



Organización Internacional del Café  
Organização Internacional do Café  
Organisation Internationale du Café

EB 3955/08

7 October 2008  
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Executive Board  
268<sup>th</sup> Meeting  
22 and 25 September 2008  
London, England

**Decisions Adopted**  
(268)

1. The Executive Board, chaired by Mr David Brooks of the USA, met on 22 and 25 September 2008.

**Item 1: Adoption of the Agenda and schedule of meetings**

2. The Board adopted the draft Agenda contained in document EB-3950/08 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 2007/08**

3. The Board took note of the situation of outstanding payments affecting voting rights as at 19 September 2008 and of the redistribution of votes in the Council and Executive Board for coffee year 2007/08 contained in document EB-3934/07 Rev. 4<sup>1</sup>.

**Item 2.2 Initial distribution of votes in the Council  
for coffee year 2008/09**

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

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<sup>1</sup> A revised votes document was subsequently circulated to the Council as document EB-3934/07 Rev. 5.

Board noted that documents ED-2041/08 and ED-2042/08 contained information on the statistical basis for the initial distribution of votes among exporting and importing Members respectively<sup>2</sup>. 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-3952/08) would be considered by the Council.

**Item 3: Programme of activities for 2008/09**

5. The Head of Operations said that document EB-3945/08 Rev. 1 contained a revised programme of proposed activities in coffee year 2008/09. The aim of the programme was to provide a focus for the work under the International Coffee Agreement (ICA) 2001 in accordance with the activities contained in the Outline plan of action for 2001-2006. The costs of specific activities (£31,000) had been incorporated into the draft Administrative Budget for the financial year 2008/09 and did not represent expenditure over and above that contained in the budget proposals. In May 2008, Members had been invited to send comments by 31 July 2008 on the draft programme and make proposals for a seminar or workshop in 2008/09. As no replies had been received by this deadline, it was proposed that a seminar on the coffee berry borer should be held in view of the interest expressed in this matter by Members. Activity 1.10.1 of the programme of activities for 2008/09 had been revised accordingly.

6. The Board took note of this information and decided to recommend that the Council should approve the programme of activities in coffee year 2008/09 contained in document EB-3945/08 Rev. 1.

**Item 4: Coffee development projects**

**Item 4.1: Projects under consideration by the ICO**

7. The Head of Operations introduced document EB-3951/08 containing the report of the Virtual Screening Committee (VSC) on six proposals for consideration by Members. The Board decided to review these proposals according to whether the VSC had reached consensus or had been split on its recommendation.

*Raising income security of smallholder coffee farmers in Malawi and Tanzania through sustainable commodity diversification*

8. The Head of Operations said that the proposal contained in document WP-Board 1056/08 contained terms of reference prepared by the Common Fund for Commodities (CFC) in response to the request by the Governments of Malawi and Tanzania to replicate two ongoing projects sponsored by the ICO in Latin America, namely ‘Diversification of

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<sup>2</sup> Revised documents were subsequently circulated to the Council (documents ED-2041/08 Rev. 1 and ED-2042/08 Rev. 1).

production in marginal areas in the State of Veracruz, Mexico’ (CFC/ICO/32) and ‘Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador’ (CFC/ICO/31). The VSC had recommended that the terms of reference should be approved. The Board took note of this information and decided to recommend to the Council that they should be approved.

*Sustainable coffee production by smallholder farmers in Ethiopia: An integrated approach for quality improvement, poverty reduction and biodiversity conservation*

9. The Head of Operations said that the proposal contained in document WP-Board 1052/08 had been submitted by Ethiopian Coffee Forest Forum with the support of the Ethiopian Government. The VSC had recommended that the project should be approved, subject to minor revisions. The Board took note of this information and initially decided to recommend to the Council that it should be approved subject to minor revisions. However following further discussions, its final decision on this project is reflected in paragraph 13 below.

*Improving coffee quality in East and Central Africa: Scaling up of enhanced processing practices in Ethiopia and Rwanda*

10. The Head of Operations said that the proposal contained in document WP-Board 1053/08 had been submitted by CABI-ARC with the support of the Ethiopian Government. The VSC had been split on whether to recommend revision or rejection of the proposal.

