

The ICO sponsors and secures financing for coffee development projects and supervises project execution to ensure that project activities are implemented, and to avoid duplication of activities and disseminate results of projects. Projects with a total value of US\$84 million have received support since 1995. During the life of the ICA 2007, a diversification of sources of project funding is desirable in order to develop further these activities.

Issues faced by the world coffee sector

Coffee remains a key crop in many developing countries because of its capacity to generate rural income, provide employment and earn foreign exchange revenue. In the past, the world coffee market has been characterized by cyclical upswings and downturns, which have been attributed to low investment in new trees and poor maintenance in periods of low prices and high rates of new plantings in periods of high prices. The latest such downturn lasted from 1999 to 2004. Since then, prices have recovered considerably, although they are still low in inflation-adjusted terms relative to historical levels. In recent years, the demand and supply of coffee have been affected by important developments that require new and coordinated responses from the public and private sectors.

On the demand side, coffee consumption has shown dynamic but inconsistent growth. High rates of increase in consumption have been recorded in some coffee producing countries and in emerging markets, particularly Eastern Europe and Asia. On the other hand, overall consumption growth in some traditional consuming markets shows signs of stagnation, although specific market niches, such as speciality and certified coffees, remain buoyant. New forms of consumption, such as ready-to-drink preparations and sophisticated domestic coffee-making machines, are also gaining in popularity.

Notwithstanding these positive developments, the world coffee economy faces numerous issues, including:

- (a) Negative externalities, such as the decline of the US dollar, escalating production costs due to rising prices of inputs, reduction in the availability of labour for coffee production activities in certain origins and decreasing availability of land due to urbanization and use in the production of biofuels.
- (b) World coffee stocks are at low levels in historical terms, increasing the vulnerability of the market to disruptions in supply caused by weather and other factors.
- (c) Many coffee growers, especially smallholders, lack the necessary institutions and access to credit and risk management mechanisms to benefit fully from coffee production.
- (d) Despite the increasing demand for sustainable coffee, compliance with certification criteria may require significant actions and investments in infrastructure that may not be viable from a cost-benefit viewpoint for many producers. In particular, smallholders may be confronted by considerably higher costs per unit for compliance with certification standards than larger producers.
- (e) Changes in global weather patterns may affect the viability of coffee production in certain areas.
- (f) The persistence of measures that affect the international trade of coffee, such as tariffs, can limit opportunities in exporting countries for growth of added value, especially from processed coffee.
- (g) The need for the continual improvement of quality in order to promote increased consumption.

These factors may combine to reduce the attractiveness of coffee as a cash crop and offset the benefits of the recent recovery in prices, thereby reducing the incentive for the new plantings necessary to meet the expected growth in world demand for coffee.

SECTION II

STRATEGIC GOALS AND PROPOSED ACTIVITIES

The main objective of the 2007 Agreement, as set out in Article 1, is to strengthen the global coffee sector and promote its sustainable expansion in a market-based environment for the betterment of all participants in the sector.

In order to achieve this objective, the ICO requires general strategies within which priority actions can be formulated and executed. For this purpose, four broad strategic goals that reflect the provisions of the ICA 2007 have been set:

- (i) to serve as a forum for the development of international coffee policies;
- (ii) to enhance the transparency of the coffee market;
- (iii) to encourage the development and dissemination of knowledge on the world coffee economy; and
- (iv) to promote a sustainable coffee sector.

This section includes: justifications for the adoption of the strategic goals; connections of the strategic goals to the relevant provisions of the ICA 2007; and proposed priority actions to achieve the strategic goals. In the case of time frames for implementation, in most cases activities would be implemented on an on-going basis throughout the term of the ICA 2007. Where this is not the case, a specific time frame has been indicated.

Goal 1: Forum for the development of international coffee policies

To play a leading role in the development of international coffee policies, by acting as a convener, catalyst and source of reference, so as to improve the consistency of coffee policy-making on a global level.

