



Decisions Adopted
(272)

1. The Executive Board met in London on 22 September 2010, chaired by Ms Ina Grohmann of Germany.

Item 1: Adoption of the Agenda

2. The Board adopted the draft Agenda contained in document EB-3975/10 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 2009/10**

3. The Board took note of the situation of outstanding payments affecting voting rights as at 16 September 2010 and of the redistribution of votes in the Council and Executive Board for coffee year 2009/10 contained in document EB-3966/09 Rev. 2¹.

**Item 2.2: Initial distribution of votes in the Council
for coffee year 2010/11**

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-2091/10 and ED-2092/10 contained information on the

¹ A revised document was subsequently approved by the Council (document EB-3966/09 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-3979/10) would be considered by the Council.

Item 3: Programme of activities for 2010/11

5. The Head of Operations introduced document WP-Council 200/10 Rev. 4 containing a revised programme of proposed activities in coffee year 2010/11 and document WP-Council 200/10 Add. 1 containing comments by Brazil. The programme was a continuation of existing activities under the 2001 Agreement and also made provision for activities relating to the 2007 Agreement which were indicated in italics and were based on the draft strategic action plan which would be considered by the Council at this Session (document WP-Council 173/08 Rev. 5). As noted by the Council in March 2010, the conclusions and recommendations arising from the World Coffee Conference would need to be evaluated by Members prior to including them in the strategic action plan and subsequently the programme of activities. The Head of Operations invited Members to contribute suggestions for a topic for the seminar in 2010/11 (Activity 19), noting that climate change, germplasm, coffee sector finance and pests and diseases could be considered as possible topics in this connection.

6. The Board took note of this information and of the programme of activities contained in document WP-Council 200/10 Rev. 4. The Board further noted that the Council would discuss this document and suggestions for a seminar during its 105th Session this week.

Item 4: Coffee development projects

Item 4.1: Projects under consideration by the ICO

7. The Projects Officer introduced document EB-3978/10 containing the report of the Virtual Screening Committee (VSC) on one revised and one new proposal to be considered by Members.

Improving African coffee processing and market access (new)

8. The Projects Officer said that this proposal had been submitted by the InterAfrican Coffee Organisation (see document WP-Board 1062/10). The VSC had considered the proposal for the first time and had been split on approval or revision.

² Revised documents were subsequently circulated to the Council (documents ED-2091/10 Rev. 1 and ED-2092/10 Rev. 1).

9. In discussions on this item, several Members noted that this was a very relevant and innovative project for African coffee growers. The point was made that although a majority of the VSC Members were in favour of approval, the VSC had scored the project as ‘poor’ in two important technical areas (sustainability and budget/cost-effectiveness). In the latter area, co-financing was an important issue for the Common Fund for Commodities (CFC) which could reject projects if the necessary arrangements were not in place. It was suggested that it would be useful to revise the proposal, and resubmit it to the Secretariat to ensure it complied with ICO and CFC requirements to avoid delays at a later stage and ensure the best possible chance of success, as the CFC Consultative Committee only considered projects twice a year.

10. With respect to the need for countries to provide a counterpart contribution of 10% of the total value of the project, whether financial or in-kind resources, this was being followed up with the two participating countries (Côte d’Ivoire and Kenya) and would be provided. With respect to co-financing, the representative of the Project Executing Agency confirmed that Afreximbank had agreed to provide co-financing of US\$2,900,000.

11. The Board took note of this information and decided to recommend to the Council that the proposal should be revised taking into consideration the suggestions of the VSC, and resubmitted at the next meeting.

Pest control model and Good Agricultural Practices (GAP) application in different coffee growing areas in Indonesia (revised)

12. The Projects Officer said that this proposal had been submitted by Indonesia (see document WP-Board 1063/10). The VSC had considered the proposal for the second time and had been split on approval or revision.

13. In discussions on this item the point was made that this was an important project for Indonesia in view of the urgent need to address the coffee berry borer in this country. Although a majority of the VSC Members had recommended revision, the VSC had scored the proposal as ‘adequate’ in four out of five technical areas. It was suggested that comments by the VSC on the area of budget/cost-effectiveness could be clarified with the proponents directly to avoid delays in submitting the proposal to the CFC.

14. The Board took note of this information and further noted that consultations would take place between Indonesia and the Secretariat to strengthen the area of budget and cost-effectiveness of the proposal. On this basis, the Board decided to recommend approval of the project to the Council.

15. The Board further took note of the need for the ICO to find alternative sources of finance in order to avoid depending on a single donor, and noted that the Executive Director would report to the Council on discussions at the meeting of the CFC and International Commodity Bodies (ICBs) in August 2010 on this topic. Finally, the Board noted that the ICO had limited resources to prepare projects, which should be fully developed by participating countries to avoid subsequent revisions and delays, and new and revised project proposals for consideration in March 2011 should reach the Executive Director by **17 December 2010**.

Item 4.2: Projects under consideration by the CFC

16. The Projects Officer introduced document EB-3972/10 Rev. 1 containing a progress report on projects, and said that five proposals had been submitted for consideration by the CFC Project Appraisal Committee and Consultative Committee in July 2010. Two proposals had been submitted informally as they involved countries which were not yet members of the CFC (the Democratic Republic of Congo and Vietnam), and both countries would need to complete the necessary membership procedures. The CFC's response to the five proposals had been delayed due to the resignation of the former CFC Projects Manager, Mr Caleb Dengu. Ms Eltha Brown, First Project Manager at the CFC, currently had interim responsibility for coffee and the ICO was discussing the overall projects pipeline with her in order to prioritize submission of proposals to the CFC in January 2011. The Secretariat would report on the outcome of the CFC's decisions on the various proposals to Members during the next Council session in March 2011.