11. In discussions on this project it was suggested that consideration should be given to combining both this and the preceding proposal in the light of similarities between their objectives. Although the second proposal was more expensive and required further technical development, it also involved more countries and beneficiaries, and would be implemented by CABI which had experience in implementing the original project ‘Improving coffee quality in East and Central Africa through enhanced processing practices in Rwanda and Ethiopia’ (CFC/ICO/22). The CFC had limited resources and was unlikely to fund two projects of a very similar nature. It generally preferred projects involving more than one country, although it had funded single country projects in the past.

12. The Board noted that the CFC considered that both projects required further development. It was important to unlock the liquidity of local banks, which currently considered farmers riskier than other clients as they did not have any credit history. The CFC would support the establishment of a well-structured credit guarantee scheme which would allow the banks to lend to farmers, with a credit guarantee for the additional risk. In the case of the first project, aspects relating to production were weak, and marketing elements were strong, a situation which was reversed in the second project. The CFC was open to providing

project preparation facilities and identifying an expert who could assist with designing the proposal. With regard to the grant component to support the credit scheme, this should be no more than US\$2 million.

13. Following further discussions, the Board noted that it would be preferable to submit a single project which included the strengths of each proposal. It decided to recommend to the Council that both proposals should be revised by the proponents and combined into a single project, with the guidance of the CFC and the Secretariat, in the light of the offer by the CFC to assist with the reformulation of the project. Finally, the Board noted that concerns such as the need for issues specific to Ethiopia to be dealt with by Ethiopian organizations which had familiarity with financial and extension systems in the country would be taken into account.

*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*

14. The Head of Operations said that the proposal contained in document WP-Board 1055/08 had been submitted by the Office National du Café of the Democratic Republic of Congo. The VSC had recommended that the project should be revised.

15. The Board took note of this information and decided that the project should be revised by the proponents, taking into account the comments of the VSC.

*Characterization, enhanced utilization and conservation of Coffea germplasm diversity*

16. The Head of Operations said that the proposal contained in document WP-Board 1054/08 had been submitted by the National Coffee Research Centre (Centro Nacional de Investigaciones Cafeteras, Colombia – CENICAFE) in collaboration with Cornell University. The VSC had been split on whether to recommend revision or rejection of the proposal.

17. In discussions on this item, the Board noted that in 2001 the Council had approved a project ‘Enhancing use of coffee germplasm – an African perspective’, however as the CFC did not fund basic research, co-funding was being sought for this component, so that other activities could be submitted to the CFC for financing. In the case of the current project, one possibility might be to combine some components with the earlier project. Members noted the challenge of finding resources for well-regarded projects which did not match CFC priorities. It was suggested that such projects could be kept in mind for consideration at a later date when resources became available. The need was stressed to take into account the comments by the VSC, such as the lack of a detailed budget and the proposed development of advanced genomic tools which were already widely available. The point was also made that this was an important initiative. If it did not meet CFC priorities, it could still be approved by

the Council and financing could be sought from other institutions. The Executive Director suggested that one possibility might be to develop it in collaboration with the International Coffee Genome Network and research centres such as the Campinas Agronomic Institute (IAC) in Brazil and other countries which were interested in this type of initiative.

18. The Board took note of this information. It decided to recommend that the project should be revised and that, as the project in its current format might not be suitable for funding by the CFC, alternative sources of financing should be identified both by the proponents and the ICO.

*Enhancing resource use efficiency in coffee production and processing by Farmer 2 Farmer learning*

19. The Head of Operations said that the proposal contained in document WP-Board 1049/08 was a revised proposal which had been submitted by the Foundation Hanns R. Neumann Stiftung (FHRNS) with the support of the Vietnam Coffee and Cocoa Association (VICOFA) and the Tanzania Coffee Board. The Board had recommended in May 2008 that the proposal should be revised by the proponents to take into account the comments of the VSC. The VSC had reviewed the project again and had been split on whether to recommend approval, revision or rejection.