Relevant provisions of the ICA 2007

Article 1	Objectives (Paragraphs (1), (2) and (4))
Article 15	Cooperation with other organizations
Article 16	Cooperation with non-governmental organizations
Article 29	The Private Sector Consultative Board
Article 30	The World Coffee Conference
Article 31	The Consultative Forum on Coffee Sector Finance

Priority actions

1. To facilitate consultations on coffee-related issues through regular Council sessions, meetings of ICO bodies and other relevant meetings and events.
2. To identify priority issues, emerging concerns and opportunities arising from international and domestic trends, including technological developments, that may affect the coffee economy, and to advise on responses to these issues.

3. To review strategies for achieving a better equilibrium between supply and demand, and present policy options to the Council.
4. To hold a World Coffee Conference at appropriate intervals.
5. To develop close links with representatives of producing and consuming Members, through missions and briefings on ICO activities and coffee issues, as well as other relevant activities.
6. To maintain a dialogue with the private sector to explore areas of potential mutual interest for cooperation on ICO activities.
7. To enhance cooperation and communication on coffee policies and actions with appropriate intergovernmental, international, regional and other organizations.
8. To encourage non-member countries to become Members of the Organization.

Goal 2: Market transparency

To enhance market transparency by providing statistics, research studies and other information on the world coffee economy, thereby reducing transaction costs to the benefit of all components of the coffee supply chain and enabling economic decisions to be taken on the basis of accurate and timely data.

Relevant provisions of the ICA 2007

Article 1	Objectives (Paragraphs (5) and (6))
Article 2	Definitions
Article 24	Removal of obstacles to trade and consumption
Article 25	Promotion and market development
Article 26	Measures related to processed coffee
Article 27	Mixtures and substitutes
Article 32	Statistical information
Article 33	Certificates of Origin
Article 34	Studies, surveys and reports
Article 36	Sustainable coffee sector

Priority actions

9. To prepare reports and studies on the market situation and trends and developments in the coffee sector.
10. To expand statistical coverage of the coffee value chain, including issues related to sustainable coffee programmes (certification and verification schemes), value distribution and evaluation of efficiency, and data on the entire chain from farm to retailer.
11. To investigate the usefulness of extra data from Certificates of Origin, particularly with reference to quality and niche markets.

12. To prepare periodical surveys on the effects of tariffs, non-tariff barriers and indirect taxes on coffee consumption and trade.
13. To take into account actions related to Article 24 (Removal of obstacles to trade and consumption) in implementing the ICA 2007.
14. To submit to the Council periodic reports on compliance with Article 27 (Mixtures and substitutes) of the ICA 2007.
15. To monitor production plans by Member countries.
16. To continue to monitor and evaluate the system of indicator prices, and revise as appropriate. Time frame for implementation: 2009 and revise at two-year intervals thereafter.
17. To review conversion factors for the types of coffee listed in sub-paragraphs (d), (e), (f) and (g) of Article 2 (Definitions) at regular intervals. Time frame for implementation: At entry into force of the ICA 2007 and review at three-year intervals.
18. To review options for private-public partnerships to enhance the transparency and reliability of coffee statistics.

Goal 3: Development and dissemination of knowledge

To encourage the development and dissemination of knowledge on the world coffee economy, through project activities, workshops, training and other forms of knowledge sharing.

Relevant provisions of the ICA 2007

Article 1	Objectives (Paragraphs (8), (11), (12) and (13))
Article 25	Promotion and market development
Article 26	Measures related to processed coffee
Article 28	Development and funding of projects
Article 37	Standard of living and working conditions

Priority actions

19. To screen project proposals submitted with the support of Members, using consistent mechanisms, so as to select proposals that are suitable for potential donors.
20. To sponsor projects that benefit Members and the world coffee economy by defining coffee development strategies, monitoring project proposals for submission to relevant donors and supervising their implementation.
21. To seek finance for projects that benefit Members and the world coffee economy.
22. To collect from Members, non-members, donors and other agencies, information on development projects and programmes focusing on the coffee sector.

23. To disseminate information about project findings and results of studies through workshops, publications and the internet.
24. To strengthen country ownership of projects and encourage, where appropriate, the development of national coffee associations.
25. To develop projects encouraging capacity-building of local communities and small-scale farmers.
26. To encourage, where appropriate, the inclusion of risk management and credit access activities in projects supported by the ICO.
27. To develop the role of the ICO as Project Executing Agency in appropriate cases.
28. To organize seminars, round-tables and workshops on coffee-related matters and disseminate information presented at these events.
29. To seek finance for and arrange training courses (including e-training) in cooperation with appropriate bodies.
30. To disseminate information about appropriate food safety procedures in the coffee sector.
31. To develop and disseminate resources and fact-sheets on coffee issues.

