8th Meeting of the Working Group on the Future of the International Coffee Agreement

Chair: Ms Stefanie Küng, of Switzerland
Wednesday, 2 September 2020
PROCEDURE ON HOW TO MAKE AN INTERVENTION

1. All Members are on ‘mute’ except for the Chair and the Executive Director. This is to reduce noise interruptions during the meeting.

2. If a Member would like to make a verbal intervention, please click on participants and press ‘Raise Hand’, then the Chair will give you the floor and I will unmute your microphone.

3. When asking a question Members can share their camera if they wish.

4. As a backup option – written questions can also be sent by text to the organizer in the Zoom chat.
DRAFT AGENDA

Item 1: Draft Agenda – to adopt
Item 2: Report of the 7th meeting of the Working Group
Item 3: Communication received from Brazil
Item 4: Future of the International Coffee Agreement
Item 5: Next steps
Item 6: Other business
Item 7: Date of next meeting
Item 2. REPORT OF THE 7th MEETING OF THE WORKING GROUP (WGFA-40/20)
Item 3. COMMUNICATION RECEIVED FROM BRAZIL (WGFA-42/20)
Item 4. FUTURE OF THE INTERNATIONAL COFFEE AGREEMENT (WGFA-43/20)
4.1 Introduction

BACKGROUND: Request of the Working Group on the Future of the International Coffee Agreement (WGFA) during its 7th meeting

AIMS:

• Identify suitable models to integrate private sector in a revised ICA
• Propose an adaptation of the most suitable model so as to formally incorporate the private sector into the work of the ICO
• Present options to enhance the role of the ICO Secretariat and its operational efficiency

ACTION: Desk research and analysis of the institutional framework, decision-making processes and integration of the private sector in intergovernmental organizations
4.2 Assessment and Comparison of Intergovernmental Models

United Nations specialized agencies: only ones integrating the private sector

- International Telecommunication Union (ITU)
- UN World Tourism Organization (UNWTO)

International Commodity Bodies

- International Coffee Organization (ICO)
- International Cocoa Organization (ICCO)
- International Sugar Organization (ISO)
- International Tropical Timber Organization (ITTO)
- International Grains Council (IGC)
- International Cotton Advisory Committee (ICAC)
4.3 Role of Private Sector in Selected International Organizations

A. INTERNATIONAL TELECOMMUNICATION UNION (ITU)

- The International Telecommunication Union is an intergovernmental organization that allows for the participation of the private sector, which also contributes financially to the organization, without compromising its intergovernmental nature.

- ‘Sector-specific’: Within the United Nations family of Specialized Agencies, the ITU has the specific feature of referring to a specific ‘industrial’ sector, i.e. telecommunications. This characteristic makes the ITU close to the ICO in being a ‘sector-specific’ intergovernmental organization.

- Composition: Composed of 193 Member States

  - Sector Members: it allows for the participation of the private sector in the work of the Union as ‘Sector Members’ (538 Sector Members). These are Members of a ‘Sector’, i.e. the ITU contains three sectors within its structure: Radiocommunication, Telecommunication Standardization and Telecommunication Development; Sector Members are integrated in the decision-making process at ‘sector-level’, are “approved by the Member State concerned”, and can attend meetings of governing bodies as observers.

  - Associates: entities or organizations that participate in the work of a study group (currently 233). A Sector may decide to admit entities.

- Finances: Member States and Sector Members have financial obligations towards the Union. The ITU establishes a system of classes of contribution (Member States and Sector Members can choose freely from the scale). Associates also have financial obligations towards the Union.
4.3 Role of Private Sector in Selected International Organizations

A. INTERNATIONAL TELECOMMUNICATION UNION (ITU)

- Practical benefits for Sector Members and Associates:
  - By joining ITU, they have the opportunity to influence decisions that will impact their business or organization as well as the broader economy and society
  - Network with sector (ICT) regulators, policy-makers and experts from industry and academia
  - Contribute to global standards/best practices (incl. your research/patented tech)
  - Participate and contribute to Study Groups on emerging issues in the ICT field*
  - Advise governments on ICT strategies and technologies
  - Share expertise and access training and specialized seminars
  - Get visibility on the international scene
  - Participate in global and regional conferences and debates
  - Launch innovative public-private partnerships
  - Get access to world-leading ICT statistics, studies, databases & Members-only information
  - Discounts on ITU publications**

*Sector Members can take leadership positions in Study Groups whereas academia and Associates can serve as Study Group rapporteurs and editors.