20. In discussions on this proposal, the point was made that 45% of the budget would be used for developing software, and that the software would depend on data provided by farmers in Vietnam and Uganda who might not be able to measure crop data parameters consistently, bearing in mind variables encountered in the field. The point was also made that the project included some co-financing and had multiple beneficiaries.

21. The Board took note of this information and further noted that this was an important project for Vietnam. Its main objective was to improve the sustainable development of Vietnamese coffee based on training of small farmers who accounted for over 90% of coffee production. Two tools (farmer field schools and farmer daily notebooks) would help farmers to gain advanced technical knowledge, to determine the inputs and calculate the costs and benefits of production. It would improve both the income of coffee farmers and the quality of Vietnamese coffee. The Board decided to recommend that the proposal should be revised to take into account comments by the VSC, and to provide additional information on technical areas where this was missing.

22. Finally the Board noted that the dates for future submission of project proposals would be confirmed by the Secretariat after the meeting.

**Item 4.2: Projects under consideration by the  
Common Fund for Commodities (CFC)**

23. The Head of Operations introduced the progress report on projects contained in document EB-3942/08 Rev. 4. He reported that the CFC Project Appraisal Committee (PAC) would consider three proposals in October 2008: ‘Trifinio sustainable coffee project’, ‘Study of the potential for commodity exchanges and other forms of market-places in West Africa’ and ‘Competitive coffee enterprises programme’. In the case of the last project, the CFC had approved it in January 2008, subject to some revisions and had appointed a consultant in July 2008 to assist with its reformulation. It would be considered by the CFC Consultative Committee in January 2009, together with the project received from the Eastern African Fine Coffees Association (EAFCA) ‘Building capacity for coffee certification and verification in Eastern Africa’. The Board took note of this information.

24. With regard to the project entitled ‘Coffee price risk management in Eastern and Southern Africa’ which had been approved by the CFC in 2001, the Board noted that this project had not yet been implemented as there had been difficulties with the appointment of a Project Executing Agency. The ICO had requested the CFC to consider transferring the budget to support the risk management component of the ‘Pilot short- and medium-term finance to small-scale coffee farmers in Kenya’ project. The CFC considered that, as the latter project had unused resources including a loan for US\$1 million, it could not justify approving this request, but suggested that the ICO and the Government of Kenya should put forward a proposal to make use of the US\$1 million loan. With regard to the ‘Coffee price risk management in Eastern and Southern Africa’ project, the CFC would formally request the ICO to propose ways of implementing the proposal in the region, to make use of the resources available for the project.

25. Finally, the Board noted the importance of a clear framework and policies for approval of projects. Projects could be worthwhile but not meet ICO priorities such as improving quality and reducing poverty. In due course, consideration would need to be given to reflecting the objectives of the ICA 2007 in future policies and priorities for projects.

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

26. The Head of Operations introduced document EB-3953/08 containing a report on the CQP for the period October 2007 to June 2008. Twenty-eight exporting Members (accounting for nearly 67% of world exports) were implementing Resolution 420. During the nine months to June 2008, the 24 Members who had provided information for the period of this report had exported nearly 43.6 million bags. Total exports of green coffee from October 2007 to June 2008 amounted to 66.3 million bags, nearly 65% of which was in full compliance with Resolution 420. The volume of coffee graded by the London International

Financial Futures and Options Exchange (LIFFE) which failed to comply with the targets of Resolution 420 amounted to 1.77 million bags, an increase of over 84% compared to the same period in 2006/07, and 130% compared to 2005/06. Of these 1.77 million bags, over 68% was from Vietnam and over 11% from Côte d'Ivoire. In the case of coffee graded by ICE Futures U.S., over 83% of coffee had passed the gradings analysis from October 2007 to June 2008. The Head of Operations added that with respect to Resolution 420 and the ISO Standard 10470:2004 Green coffee – Defect reference chart, there was no additional information to report since the last meeting.

27. The Executive Director noted that the ICO had a broad-ranging approach to improving quality which included coffee development projects and cooperation with coffee associations in consuming countries such as the Specialty Coffee Association of America (SCAA), the Speciality Coffee Association of Europe (SCAE), the National Coffee Association of the USA (NCA) and the Coffee Association of Canada. These associations were playing a valuable role in raising awareness of the importance of increasing coffee quality.

