



Organización Internacional del Café
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EB 3938/07

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Executive Board
265th Meeting
28 September 2007
London, England

Decisions Adopted
(265)

1. The Executive Board, chaired by Ambassador José Ángel López Camposeco of Guatemala, met on 28 September 2007.

Item 1: Adoption of the Agenda

2. The Board adopted the draft Agenda contained in document EB-3933/07 Rev. 2 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 2006/07**

3. The Board took note of the situation of outstanding payments affecting voting rights as at 25 September 2007 and of the redistribution of votes in the Council and Executive Board for coffee year 2006/07 contained in document EB-3918/06 Rev. 4.

**Item 2.2: Initial distribution of votes in the
Council for coffee year 2007/08**

4. Paragraph (5) of Article 13 of the 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-2017/07 Rev. 1 and ED-2018/07 Rev. 1 contained information on the statistical basis for the initial distribution of votes in coffee year 2007/08 among exporting and importing Members respectively, and further noted that the initial distribution of votes for coffee year 2007/08 was contained in document EB-3934/07.

Item 3: Coffee development projects

**Item 3.1: Projects under consideration by the
Common Fund for Commodities (CFC)**

5. The Head of Operations introduced the progress report on projects contained in document EB-3922/07 Rev. 2 and informed Members that the CFC Consultative Committee had reviewed three coffee development projects at its meeting from 9 – 14 July 2007. In the case of the project entitled “Increasing the resilience of coffee production to leaf rust and other diseases in India and four African Countries” (previously circulated as document WP-Board 979/05 Rev. 1) the Consultative Committee had decided to recommend this project for approval, subject to modifications of a number of issues such as arrangements for Intellectual Property Rights and analysing the environmental aspects of introducing new arrangements. It would be considered by the CFC Executive Board in October 2007.

6. In the case of the project entitled “Access to finance for the development of diversification crops in coffee producing areas (Burundi and Côte d’Ivoire) (previously circulated as document WP-Board 961/04), there had been a divergence of opinion on this project with some Consultative Committee members considering that the proposal had been adequately improved and should be approved, while others considered that the proposal was not fit for approval, and had doubts about the viability and effectiveness of CFC support for this particular form of crop diversification away from coffee production. Due to the divergence of views, the Consultative Committee had been unable to make a conclusive recommendation and had decided that the CFC Executive Board should take a decision on this project at its meeting in October 2007.

7. In the case of the project entitled “Development of domestic coffee markets in India, Indonesia and Mexico” (previously circulated as document WP-Board 1031/07), the Consultative Committee had considered that generic promotion of coffee continued to figure prominently in the revised proposal and that its previous recommendations (from December 2005) had not been fully addressed. In particular, it considered that using targeted promotion activities would not address the problem as generic promotion was seen as promotion of a generic product as opposed to value-added products, regardless of the organization of promotional activities. The Consultative Committee had reiterated its position stated at its 37th meeting and, noting that under the policy adopted at the mid-term review of the Five-Year Action Plan a project would only be considered twice, had rejected the project. The Head of Operations suggested that some Members of the Board might wish to consider making individual representations to the CFC.

8. The Board took note of this information and of the progress report on projects contained in document EB-3922/07 Rev. 2, and further noted that the Executive Director would write to the CFC to communicate the disappointment of Members and their views that the decision to reject this project indicated a lack of understanding and interest in the needs of the coffee sector.

Item 3.2: Projects under consideration by the ICO

9. The Head of Operations introduced document EB-3935/07 containing the report and recommendations of the Virtual Screening Committee (VSC) on four new proposals to be considered by Members.

Renovation of CATIE's international coffee collection

10. The Economist said that this proposal had been submitted by PROMECAFE and was contained in document WP-Board 1036/07. The VSC had considered that the project was adequate in terms of coffee sector priorities and project planning, good in terms of the operational capacity of the PEA, and provided insufficient information in the area of sustainability and budget/cost-effectiveness. Nevertheless, its overall recommendation was that the project should be approved.

11. In discussions on this proposal, the point was made that the issue of Intellectual Property Rights should be clarified as the results of the project should benefit all Members, and to avoid possible delays. The Board took note of this information and of the recommendation of the VSC. Noting that the CFC's policy was to disseminate the results of projects to all Members, it decided to recommend that the Council should approve the project proposal contained in document WP-Board 1036/07 for submission to the CFC, subject to assurances by the proponent that issues relating to Intellectual Property Rights had been adequately addressed.