**Members of Academia (163 currently) benefit from an 80% discount on many ITU publications, while Sector Members and Associates receive a 15% discount (In addition, representatives of Academia have the right to participate in all three sectors with an annual reduced fee).
4.3 Role of Private Sector in Selected International Organizations

B. United Nations World Tourism Organization (UNWTO)

- The United Nations World Tourism Organization (UNWTO) is the only other UN specialized agency where private sector members are incorporated in the work of the organization.

- UNWTO Affiliate Members: The Affiliate Members form an integral part of UNWTO membership. Affiliate Members have the status of Members of the UNWTO in accordance with the Statutes of the UNWTO.

- Organs of the Committee of the Affiliate Members:
  - Plenary: All Affiliate Members are represented, and composed of all the membership, each having voice and vote;
  - Board of the Affiliate Members: This entity acts as an advisory body to the UNWTO Secretary-General, responsible for the alignment of its members to the goals, mission and general programme of work of UNWTO, as well as the design and implementation of the programme of work of the Affiliate Members.
4.3 Role of Private Sector in Selected International Organizations

C. Selected International Commodity Bodies:
- Some ICBs and their International Agreements recognize the importance of the private sector, essentially attributing to the private sector a consultative/advisory function.
- ICBs and their governing Agreements do not consider the private sector as an integral part of the governing, institutional and financial structure.
<table>
<thead>
<tr>
<th>ICB</th>
<th>Formal set up</th>
<th>Members</th>
<th>Function</th>
<th>Financial obligations</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICO</td>
<td>Private Sector Consultative Board (PSCB)</td>
<td>PS Associations</td>
<td>advisory</td>
<td>None</td>
<td>The Coffee Public-Private Task Force established in 2019 but it is not linked to the ICA2007.</td>
</tr>
<tr>
<td>ICCO</td>
<td>Consultative Board on the World Cocoa Economy</td>
<td>PS Associations</td>
<td>advisory</td>
<td>None</td>
<td>The World Cocoa Foundation (WCF): to catalyze public-private action to accelerate cocoa sustainability. There is no formal link between the ICCO and the WCF in the current Agreement.</td>
</tr>
<tr>
<td>ISO</td>
<td></td>
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<td></td>
<td>None</td>
<td>The ISA 1992 contains no mention of the private sector Delegations are encouraged to include representatives/advisers from the PS.</td>
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<tr>
<td>ITTO</td>
<td></td>
<td></td>
<td></td>
<td>None</td>
<td>the ITTA 2006 recognizes &quot;the importance of collaboration among members, international organizations, the private sector &amp; civil society, including indigenous &amp; local communities, and other stakeholders in promoting sustainable forest management&quot;.</td>
</tr>
<tr>
<td>IGC</td>
<td></td>
<td></td>
<td></td>
<td>None</td>
<td>there is no mention, reference nor inclusion of the PS in the work of the organization. Nevertheless, the annual IGC Grains Conference, which is a public forum for discussion, is conceived as an opportunity to bring international buyers / sellers, industry representatives and policymakers together.</td>
</tr>
<tr>
<td>ICAC</td>
<td>* Private Sector Advisory Panel (PSAP)</td>
<td>Experts</td>
<td>Three bodies enable the direct involvement of the PS in relation to advisory functions, standardization of testing and sustainability:</td>
<td>self financing</td>
<td>The Rules and Regulations of the ICAC states that the ICAC shall cooperate with other organizations, public or private, national or international. These organizations, as well as non-member governments and the public, may, with the approval of the host Member, be invited to attend sessions of the Advisory Committee (i.e. Plenary).</td>
</tr>
<tr>
<td></td>
<td>* Task Force on Commercial Standardisation of Instrument Testing of Cotton (CSITC)</td>
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<tr>
<td></td>
<td>* Expert Panel on Social, Environmental &amp; Economic Performance (SEEP)</td>
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</tbody>
</table>
4.3 Recommendations for the New ICA – Private Sector

