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**Communication from Mr Anil Bhandari,
Chair of the Private Sector Consultative
Board**

Background

The attached communication addressed to the Chair of the Working Group on the Future of the Agreement (WGFA) is being circulated at the request of Mr Anil Bhandari, Chair of the Private Sector Consultative Board.

Action

The PSCB is requested to consider the attached communication.

**COMMUNICATION FROM MR ANIL KUMAR BHANDARI,
CHAIR OF THE PRIVATE SECTOR CONSULTATIVE BOARD**

Madam Chair,

I am extremely grateful to the Working Group (WG) for including me in the forthcoming discussions on the crafting of the new ICA.

The inclusion of the Private Sector (PS) into the ICO has emerged as a major topic of discussion at the WG. There is a broad consensus that the PS should be part of the ICO.

This has been revealed by the Survey conducted by ICO.

However, what is not crystallized and explained is the basic rationale for wanting the PS in the ICO. ICO is an intergovernmental organization. Why cannot it meet all the needs and imperatives of the global Coffee sector? What has changed at the ICO making it less able to meet the challenges of the Coffee sector thus making it less relevant to the Governments of the member countries.

If this premise is true, will just the inclusion of PS to ICO provide the organization with the necessary ability to meet the challenges facing the industry? And if that answer is in the affirmative, the question to be answered is how exactly will the inclusion of the PS engineer this transformation at the ICO?

These are basic questions that so far have begged clarity. How can we proceed down this path without a clear understanding of why we are doing this?

And further we have not precisely delineated the role PS will play within the ICO.

It is only after we have evolved clear cut answers to these questions can we approach the topic of what type of membership is envisaged for the PS.

I will attempt to address the points raised by me earlier in this note. Hopefully it will provide signposts to our discussion on the topic going forward.

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It has been clear for some time now that the ICO has not been able to address the various issues confronting the Coffee Sector adequately. We should in this scenario avoid looking for scapegoats for this situation.

The reasons lie deep in the organization's past. The importance of ICO to the economies of producer members, lay primarily in the Quota system. This in turn created a vital connect between member Governments and the ICO. Member governments consistently jockeyed for increased quotas. And those countries with the voting power at the ICC jealously guarded their vote share in order to retain their quotas.

Those were the years that Coffee exports formed a significant Share of the foreign exchange earned by producing countries.

Today the economies of most of the producing countries have evolved from a pure commodity export economy to more sophisticated manufacturing and technological economies. And the Coffee economy of these nations while still important does not occupy the same status vis a vis export earnings as it did 50 years ago.

This factor combined with the disappearance of the quota system has had the effect of replacing the old connect that existed between member country Governments and the ICO with a disconnect. Weakening the influence of the organization.

Which is why in the face of the worst crisis in the Coffee producing world in modern times, ICO has been unable to achieve any major tangible traction to address the problem. It went from an economic influencer to a data and analysis center. If Governments of producing countries have come to the aid of their Coffee sector it was solely due to the efforts of the local stakeholders and not any real intervention by ICO. So the question we need to answer is, what role can the ICO play going forward. Can it survive under current conditions as a purely Inter-Governmental body.

When an Intergovernmental organization loses its leverage with its members and virtually becomes a clearing house for data, analysis and broad policy documents it starts to lose its relevance.

The creation of the PPTF, the issuing of the London Declaration and subsequent efforts by ICO could be a step in the right direction towards greater relevance, however at the end of this exercise whatever projects and schemes that are evolved by the PPTF can succeed only with the wholehearted support of the PS.

There is no real possibility of Governments of most producer countries funding any overarching mitigatory policy in their countries to help their Coffee farmers. Especially after the Pandemic such a possibility will be even more remote.

Multilateral Aid and lending organizations will be limited in what resources they can bring to the Coffee sector.

