



Organización Internacional del Café  
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Organisation Internationale du Café  
International Coffee Organization

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Report

**Report of the 2<sup>nd</sup> Virtual Screening  
Committee meeting of 26 September 2007**

1. The 2<sup>nd</sup> physical meeting of the Virtual Screening Committee (VSC) took place on 26 September 2007. The meeting was chaired by Mrs Lilian Volcan, Economist of the International Coffee Organization (ICO).

2. The Chairperson welcomed Ms Mirian Therezinha S. da Eira and Mr Carlos Eduardo Pachá of Brazil, Mr Gerd Fleischer of Germany, Mr Ernesto Illy of Italy, Ms Dawn Thomas and Ms Kathryn Youel-Page of the United States, all active Members of the Committee. Also present were Mr Caleb Dengu of the Common Fund for Commodities (CFC) and Mr Denis Seudieu of the ICO.

**Item 1: Adoption of the Agenda**

3. The Committee adopted the draft Agenda contained in document WP-VSC No. 4/07 and took note of two new Articles in the draft International Coffee Agreement (ICA) 2007 which were of particular relevance to project activities: Article 28 (Development and funding of projects) and Article 31 (The Consultative Forum on Coffee Sector Finance), see document ICC-98-6.

**Item 2: Background information on the Virtual Screening Committee (VSC)**

4. The Chairperson informed the Committee about the draft terms of reference for the VSC (document WP-Board 955/04 Rev. 1) and noted that the creation of a Projects Committee responsible for the preparation of projects and fund-raising procedures established under the new ICA could have implications for the current functioning of the VSC.

5. The Committee noted that most of the recommendations agreed during its meeting on 30 January 2006 had been adopted. However, the issue of whether or not the VSC should approve new proposals was still unclear. This issue was further discussed under Item 6.

**Item 3: Background information on the preparation of projects**

6. The Committee noted that documents EB-3573/96 Rev. 4 and EB-3922/07 Rev. 2 respectively contained background information on the preparation of projects and a summary of the status of projects.

**Item 4: Priority areas for projects and methodology**

7. The Committee was briefed on the procedures followed by the ICO and on CFC appraisal mechanisms and took note of documents EB-3768/01 Rev. 3 and CFC/ICO 8/06 respectively containing the development strategy for coffee and the report of the CFC/ICO workshop on coffee development priorities held on 27 September 2006.

8. Regarding the CFC criteria for project appraisal, Mr Caleb Dengu outlined each of the priority areas identified for coffee development during the CFC/ICO workshop in September 2006, highlighting the relevance of each one to the CFC Five-Year Action Plan 2008-2012. It was explained by the CFC Representative that basic research and generic promotion projects are on the negative list therefore cannot be supported by the Common Fund.

9. He also explained that the Fund concentrated on two main types of projects, **regular projects** (ranging in total cost from US\$1 to 5 million) and **Fast Track projects** (up to US\$120,000), that could benefit from CFC funding in three different modalities as follows:

- (i) **Regular projects proposals:** these are considered by the Consultative Committee (CC) in January and July each year and subsequently approved – if appropriate – by the CFC Executive Board in April and October. International Commodity Bodies (ICBs) are encouraged to submit no more than two projects per CC meeting. Each proposal is reviewed by the CC only twice before being approved or rejected;
- (ii) **Project Preparation Facility (PPF):** this is intended to assist in formulating sound **project ideas** requiring substantial reformulation and/or to back countries that did not have the resources or technical capabilities to reformulate proposals. As a prerequisite the CC should review and support these proposals before PPF is granted. The use of PPF funds is subject to cost recovery once the **regular project** is approved; and

- (iii) **Fast Track (FT) funding:** This is approved by the Managing Director of the CFC for small project proposals which do not exceed US\$120,000, mainly to implement pilot projects or to carry out consultation workshops and/or feasibility studies. Whereas regular projects need the approval of the CFC Executive Board, FT projects, once reviewed positively by the CC, could be approved by the Managing Director. FT submissions are allowed in addition to the two regular project proposals per CC meeting.

10. In discussions on this item, one representative asked whether it would be viable to coordinate CFC/ICO projects with other donors, especially those involving value-addition and horizontal diversification. Regarding basic research projects, another representative noted that CFC criteria appeared to conflict with its poverty alleviation objective, as a funding gap existed for coffee variety conservation efforts, for example, which not only had a long-term impact on the living standards of coffee producers but were vital for the long-term sustainability of the coffee economy.

**Item 5: Feedback from the VSC on project proposals**

11. The Committee took note of document EB-3935/07 containing the latest report of the VSC on four new coffee project proposals. It further noted that in the light of the briefing on CFC criteria on projects, which had implications for the ranking of project proposals, it could be timely to consider revising all the projects in the pipeline.

**Item 6: Open floor for discussions**

12. Based on the Committee discussions, the following considerations emerged:
- (a) Given the limited funding available from the CFC, it was important to ensure that the VSC screening resulted in an unambiguous recommendation on whether or not to approve new project proposals. The category of projects approved should include those eligible for CFC funding, including those still requiring revision.
  - (b) However, sound proposals not eligible for CFC funding could still be approved. The Committee suggested that the checklist should clearly indicate that the new proposal required ‘alternative funding to the CFC’ and relevant donors should be suggested.
  - (c) For projects that were neither sound nor eligible for funding by potential donors, a decision should be taken at an early stage in order to avoid encouraging expectations and to allow the ICO to save time in dealing with other projects.

- (d) The Committee noted that in the draft terms of reference for the VSC (document WP-Board No. 955/04 Rev. 1) there was no indication as to whether the VSC had the mandate to approve new proposals. This matter should be discussed further.
- (e) Taking into consideration the limited number of proposals allowed for submission to the CFC (a maximum of two per CC meeting, or four per year) and that there were far more proposals in the ICO pipeline than the CFC limit allowed, consideration should be given to whether it was time to re-screen, prioritize or rank all the project proposals in the pipeline to better match the opportunities provided by the CFC (see paragraph 9 (i)).

13. The Committee agreed on the following recommendations:

- to revise the checklist taking into consideration the suggestions made at this meeting together with the new screening criteria established by the CFC;
- that the ICO should inform relevant donors about the ‘Coffee Development Strategy’ and in particular about the defined areas of action for projects as a means of fund-raising together with the report of the CFC/ICO workshop on coffee development priorities (document CFC/ICO 8/06); and
- to further discuss whether or not the VSC should recommend the approval of new proposals in order to take account of provisions in the 2007 Agreement.

**Item 7: Report to the Executive Board**

14. The Committee noted that the Chairperson would report on the meeting to the Executive Board.