International research and development services for the durable genetic control of two destructive diseases affecting Arabica coffee

12. The Economist said that this proposal had been submitted by the Tropical Research Institute – Coffee Rust Research Centre (IICT-CIFC) with the support of the Association for Science and Information on Coffee (ASIC) and Embrapa and was contained in document WP-Board 1033/07. The VSC had considered that the project was good in terms of coffee sector priorities, adequate in terms of project planning and the operational capacity of the PEA, and that there was insufficient information in the case of sustainability and budget/cost-effectiveness. Its overall recommendation was that the project should be revised. She noted that some VSC Members had considered that this type of proposal which related to the work of specific institutions could be more suitable for submitting to the EC for financing.

13. The Board took note of this information and of the recommendation of the VSC, and further noted that the proposal would be revised in accordance with the recommendations of the VSC.

Revitalizing productivity, quality and trade in coffee from Africa

14. The Chief Economist said that this proposal had been submitted by the Inter-African Coffee Organisation (IACO) for fast-track financing and was contained in document WP-Board 1035/07. The VSC had considered that the project was adequate in terms of coffee sector priorities, the operational capacity of the PEA and budget/cost-effectiveness, with insufficient information in the case of project planning and sustainability. The Committee had been split on whether to recommend approval or rejection of this project.

15. The Board took note of this information and of the recommendation of the VSC. It further noted that the proposal should reflect the inclusion of Burundi in the project, and that there was good justification for submitting this study to the CFC for consideration as many small producers had experienced a decline in production and quality. The Board decided to recommend that the Council should approve the project proposal contained in document WP-Board 1035/07 for submission to the CFC for fast-track financing.

Coffee Berry Borer – the need for a review of the status and knowledge of a serious coffee pest

16. The Head of Operations said that this proposal had been submitted by CABI UK and was contained in document WP-Board 1037/07. The VSC had considered that there was insufficient information in the case of coffee sector priorities, project planning, the operational capacity of the PEA and sustainability, and the area of budget/cost-effectiveness was poor. Its overall recommendation was that the project should be revised.

17. In discussions on this proposal, the Board noted that Indonesia had been involved in developing a coffee berry borer project which could be relevant to this project, and could either be involved with this project or submit a new proposal. The point was also made that CABI had developed this proposal, and had requested the collaboration of the National Coffee Research Centre (CENICAFE); however the project would benefit all countries which experienced problems with this pest and the participation of other producing countries would be useful. The Board took note of this information and of the recommendation of the VSC. It further noted that the proposal would be revised in accordance with the recommendations of the VSC and in collaboration with Indonesia, and that other Members interested in participating in the project should contact the Executive Director.

18. The Head of Operations informed Members that in view of concerns raised at recent sessions of the Council about the proliferation of diseases and pests affecting coffee, the Executive Director had circulated ED-2020/07 inviting exporting Members to report on the status of four major pests and diseases in their countries, all of which had been the subject of ICO sponsored projects: Coffee Wilt – Tracheomyces; Coffee Berry Borer, White Stem Borer and Coffee Leaf Rust. Members which had not responded by the deadline of 15 September were invited to do so as soon as possible and the Secretariat would prepare a document summarizing the responses. Finally, the Board noted that proposals for consideration in January 2008 should have reached the ICO by **21 September 2007**, while proposals for consideration in May 2008 should reach the ICO by **22 February 2008**.

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

19. The Board took note of document EB-3936/07 containing a report on the CQP and further noted that copies of a document by the Chairman of the Promotion Committee entitled ‘The complexity of the meaning of “organoleptic quality”’ were available to interested Members on request from the Secretariat.

Item 5: Financial and administrative matters

Item 5.1: Report of the Finance Committee

20. The Chairman of the Finance Committee, Mr. Mick Wheeler of Papua New Guinea, said that the Committee had met on 3 July 2007 (the report of this meeting was contained in document WP-Finance 52/07) and had received a report on the financial situation as at 31 May 2007 contained in document WP-Finance 51/07. The Board took note of this information and noted that an updated report was contained in document WP-Board 1039/07 which indicated that the financial situation of the ICO as at 31 August 2007 was satisfactory.

**Item 5.2: Draft Administrative Budget
for the financial year 2007/08**

21. Article 19 of the Agreement provides that the Executive Board shall examine the draft Administrative Budget presented by the Executive Director and submit it to the Council with its recommendation for approval.