Integrating the private sector into the new ICA with financial implications

To incorporate the private sector (entities or organizations other than Governments) into the ICC as members with financial obligations (ITU model):

1. **Definition of the ICO:** A definition of the ICO confirming its intergovernmental nature and mentioning how Member States and Sector Members cooperate to fulfil the purposes of the Organization would be advisable.

2. **Objectives of the ICA:** The objectives/purposes of the ICA should be amended to not only provide “a forum for consultations on coffee matters among governments”, as the ICA already does in its Art. 1, but to commit to “promote and enhance the participation of entities and organizations in the activities of the Organization and foster fruitful cooperation and partnership between them and Member States for the fulfilment of the overall objectives as embodied in the purposes of the Organization”.

3. **Definition of Member States and Sector Members:** New ICA to clearly provide a definition of both Member States and Sector Members.
4.3 Recommendations for the New ICA – Private Sector

Integrating the private sector into the new ICA with financial implications

4. Rights and obligations: New ICA to clearly and separately define rights and obligations of both Member States and Sector Members, clearly maintaining the right to vote reserved only to Member States

5. Sectors within the structure of the ICO: The ICO could consider the possibility of defining different “Sectors” within its structure, and the function, structure and members of each Sector. New ICA to clearly define the function of the “Sector” as acting only in an advisory capacity, and decisions to be left to the Council as the highest authority of the ICO. As an alternative, the Coffee Public-Private Task Force could be associated by applying the ITU Sector model. In addition, the ICA could also recognize the CEO and Global Leaders Forum as an “interlocutor”

6. Admission procedure for private sector members: ICO to consider if it wishes to admit entities and organization from the private sector only from Member States or also from non-members. New ICA then to outline an admission procedure for “Sector Members” of the Member State concerned. An admission procedure for “Sector Members” from non-member states could also be established.
4.3 Recommendations for the New ICA – Private Sector

Integrating the private sector into the new ICA with financial implications

7. Withdrawal/denunciation/exclusion procedure for private sector members: New ICA to outline a withdrawal/denunciation/exclusion procedure for Sector Members, either voluntary or upon demand of Members; and also to establish consequences of such actions

8. Associates: ICO to consider admission of Associates. If so, then the new ICA should include rights and obligations and outline the admission procedure

9. Financial obligations of private sector: New ICA to establish financial obligations for the private sector (Sector Members and Associates): payment of contributions and sharing in expenses of meetings and conferences

10. Classes of contributions: New ICA could consider establishing classes of contributions, and specify rules and conditions
4.3 Recommendations for the New ICA – Private Sector

Integrating the private sector into the new ICA with financial implications


12. Benefits for the private sector: ICO to revise benefits of joining the Organization so as to attract the private sector and encourage its participation and justify financial contributions to the ICO.

How to adapt the ITU model to the new ICA

To incorporate the private sector with financial obligations in the revision of the ICA 2007, amendments and provisions would have to be introduced throughout the ICA 2007 and the Financial Regulations and Financial Rules of ICO, where necessary and applicable as demonstrated above, while ensuring the intergovernmental character of the organization is preserved.
## 4.4 Governance Structure, Voting and Budget Formation of ICBs