Goal 4: Sustainable coffee sector

To promote the development of a sustainable global coffee sector, thereby generating increased income and employment, and improved living standards and working conditions in Member countries.

Relevant provisions of the ICA 2007

Article 1	Objectives (Paragraphs (3), (7), (9) and (10))
Article 24	Removal of obstacles to trade and consumption
Article 25	Promotion and market development
Article 26	Measures related to processed coffee
Article 36	Sustainable coffee sector
Article 37	Standard of living and working conditions

Priority actions

32. To identify means by which a sustainable coffee sector can contribute to the achievement of the Millennium Development Goals, in particular with respect to poverty eradication.
33. To promote the sustainable management of coffee resources and processing by means of project activities.
34. To disseminate information about sustainability and sustainable techniques and practices, including performance indicators and appropriate organizational structures.

35. To disseminate information on the effects of climate change on the coffee sector, in the light of the United Nations Framework Convention on Climate Change and other relevant actions.
36. To develop an action plan to encourage increased consumption and market development under the ICA 2007.
37. To promote, in conjunction with the private sector, positive communication about issues related to coffee and health.
38. To maintain the ICO network to promote coffee consumption.
39. To encourage the implementation of quality standards for exported coffee (as provided for in Resolution 420).

SECTION III

MONITORING AND EVALUATION

This strategic action plan provides orientation on measures to attain the objectives of the ICA 2007. This work will be accomplished by the Organization through the various ICO bodies, the Secretariat and Members themselves.

The ICO Secretariat will use the strategic goals and priority actions as a reference framework for the development of the annual programme of activities, which constitutes the mechanism for the implementation of the strategic action plan and matches the priorities of the ICO with the resources available for the period under consideration.

The ICO bodies will be able to use the contents of the strategic action plan to assist in drafting policies and making recommendations about projects and other activities to the Council. In turn, the strategic action plan will serve as a basis for the Council in its decision-making and in the evaluation of the activities of the Organization.

A monitoring and evaluation system will be established to examine and assess progress and outcomes of the implementation of the strategic action plan. Monitoring of actions will be conducted by the Secretariat by means of the assessment of the execution of the annual programme of activities contained in the Annual Review and other reports. An evaluation of the strategic action plan will be conducted during coffee year 2012/13, wherein progress and achievement of its outcomes will be measured with qualitative and quantitative indicators.

It is also proposed that the plan should be a rolling plan which can be updated as required by Members.

The following summary model provides an overview of the required monitoring and evaluation framework, including potential indicators and sources of verification.

SUGGESTED MONITORING AND EVALUATION MODEL

Strategic goal	Indicators	Sources of verification
1) To serve as a forum for the development of international coffee policies	(a) Meetings of the Council and other ICO bodies (b) Missions and briefings on ICO activities (c) Membership of the ICO (d) Holding of World Coffee Conferences (e) Participation in events organized by the international coffee trade and relevant international organizations (f) Publication and dissemination of policy documents	(a) Annual Review (b) Specific documents and presentations (c) ICO website
2) To enhance the transparency of the coffee market	(a) Updated statistics on coffee trade, production, prices, consumption, etc. (b) Statistical quality (c) Studies and reports on relevant aspects of the world coffee economy (d) Market expansion and diversification	(a) Annual Review (b) Monthly Coffee Market Report (c) Monthly, quarterly and annual statistics (d) Specific studies and reports (e) ICO website
3) To encourage the development and dissemination of knowledge on the world coffee economy	(a) Number and value of projects screened, under implementation and concluded (b) Number of seminars, round-tables and workshops organized (c) Inclusion of capacity-building, risk management, credit access and other relevant activities in projects and ICO events (d) Publication and dissemination of information on the world coffee economy	(a) Annual Review (b) Specific project reports (c) Reports on seminars, round-tables and workshops (d) Specific studies and reports (e) ICO website
4) To promote a sustainable coffee sector	(a) Increased awareness of sustainability issues (b) Increased use of sustainable practices (c) Dissemination of information about coffee and health issues (d) Action plan to encourage increased coffee consumption and market development (e) Volume of consumption in coffee exporting countries (f) Usage of the ICO network to promote coffee consumption (g) Implementation of coffee quality standards	(a) Annual Review (b) Specific studies and reports (c) ICO website (d) Usage of the ICO network to promote coffee consumption

