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PROPOSALS FROM THE UNITED STATES
FOR REFORM OF THE INTERNATIONAL COFFEE ORGANIZATION

Introduction: The delegation of the United States offers the following ideas as specific proposals for changes in the International Coffee Agreement, 2001. When the United States rejoined the ICO in early 2005, we communicated a commitment to the organization and the goals of the ICA, 2001. We also expressed our desire to increase the relevance and contributions of the ICO. In our paper for the January 2006 Executive Board meeting (WP Board 987/05), we built on this commitment to describe, in broad terms, structural and operational reforms intended to improve the efficiency, effectiveness and, most importantly, relevance of the ICO.

In these specific proposals we continue to emphasize as an over-arching objective an ICO that plays a key role in the coffee sector and is increasingly effective in achieving the shared objectives of members. In our proposals for reform we are seeking to build on the strengths of the organization and current agreement. At the same time, we recognize that expiration of the ICA, 2001 presents an opportunity for the members and the organization to consider whether the existing objectives and structure of the organization continue to be appropriate.

We have organized our proposals in broad themes. We approach these themes with the recognition that the ICO currently performs a number of important functions, including collecting and disseminating statistical information, providing a forum for interaction among major governmental and private sector participants in the coffee sector, considering and promoting capacity-building projects, particularly for small producers, and publicizing the importance of the sector.

Discussions at the January 2006 Executive Board and PSCB meetings confirmed that there is wide recognition of the need for change in the ICO. Therefore, taking into account needed reforms, it is our view that a long-term extension of the current agreement is not a realistic option. At the same time, we recognize that the current agreement has many valuable elements and should not be entirely set aside. We also recognize that the process of negotiating a new agreement—or extensively amending the current agreement—presents many challenges and will require a sustained effort on the part of members. Therefore, we see the need to find a balance that will ensure continuity yet not result in inaction in the face of needed reforms.

PRIORITY AREAS FOR REFORM

Objectives

We propose a thorough review of the objectives set forth in Article 1 of the ICA, 2001 and a number of changes to better reflect themes relevant for the next decade. For example, the objectives should better identify the organization's role in promoting a contemporary, holistic concept of sustainability, including environmental sustainability. The revised objectives must take into account the absence of economic clauses in the agreement. Taken as a whole, the revised objectives must focus the organization and effectively communicate a compelling and coherent vision of the ICO's reason to exist.

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Organizational and Administrative Matters

We propose significant changes in the structure and operations of the ICO, including changes in the manner in which the Council guides the organization to accomplish its objectives. Changes are required in several elements of the ICA, 2001, including: definitions of Members (Articles 2 and 4-6); allocation of votes and voting procedures (Articles 13 and 14); and ICO's structure, including subsidiary bodies (Articles 7 and 17-22). In addition, the organization's procedures and structure should take account of the fact that a range of stakeholders, including local communities, NGOs and other civil society groups, as well as the private sector, can contribute to achieving the objectives of the ICA.

Regarding membership, we propose changes to strengthen the organization's ability to foster diverse and innovative collaborations among members, including collaboration between importing and exporting countries. The development of such productive collaborations is currently hindered as a consequence of the use of a producer-consumer dichotomy that has limited relevance in the face of changes in the coffee sector, worldwide. While we recognize the origins and the historical importance of this distinction, we view it as a vestige of the era in which market shares were negotiated among exporting and importing members. In our view, all members of the ICO have an interest in an organization that emphasizes cooperation and collaboration among all delegations, regardless of such exporter and importer designations, geographical location, or other distinguishing characteristics.

Recognizing the need to revise the ICA for membership of the European Community (as the EC itself noted in document WP Board 988/05), we propose addition of a new article that specifically addresses eligibility to be a party. The terms for membership must be clear and the current anomaly in which rights of membership may be exercised for countries that have not yet ratified the agreement cannot be continued. In this context it will be important to clarify whether EC member states continue to be eligible for membership in light of the current allocation of competencies within the EC.

In order to underscore the importance of collaboration, we propose changes in the decision-making process of the Council as specified in Articles 14 and 15 of the ICA 2001. We propose that Council decisions should be based on consensus and be based on a voting process only in the absence of consensus or in a few exceptional circumstances.