### A. Governance structure of ICBs

<table>
<thead>
<tr>
<th>ICB</th>
<th>Date Agreement</th>
<th>Members</th>
<th>Yearly Council meetings</th>
<th>Duration of membership (years)</th>
<th>Admin/Finance</th>
<th>Stats</th>
<th>Economics</th>
<th>Projects</th>
<th>Promotion/Marketing</th>
<th>Private Sector</th>
<th>Forum Finance</th>
<th>Market, Consumption &amp; Stats</th>
<th>Sector-specific committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICO</td>
<td>2007</td>
<td>49 (27 EU)</td>
<td>2</td>
<td>1</td>
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<tr>
<td>ICCO</td>
<td>2010</td>
<td>28 (27 EU)</td>
<td>2</td>
<td>2</td>
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<tr>
<td>ISO</td>
<td>1992</td>
<td>64 (27 EU)</td>
<td>1</td>
<td>2</td>
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<tr>
<td>IGC</td>
<td>2012</td>
<td>14 (27 EU)</td>
<td>2</td>
<td>2</td>
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<tr>
<td>ICAC</td>
<td>2017</td>
<td>12 (27 EU)</td>
<td>1</td>
<td>1</td>
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</tr>
<tr>
<td>ITTO</td>
<td>2006</td>
<td>47 (27 EU)</td>
<td>1</td>
<td>1</td>
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</tr>
</tbody>
</table>
4.4 Governance Structure, Voting and Budget Formation of ICBs

B. Voting and budget system of ICBs

- Most ICBs share a similar structure with regards to distribution of votes, which are divided into two groups: producing/exporting and consuming/importing countries.

- Relic of era of market regulation by ICBs.

- With few exceptions, decisions in ICBs, including ICO, are taken by consensus.

- Nowadays, commodities such as coffee are defined in terms of value chains with relations between a) production and consumption, and b) raw material and value-added product.

- Only the ISO and the ICAC do not make a distinction between exporting/producing countries and importing/consuming countries. ICAC, in particular, uses average trade, i.e. exports plus imports, to take into account the actual reality of trade flows of the commodity.
## B. Voting and Budget System of ICBs

### 4.4 Governance Structure, Voting and Budget Formation of ICBs

<table>
<thead>
<tr>
<th>ICB</th>
<th>Votes distribution</th>
<th>Votes Exporting/producing members</th>
<th>Votes Importing/consuming members</th>
<th>additional rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICO</td>
<td>The exporting Members shall together hold 1,000 votes and the importing Members shall together hold 1,000 votes.</td>
<td>Each exporting Member shall have 5 basic votes. The remaining votes shall be divided among all the exporting Members in proportion to the average volume of their respective exports of coffee in the preceding 3 coffee years.</td>
<td>The votes of importing Members shall be distributed among all importing Members in proportion to the average volume of their respective imports of coffee in the preceding 3 coffee years.</td>
<td>No Member shall hold two-thirds or more of the votes in its category</td>
</tr>
<tr>
<td>ICCO</td>
<td>The exporting Members shall together hold 1,000 votes and the importing Members shall together hold 1,000 votes.</td>
<td>Each exporting Member shall have 5 basic votes. The remaining votes shall be divided among all the exporting Members in proportion to the average volume of their respective exports of cocoa in the preceding 3 cocoa years.</td>
<td>The votes of importing Members shall be distributed among all importing Members in proportion to the average volume of their respective imports of cocoa in the preceding 3 cocoa years.</td>
<td>No Member shall have more than 400 votes.</td>
</tr>
<tr>
<td>IGC</td>
<td>The exporting members shall together hold 1,000 votes, and the importing members shall together hold 1,000 votes.</td>
<td>Each member is designated as an importer or exporter on the basis of its average trade in grains, rice and oilseeds. The operations of the Council are financed by annual contributions from its members, which are proportionate to their share of world trade in grains, rice &amp; oilseeds.</td>
<td>Each member is designated as an importer or exporter on the basis of its average trade in grains, rice &amp; oilseeds. The operations of the Council are financed by annual contributions from its members proportionate to their share of world trade in grains, rice &amp; oilseeds.</td>
<td>No member shall hold more than 333 votes as an exporting member or more than 333 votes as an importing member</td>
</tr>
<tr>
<td>ITTO</td>
<td>The producer members shall together hold 1,000 votes and the consumer members shall together hold 1,000 votes.</td>
<td>Producer members votes: a) 400 votes shall be distributed equally among the 3 producing regions of Africa, Asia-Pacific and Latin America &amp; the Caribbean. Within regions votes are distributed equally among the producer members of that region; b) 300 votes among the producer members on respective shares of the total tropical forest resources of all producer members; c) 300 votes among the producer members in proportion to the average of the values of their respective net exports of tropical timber.</td>
<td>The votes of the consumer members shall be distributed as follows: each consumer member shall have 10 initial votes; the remaining votes shall be distributed among the consumer members in proportion to the average volume of their respective net imports of tropical timber during the five-year period commencing six calendar years prior to the distribution of votes</td>
<td></td>
</tr>
<tr>
<td>ISO</td>
<td>Members shall hold a total of 2,000 votes</td>
<td>Votes are distributed as determined on the basis of a composite tonnage calculated for each Member (35 per cent of that Member’s exports to the free market plus, 15 per cent of that Member’s total exports under special arrangements plus, 35 per cent of that Member’s free market imports plus, based on the average of that category for the highest 3 of the 4 last years</td>
<td></td>
<td>No Member shall hold fewer than 6 votes.</td>
</tr>
<tr>
<td>ICAC</td>
<td>Each Member shall be entitled to 1 vote.</td>
<td>Budget: (1) A basic contribution: 40 percent of the total assessments shall be shared equally between Members, and (2) A pro rata contribution: the total of the pro rata contributions shall equal budgetary demands less the sum of the equal contributions. The pro rata contribution shall be assessed on the basis of average trade in raw cotton (exports plus imports) in the four most recent year</td>
<td></td>
<td>The assessment of each Member shall be the sum rounded to the nearest $100</td>
</tr>
</tbody>
</table>
4.4 Governance Structure, Voting and Budget Formation of ICBs