17. The Board took note of the progress report on projects contained in document EB-3972/10 Rev. 1 and of reports under this item.

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

18. The Head of Operations introduced document EB-3977/10 containing a report on the CQP for the period October to June 2005/06 to 2009/2010. He said that 28 countries (accounting for just under 69% of world exports in the period October 2009 to June 2010) were implementing Resolution 420. For this period, the volume of green coffee exported by the 24 Members who regularly provided information amounted to nearly 40.8 million bags out of total world exports of green coffee of 64.6 million bags.

19. The Head of Operations also introduced document EB-3976/10 containing a report on gradings for Arabica and Robusta coffees for the period October 2009 – June 2010. In the case of Arabica coffee graded by ICE, over 88% of coffee had passed the original gradings analysis during the period covered by the report. The volume of Robusta coffee graded by NYSE Euronext which failed to comply with the target standards of Resolution 420

amounted to 30,167 bags (24.3%) out of a total of 124,000 bags graded in that period (representing a fall of 97.5% in comparison with the total volume of 4.88 million graded in the same period in the previous year). Of this amount, 78.5% was from Togo. This represented a decrease of 98.6% compared to the volume in the same period in the previous year.

20. The Head of Operations also reported that at its meeting on 20 September, the PSCB had received presentations on the Global Coffee Quality Research Initiative and on adding value to Robusta coffees (see documents PSCB-122/10 and PSCB-123/10). Finally he reported that, as requested in March 2010, the ICO had contacted ICE to clarify an apparent contradiction in the results for coffee year 2008/09 indicating that grade quality had gone down while cup quality had gone up, rather than moving in conjunction with each other. Clarification had been provided indicating that there was no automatic correlation between grade and cup quality – sometimes coffee could look good but taste bad. Statistical tests carried out by the ICO revealed a low correlation between the two standards. The Board took note of this information and of documents EB-3976/10 and EB-3977/10.

Item 6: Financial and administrative matters

Item 6.1: Report of the Finance Committee

21. The Chairman of the Finance Committee, Mr Michael Wheeler of Papua New Guinea, said that the Committee had met on 20 September 2010. The Committee had received a report on the financial situation as at 31 August 2010 (contained in document WP-Finance 84/10). The Committee had noted that other income for the first eleven months of the year showed a positive variance of £3,256, whilst expenditure for the same period was £27,548 below budget. There had been a significant shortfall on interest receivable; however this had been counterbalanced by the positive variance on rental income. This had resulted in an overall positive variance of £30,804 against the budget. Consequently, despite a difficult financial climate, the Organization's financial situation could be summarized as satisfactory. The Board took note of this report.

Item 6.2: Draft Administrative Budget for the financial year 2010/11

22. 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 recommendations for approval.

23. The Chairman of the Finance Committee said that the Committee had discussed in detail the revised draft Administrative Budget for 2010/11 contained in document WP-Finance 77/10 Rev. 1. Although the proposed increase was in line with inflation in the UK, several Members had expressed the need for greater savings and more efficient use of resources in the light of financial constraints faced by Governments.

24. The Committee had considered the issue of the rent of the premises as a rent review was due to take place in April 2011. Although any increase was capped at 50% until the lease expired in 2017, this would have significant implications for the Budget. The Executive Director had held preliminary discussions with the landlord and provision for an estimated increase had been included in the draft Budget.

25. The Committee had discussed the premises which accounted for 24% of the annual Budget, and whether this represented a good use of resources. It had considered a document showing different scenarios for the occupancy of the premises, which included subletting part of the second floor to other tenants, giving up the second floor and relocating all staff to the first floor, or giving up the ground floor, bearing in mind that the ICO used the conference facilities for a limited period each year. These options could result in significant savings on the annual rent, but further negotiations with the landlord would be needed and cost factors such as refurbishing and making good the premises would need to be taken into account. Finally he said that the Finance Committee had looked in detail at a number of items including language services and the programme of activities, and a revised Budget would be prepared for consideration at a further meeting of the Committee on 22 September.

26. The Board took note of this information and further noted that the Chairman of the Finance Committee would report directly to the Council on its recommendations to avoid an additional meeting of the Executive Board.

Item 6.3: Payment of arrears

27. Under the provisions of Resolutions 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.

28. The Chairman of the Finance Committee reported that both Nicaragua and the Democratic Republic of Congo were behind the schedule established under the respective Resolutions. The Committee had expressed concern, particularly with regard to Nicaragua, which had only made payments according to the schedule up until March 2010. The Democratic Republic of Congo had continued to make small regular payments. The Committee had noted the need to encourage these countries to make additional efforts to repay their outstanding contributions. The Board took note of this information and urged both Members to make every effort to repay their arrears.

Item 6.4: Appointment of registered auditors

29. 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 first appointed in 2009, 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 2010/11.

Item 6.5: Finance Committee 2010/11

30. The Board decided to appoint the following Members to the Finance Committee for 2010/11:

Exporting Members: Brazil, Colombia, Côte d'Ivoire, Papua New Guinea

Importing Members: EU – Spain, Norway, Switzerland, USA

Item 6.6: Other financial and administrative matters

31. The Board noted that the Finance Committee had considered a document on remuneration (document WP-Finance 83/10), which had been prepared at the request of the Committee at its meeting in March 2010. This was a useful document which provided a summary of the main principles and their practical application to the remuneration of the Organization's staff, and would assist new Members of the Committee in understanding the basis for the salary system.

Item 7: Other business

32. There was no other business to discuss.

Item 8: Future meetings

33. The Board noted that the Secretariat would confirm the date of the next meeting of the Executive Board, which would be subject to progress on the entry into force of the 2007 Agreement.