22. The Chairman of the Finance Committee, Mr. Mick Wheeler of Papua New Guinea, said that the Committee had reviewed the draft Administrative Budget at its meeting on 3 July 2007, following a preliminary review in May 2007 when it had requested the Secretariat to prepare an alternative scenario for the Budget to take account of concerns such as assumptions about the costs of recruiting a new Head of Operations internationally, and

reviewing the staff establishment. As a result of this review, it was proposed that the post of Head of Information Services would be merged with a post in the Finance and Administration Division as from 1 April 2008. Furthermore, a post in the Statistics Section would be redesignated and reclassified within the Economics Section; the statistics post would effectively be abolished, although, if necessary, it could be filled on a temporary basis in 2008. Considerable savings had been achieved, and following further discussions by the Chairman and the Secretariat, a revised draft Budget had been prepared representing an increase of 3% in contributions. The Chairman said that the Finance Committee had discussed a further issue, namely the installation of new air-conditioning equipment in the conference facilities. Various options to cover the cost of the equipment had been discussed including a lease, an increase in rent, or taking the cost from the Reserve Fund. It had decided to recommend the latter to the Board as it constituted long-term capital expenditure which would enhance the conference facilities and, it was hoped, the income generated from them.

23. In discussions on this item one Member noted that his delegation wished to have zero nominal growth in the budget and could not join the consensus on the draft Budget. He requested the Secretariat to make further efforts to cut expenditure by reducing the number of staff through rationalizing work, freezing increases in personnel costs based on increases recommended by the IMO, making savings in language costs by holding meetings in English only, and reducing the meetings of the PSCB from three meetings to two a year. If it proved difficult to achieve zero nominal growth, the Reserve Fund should be used to achieve this end. Another Member noted that inflation was not zero and an increase of 3% was in line with other intergovernmental organizations. The Board noted that the Finance Committee and the Secretariat would assess these proposals.

24. Noting the reservation of one Member on the Budget, the Board agreed to recommend to the Council that the draft Administrative Budget for 2007/08 contained in document WP-Board 1034/07¹ should be approved. Based on overall expenditure of £2,866,000 and estimated revenue from external sources of £260,000, the potential contribution per vote would be £1,303, representing an increase of 3% compared with the financial year 2006/07.

Item 5.3: Appointment of registered auditors

25. The Board noted that, under the provisions of Rule 62 of the *Rules of the Organization*, the Executive Director was required to appoint a registered auditor annually in consultation with the Executive Board. At its meeting in July 2007, the Finance Committee had decided to recommend that the present auditors, MRI Moores Rowland (now renamed Mazars), who were first appointed in 1998/99, should be re-appointed, with a view to recommending that the Board consider changing the auditors every ten years, in this case in 2008.

¹ Subsequently approved by the Council and distributed as document EB-3937/07.

26. The Board took note of this information and further noted that the Executive Director proposed to appoint MRI Moores Rowland as the auditors of the ICO for the financial year 2007/08.

Item 5.4: Other financial and administrative matters

27. The Board noted that following consultations with Executive Board Members, the Executive Director had decided to appoint Mr. José Dauster Sette of Brazil as the new Head of Operations of the ICO (as advised in document ED-2022/07). The current Head of Operations would remain in the post until 31 October 2007, and Mr. Dauster Sette would take up his appointment on 1 November 2007.

28. The Board noted that Uganda was making repayments of outstanding arrears in accordance with the schedule agreed in May 2007; no payments had been received to date from the Democratic Republic of Congo (a communication from this country was contained in document WP-Finance 40/07 Add. 1); Panama had paid its outstanding contributions since the last meeting; and, following meetings with the Executive Director and the authorities in Nicaragua, a schedule of repayments had been agreed (as contained in document WP-Board 1041/07).

29. The Board noted that document WP-Board 1038/07 contained proposals for salary scales, dependency allowances and the basis for contributions to the Provident Fund for staff in the General Service category, and document WP-Board 1040/07 contained proposals for the basis for contributions to the Provident Fund for staff in the Professional and higher categories. Provision for the costs of both these proposals could be found from within the current Administrative Budget for the financial year 2006/07 (Item 1 – Personnel, in document EB-3919/06) approved by the Council in September 2006 and for the financial year 2007/08 (contained in document WP-Board 1034/07). The Board took note of this information and decided to approve both these proposals.

Item 6: Other business

30. There was no further business to discuss.

Item 7: Future meetings

31. The Board noted that its next meeting would take place at the time of the extraordinary Session of the Council scheduled to take place during the period 23 – 25 January 2008.