If the above premises have validity the following inferences can be drawn:-

1. Unless there is a spurt in consumption, production will be greater than consumption in the medium and long term.(Climate change notwithstanding)
2. This would result in continued income stress for the Coffee farmer.
3. Governments in producing countries have failed to comprehensively address the issue of the crisis in the Coffee farming sector of their countries, and there is no indication that this state of affairs will change going forward.
4. Coffee surpluses and the resultant downward pressure on farmgate prices will continue.
5. Efforts of international Aid agencies would be limited in scope.
6. ICO as is currently structured has not and will not bring about a transformational shift in the situation faced by the growers.
7. ICO has not been able to persuade member Governments to adequately come to the aid of the Coffee farmer worldwide.
8. The need to look beyond the traditional actors that ICO has been utilizing to make a dimensional shift in its structure to address all current and future issues is very necessary.

This brings us to the question we have all been discussing for more than a year. Who can provide the needed resources to help stabilize the weakest links in the Coffee chain-The farmer.

The answer as we all have now realized is the Private Sector.

They are the entity that has the Most resources in the Coffee world today.

They have a presence in every producing country in the world not to mention consuming countries too.

Virtually 100% of all Coffee trade is in private hands. Most public sector trading agencies have been dissolved long ago.

WHAT ROLE SHOULD PS PLAY IN THE NEW ICO?

This was the question that this document posed at the beginning.

The answer as I perceive it is that if we are to utilize the enormous strength of the PS we need to make its integration into the ICO both formal and meaningful in all respects. And not just cosmetic.

This would involve a serious reconsideration of the Inter-Governmental nature of the organization.

The Secretariat has alluded to the ITU as an example of Public-Private integration of sorts in an Inter-Governmental organization. The difference between the ICO and the ITU is that ITU has considerable regulatory and economic power. Simply put it has significant influence over International spectrum/frequency/bandwidth allocation of both Private and Public entities worldwide.

Member Governments of the ITU need and interact intrinsically with that organization all the time. This is not the case with ICO. After the abolition of the quota system member Governments have really not needed to interact with ICO in any meaningful way. And more importantly unlike ITU the Private Sector really has no pressing need to interact with ICO for any regulatory or commercial purposes.

Therefore, if we have decided to bring the Private Sector into the ICO, it must be done in a way that the enormous resources of the PS could be harnessed to bring about a fair balance in the Coffee world. And ensure that we bring about a transformation in the life of the Coffee Farmer, giving him a quality of life commensurate with his true value in the Coffee Chain. A share in the prosperity.

If we are to engineer this the PS must be permitted to evolve projects and initiatives across the globe in producing countries that will give life to all the intentions laid out in the London Declaration.

And for them to do this their membership must carry with it commensurate Rights and Responsibilities either in the organization or in the least over its plans, contributions and projects as part of ICO.

I am mindful of the views of some members who fear that the Inter-Governmental nature of ICO would become diluted if the PS were given rights and responsibilities in the organization. The question all members who feel that way should answer is whether their Governments can and will provide ICO the necessary resources to the level playing field that is so badly needed by the producers/farmers today. Going by recent history the answer is, no. Most producer members are unable to fully meet the needs of their own Coffee farmers let alone contribute to the ICO to perform this task on a global scale. In fact, on the other hand there is pressure from some members to reduce the subscriptions to ICO.

Some months ago I had provided a concept paper of a possible methodology by which the PS could be integrated into the ICO without diluting the official members' rights on all matters that fall within the purview of member Governments. But a type of Private Sector membership that permits the PS to develop purely privately designed, funded and managed ideas, projects and initiatives without an absolute sanction by the Council. Of course all matters where Governments will have to play a significant role, even if privately funded and initiated, the Council would need to approve. *I attach my previous communique on this subject matter to Mr. Wolfgang in this email, in turn he has sent it to ICA secretariat for further action.*

Since we have not seen any specific proposals for the type/s of membership that could be offered to the Private Sector, my note which I had hoped would be discussed earlier, can now be reviewed as a base for discussions to start.

I do hope we will be able via my proposal or any other specific idea and find a method as soon as possible to bring the Private Sector into the ICO in a meaningful way. A way that's added to the ICO and does not distort its mandate.

Madam, my previous note on the subject matter may not have been discussed and also may not have been circulated to the members of the ICA drafting Working Group. It is my hope that you will take this up for consideration from your end. I hope this note will begin a meaningful discussion on ways and means of integrating the Private Sector into the ICO.

With kind regards,
Anil Kumar Bhandari
Chair - Private Sector Consultative Board
President - India Coffee Trust