C. Determination of the budget in ICBs

- In all ICBs, the expenses necessary for the administration of the Agreements are met by assessed annual contributions from Members.
- Supplemented by income from subscriptions, organization of events, management of projects and provision of other services.

D. Regular vs operational budget

A common scheme in the multilateral system is to split the budget into two categories:

- **Regular Budget**, based on assessed contributions of members.
- **Operational Budget**, based on income derived from services rendered, including conferences, publications, voluntary extra-budget contributions by donors and private sector for specific programmes/activities, overhead on services for project development, execution and monitoring/evaluation.

- Costs for staff and other resources are shared between the Regular and Operational budget. This adds flexibility but also uncertainty since the Operational Budget can only be estimated and foreseen expenditures can be realized only when funds are actually available.

If the ITU model is followed, the Regular or Operational budgets could be supported by Sector and Affiliated members.
Contributions from Member States and Sector Members:

- The ITU establishes a system of classes of contribution. Each Member State and Sector Member can choose their class of contribution freely. This way, Member States and Sector Members should pay a sum equivalent to the number of units in the class of contribution they each have chosen.

- The choice by Member States and Sector Members of their class of contribution for defraying Union expenses should be made freely in accordance to the scale of classes of contribution and conditions contained in the Convention.

- Only Member States listed by the United Nations as least developed countries and those determined by the Council may select the 1/8 and 1/16 unit classes of contribution (No. 468A);

- Sector Members may not select a class of contribution lower than 1/2 unit, with the exception of Sector Members of the Telecommunication Development Sector, which may select the 1/4, 1/8 and 1/16 unit classes.
E. Simulation of alternative vote distribution and budget calculation schemes

- Existing division into exporting and importing Members no longer reflects reality of coffee sector and value chain approach.
- The application of alternative schemes for the calculation of votes and/or contributions and comparisons with the existing ICO scheme would require additional research based on the interest of Members.
- Moving to a new voting/contribution system will generate “winners” and “losers”, so careful analysis of the implications is required.
- Possible model: ICAC
4.4 Governance Structure, Voting and Budget Formation of ICBs

E. Simulation of alternative vote distribution and budget calculation schemes

- Adaptation of ICAC model to existing ICO structure
- Changes:
  - Single category of membership
  - Contributions based on trade (exports + imports)
  - No 2/3 cap
- “Losers”
  - Exporting Members with significant coffee imports
  - Importing Members with significant coffee re-exports
  - Members that benefit from 2/3 cap
- “Winners”
  - All other Members
4.4 Recommendations for the New ICA - Governance

Streamlining Governance Structure in a New ICA

Based on analysis of the governance structure of the different ICBs, the current ICO system, with at least two annual meetings of Council and Committees, may be streamlined so as to improve efficiency and reduce costs.