28. The Board took note of this information and of the progress report on the CQP contained in document EB-3953/08.

**Item 6:                   Phytosanitary matters**

29. The Head of Operations reported that the Codex Alimentarius Commission had held its 31<sup>st</sup> Session in Geneva from 30 June – 4 July 2008 and had approved a proposal for new work on a Code of Practice for prevention and reduction of ochratoxin A (OTA) contamination in coffee. An electronic working group led by Brazil would prepare a draft Code for distribution by Codex by end 2008. The Head of Operations was participating in the working group. The Commission had also considered a proposed draft code of practice for the reduction of acrylamide in food, mainly focussed on foods produced from potatoes and cereals, reflecting their importance in terms of dietary exposure to acrylamide, and which included a limited section on coffee. The Commission had adopted the proposed draft Code at step 5 and advanced it to step 6, with some comments made at the meeting to be referred to the meeting of the Codex Committee on Contaminants in Foods in March 2009.

30. In the case of pesticides, the Head of Operations said that document ED-2046/08 contained information on new EC rules on pesticide residues (EC Regulation No. 396/2005) which were applicable from 1 September 2008 and which set fully harmonized Maximum Residue Levels (MRLs) of pesticides. A newly developed database could be consulted on the website for the Directorate-General for Health and Consumers (DG Sanco) to search for the MRLs applicable to each pesticide and to each crop ([http://ec.europa.eu/sanco\\_pesticides/public/index.cfm](http://ec.europa.eu/sanco_pesticides/public/index.cfm)). Legislation could be accessed via the following link: [http://ec.europa.eu/food/plant/protection/pesticides/legislation\\_en.htm](http://ec.europa.eu/food/plant/protection/pesticides/legislation_en.htm).

31. The Board took note of this report and further noted that DG Sanco was willing to prepare a manual and questions and answers to assist interested parties and it was hoped to make this available to Members shortly. DG Sanco had also indicated that goods covered by a contract concluded before 1 September 2008 but which arrived after that date would be honoured if substances were not clearly harmful to public health; if the goods would have been accepted before 1 September it was likely that they would be accepted after that date. The Board noted that one Member was reviewing the compatibility of the regulations on pesticides with World Trade Organization (WTO) agreements.

32. The Board further noted that in future, the issue of phytosanitary matters should be included on the Agenda of the Council, rather than the Executive Board, to enable all Members to participate in the discussions and to be aware of regulations affecting the coffee sector. The Board further noted that issues discussed under this item should include legislation introduced by other Members, not just the EC.

**Item 7: Financial and administrative matters**

**Item 7.1: Report of the Finance Committee**

33. The Chairman of the Finance Committee, Mr Mick Wheeler of Papua New Guinea, said that the Committee had met on 22 September 2008. The Committee had received a report on the financial situation as at 31 August 2008 (contained in document WP-Finance 61/08) and had noted that this was satisfactory.

**Item 7.2: Draft Administrative Budget for the financial year 2008/09**

34. The Chairman of the Finance Committee said that the Committee had discussed the revised draft Administrative Budget for 2008/09 contained in document WP-Finance 54/08 Rev. 1 following a preliminary review of this document in May 2008, and had also reviewed WP-Finance 59/08 containing a cost analysis budget. This was a useful tool and the Committee recommended that it should be an integral part of future budgets. The Committee had noted that contributions would increase by 2.2% although the current rate of inflation in the United Kingdom was almost 5%. The Committee had further noted that estimated revenue from rental income from conference facilities would be lower in 2008/09 as the International Maritime Organization (IMO), which had used the ICO's conference facilities in 2007/08 because of its refurbishment activities, had now completed this work. The Committee considered that the budget was based on realistic assumptions and noted that, as requested, a number of reductions in expenditure had been made.

35. The Board took note of document WP-Finance 59/08 containing a cost analysis budget and agreed to recommend to the Council that the draft Administrative Budget for

2008/09 contained in document WP-Finance 54/08 Rev. 1 should be approved<sup>3</sup>. Based on overall expenditure of £2,904,000 and estimated revenue from external sources of £240,000, the potential contribution per vote would be £1,332 representing an increase of 2.2% compared with the financial year 2007/08.