OBJECTIVES OF THE INTERNATIONAL COFFEE AGREEMENT 2007

ARTICLE 1 **Objectives**

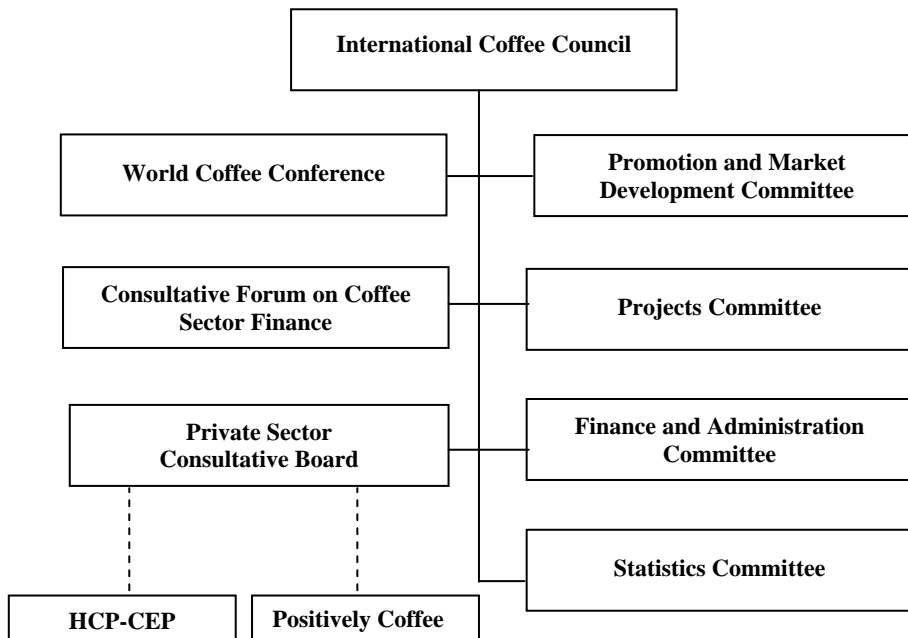
The objective of this Agreement is to strengthen the global coffee sector and promote its sustainable expansion in a market-based environment for the betterment of all participants in the sector, by:

- (1) promoting international cooperation on coffee matters;
- (2) providing a forum for consultations on coffee matters among governments, and with the private sector;
- (3) encouraging Members to develop a sustainable coffee sector in economic, social and environmental terms;
- (4) providing a forum for consultations seeking understanding with regard to the structural conditions in international markets and long-term trends in production and consumption that balance supply and demand, and result in prices fair both to consumers and to producers;
- (5) facilitating the expansion and transparency of international trade in all types and forms of coffee, and promoting the elimination of trade barriers;
- (6) collecting, disseminating and publishing economic, technical and scientific information, statistics and studies, as well as the results of research and development in coffee matters;
- (7) promoting the development of consumption and markets for all types and forms of coffee, including in coffee producing countries;
- (8) developing, evaluating and seeking finance for projects that benefit Members and the world coffee economy;
- (9) promoting coffee quality with a view to enhancing consumer satisfaction and benefits to producers;
- (10) encouraging Members to develop appropriate food safety procedures in the coffee sector;

- (11) promoting training and information programmes designed to assist the transfer to Members of technology relevant to coffee;
- (12) encouraging Members to develop and implement strategies to enhance the capacity of local communities and small-scale farmers to benefit from coffee production, which can contribute to poverty alleviation; and
- (13) facilitating the availability of information on financial tools and services that can assist coffee producers, including access to credit and approaches to managing risk.

ICO STRUCTURE

ORGANIZATIONAL STRUCTURE



SECRETARIAT STRUCTURE