**Council meeting**
- Once a year in September.
- Chair and Vice-chair in office for two years to capitalize on experience.
- If the concept of Sector and Affiliated Members is introduced in the new ICA, using the ITU model, then engagement and participation in the Council of Sector and Affiliated members as observers may be considered.

**Finance and Administration Committee**
- At least twice a year: Spring (March/April) and September
- Chair and Vice-chair in office for two years to capitalize on experience
4.4 Recommendations for the New ICA - Governance

Streamlining Governance Structure in a New ICA

Economics Committee
- At least twice a year: Spring (March/April) and September
- Chair and Vice-chair in office for two years to capitalize on experience
- Open to Sector and Affiliated members’ representatives as observers (as per ITU model)
- In addition to the Statistics, Economics, Projects and Market Development functions, this body could also add more emphasis on standards, conformity assessment and regulations and establish sub-committees/working groups as appropriate

Coffee Public-Private Task Force (CPPTF)
- Regular meetings as needed and one meeting back-to-back with the annual meeting of the Council (September)
- Executive Director is ex-officio Chair
- Representatives of the private sector and of the public sector groups acting as spokespersons could be designated and serve one- or two-year terms
- Open to Sector and Affiliated members as well as development partners and representatives of civil society
- The CPPTF will provide recommendations to the CGLF in addition to the ICC
- The CPPTF will also assume fundraising functions
4.4 Recommendations for the New ICA - Governance

Streamlining Governance Structure in a New ICA

Private Sector Consultative Board (PSCB)
- Meets at least once a year back-to-back with the annual meeting of the Council (September)
- Chair and Vice-Chair members of the CPPTF
- Open to Sector and Affiliated members

World Coffee Conference
- Held every four years
- Chair nominated by the host country and endorsed by Council
- Income generated should be shared with the ICO

CEO and Global Leader Forum (CGLF)
- Recognized but not regulated by the ICA as a forum of coffee CEOs and global leaders
- Meets at least once a year back-to-back with the annual meeting of the Council (September)
- The CGLF could also be associated with the World Coffee Conference
4.4 Recommendations for the New ICA – Voting & Budget

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**Updating the voting and budget systems**

The current voting and budget formation systems no longer reflect the reality of the coffee sector. However, moving to a new voting/contribution system will generate winners and losers, so careful analysis of the implications is required. A revised budget structure, composed of Regular (assessed contributions) and Operational (external resources and income) sections may be beneficial. If the new ICA adds Sector and Affiliated members, the overall budget will benefit from co-funding by industry and other coffee stakeholders.
4.4 Recommendations for the New ICA - Other

A. Integration of a normative function in the ICO mandate

In order to strengthen the ICA and the role of the ICO, a normative function could be added. It could cover:

- Standard setting (see ICAC and ITU model)
- Verification and monitoring
- More functional Certificate of Origin system
- Clearing house/depository for development projects in the coffee sector

B. Integration of International and regional development partners

- In line with the Sustainable Development Goals, the ICA should foster partnerships with all coffee stakeholders and with development partners and civil society
- A reference for this could be the International Cocoa Agreement of 2010 on Cooperation with other organizations
4.4 Recommendations for the New ICA - Governance
4.4 Recommendations for the New ICA - Governance

ICA 2020

INTERNATIONAL COFFEE CONCIL

Assisted by

Finance & Administration Committee

Economics, Statistics and market access Committee

Coffee Public-Private Task Force

Advised by

Private Sector Consultative Board

World Coffee Conference

CEO and Global Leaders Forum
Item 5. NEXT STEPS
Item 6. OTHER BUSINESS
Item 7. DATE OF NEXT MEETING
THANK YOU!