**Item 7.3: Appointment of registered auditors**

36. The Chairman of the Finance Committee said that in 2006/07, the Finance Committee had recommended that the Executive Board should consider changing the auditors in 2009, the 10<sup>th</sup> anniversary of the appointment of the current auditors, Mazars (formerly known as MRI Moores Rowland), who were first appointed in 1998/99. The Committee had noted that two quotes had been received: a quote of £11,500 from Mazars, and a second quote of £9,750 from Smith Williamson. After some discussion, the Committee had decided to recommend that Smith Williamson should be appointed as the auditors for the financial year 2008/09, in view of its recommendation that the auditors should be changed.

37. 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 and further noted that the Executive Director proposed to appoint Smith Williamson as the auditors of the ICO for the financial year 2008/09.

**Item 7.4: Payment of arrears**

38. 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.

39. The Chairman of the Finance Committee reported that Uganda had paid all its outstanding arrears and its contributions for 2007/08, and Nicaragua was in compliance with the schedule established in Resolution 437. The Democratic Republic of Congo had made some small regular payments but was considerably behind with the schedule established in Resolution 430. The Finance Committee had therefore recommended that its voting rights should continue to be suspended until there was a marked improvement.

40. The Board took note of this information and expressed its appreciation to Nicaragua and Uganda for their commitment in complying with the provisions of Resolutions 437 and 429, respectively.

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<sup>3</sup> Subsequently approved by the Council and distributed as document EB-3954/08.

**Item 7.5: Finance Committee 2008/09**

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. As no proposals to change the membership of the Committee had been received, the Board decided to appoint the current representatives of the Committee for a further year, pending the entry into force of the ICA 2007, and approved the composition of the Finance Committee for 2008/09 as follows:

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

Importing Members: EC – Spain, Japan, Switzerland, USA

**Item 7.6: Other financial and administrative matters**

42. The Chairman of the Finance Committee said that the Committee had considered document WP-Finance 60/08 containing proposals for the basis for contributions to the Provident Fund for staff in the Professional and higher categories. An increase in 6.61% has been recommended by the International Civil Service Commission, with effect from 1 August 2008. The additional funds required for the remainder of 2007/08 were £1,500, which could be found from within the budget for 2007/08. Provision for the costs of the proposals for 2008/09 (£4,300) could be met from within the budget for that year (Item 1 – Personnel). The Committee had taken note of this information and had decided to recommend that these proposals should be approved.

43. The Chairman of the Finance Committee also reported that the Committee had considered document WP-Board 1057/08 containing a proposed change to Regulation 9.4 of the Staff Regulations and Staff Rules of the Organization. It was proposed to amend the mandatory retirement age in a phased manner over nine years, starting on 1 October 2008 with an increase in the age from 62 to 63; with a further rise to 64 four years later, on 1 October 2012; and a final rise to 65 five years later, on 1 October 2017. Noting that it was now unlawful to stipulate a mandatory retirement age of less than 65 in the United Kingdom, and that the International Cocoa Organization had adopted a similar proposal, the Committee had decided to recommend that the Board and Council should approve this proposal.

44. The Board took note of this information and, on the recommendation of the Finance Committee, decided to approve the proposals for the basis for contributions to the Provident Fund for staff in the Professional and higher categories contained in document WP-Finance 60/08. The Board also decided to recommend to the Council that it should approve the proposed change to Regulation 9.4 of the Staff Regulations and Staff Rules of the Organization contained in document WP-Board 1057/08.

**Item 8: Other business**

45. The Board noted that there was no other business to discuss.

**Item 9: Future meetings**

46. The Board noted that the dates of meetings in 2008/09 would be decided by the Council and would be confirmed by the Secretariat after the meeting. The Board further noted that at its next Session, the Council would decide whether or not the conditions for the entry into force of the ICA 2007 had been met. In the meantime, the Organization would continue to operate within the framework of the ICA 2001, following the decision by the Council to extend the 2001 Agreement for a further year under the provisions of Resolution 438.