We propose a number of changes that will strengthen the Council as a consultative body and streamline the work of the organization. These proposed changes include: reducing the number of vice-chairmen of the Council (Article 11); reducing the number (and the repetitiveness) of regular sessions of the Council (Article 12); re-examining the role and value of, and possibly eliminating, the Executive Board (Articles 17-20); and introducing flexibility in the number and objectives of subsidiary bodies (Articles 7, 21 and 22).

Private Sector Consultative Body

The Private Sector Consultative Board (PSCB) is an innovative and useful forum that brings together a cross-section of international commercial representatives. We believe that it should be

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retained and strengthened to make it more effectively representative of the spectrum of private sector interests in the coffee sector. For example, compelling suggestions have been made to increase the representation of small producers in this body. This could include designating a certain number of positions on the PSCB for representatives of small producers and establishing a mechanism to ensure that resources are made available to facilitate their attendance at meetings.

Statistics

One of the core activities of the ICO is to collect and disseminate statistics on coffee production, trade and market conditions. The ICO contributes to greater transparency and predictability in international coffee trade through facilitating informed decisions on the part of commercial interests, and better policy decisions on the part of governments. We propose to build on the ICO's work under the current agreement (Articles 29-31) through new provisions that will highlight the importance of the ICO's activities related to market information, with an emphasis on collecting relevant information and disseminating information in a timely, effective manner. We propose a substantial enhancement of ICO's statistical work and an emphasis on gathering and making widely available information on current market conditions, structural changes in the coffee sector and emerging trends, such as the increasing importance of value-added, niche markets.

We propose changes in the ICA that will further emphasize the obligation of members to provide timely and reliable information. In addition, we propose strengthening the organization's technical assistance to members to increase their capacity to meet these obligations.

We also propose changes that will lead the ICO to create new, more effective methods for disseminating information, such as internet-based tools that can provide relevant information for the benefit of all market participants. We expect that more effective dissemination of information will be a particular benefit to small producers because they face a number of barriers in their access to information and their livelihoods can be directly and substantially affected by failure to obtain timely market information. Reforms triggered by changes in the ICA can prompt development of a variety of innovative tools and an expanded role for the ICO as a "coffee observatory" that compiles, adds value and disseminates statistical and other information on the coffee sector.

Project Work

Since rejoining the ICO, we have noted the importance of ICO's project work and the potential for increasing the relevance of this work over time. However, beyond stating a broad objective to "analyze and advise," the current agreement does not acknowledge the potential importance of this work and provides little or no guidance for carrying out this ambiguous mandate. Therefore, we propose a new chapter of the ICA dedicated to project activities. This chapter would include provisions that highlight the importance of projects, establish an explicit link between approved projects and the Council's policies and strategic priorities and provide for an explicit, rigorous mechanism for reviewing, approving, monitoring and evaluating projects.

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For example, criteria for reviewing projects should clearly identify areas for priority attention, such as providing concrete, tangible benefits for small producers in gaining access to value-added markets. In addition, the ICA's provisions should clearly establish the mandate and the institutional framework for technical and policy review, approval and implementation of projects. Although the Virtual Screening Committee (VCS) is an improvement over previous practice, the VSC has yet to demonstrate that it has the tools for success.

Our objective is to ensure that the agreement provides a clear mandate for ICO project work, clear criteria for consideration of projects and detailed procedures for review of project proposals. In addition to their benefit in increasing the effectiveness and relevance of the organization's project work, these reforms can be expected to encourage expansion and diversification of sources of financing for projects.

Access to Credit and Risk Management

The ICO has been successful in drawing attention to the challenges faced by coffee producers and the consequences of unfavorable price trends and price volatility. However, the elimination of economic clauses under the current agreement reflected recognition that the ICO does not have a role in managing markets and trade. Nevertheless, there may be more that the ICO can do to assist producers in managing the consequences of challenging and unpredictable market conditions. Therefore, in the course of amending or renegotiating the ICA, we propose consideration of new provisions that identify a role for the ICO in facilitating access to financial credit and providing information on appropriate risk management tools relevant to the needs of small coffee producers. Examples of such a role might include providing information on financial resources (a "clearinghouse" function), facilitating the extension of existing credit products to coffee producers and assisting in the development of new credit products tailored to the needs of the sector, especially the needs of small producers.