



**Decisions and Resolutions adopted
at the 123rd Session of the
International Coffee Council**

14 November 2018

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Item 1: Adoption of the Agenda

1. The 123rd Session of the International Coffee Council was formally opened by the Chair, Ms Stefanie Küng of Switzerland. The Session took place at the International Maritime Organization in London on 14 November 2018. The Chair of the Council extended a warm welcome to all delegates and reminded Members of the important business to be considered: a draft Resolution to address persistent arrears in payment of contributions by some Members and the draft Administrative Budget for 2018/19.

2. The Chair noted that the Executive Director had listened to the concerns raised by Members during the 122nd Session of Council and had also met with numerous Member delegations to discuss these important issues in more detail. Likewise, all members of the Finance and Administration Committee had been actively involved in a series of consultations to find common ground to address Members' needs and expectations. The Chair of the Council recognized the challenges faced by Members, the Organization and wider coffee sector, but was confident that consensus could be reached, in order to avoid any detrimental impact on the Organization and the services expected by Members.

3. The Council adopted the draft Agenda contained in document [ICC-123-0 Rev. 1](#), save for a request to bring forward discussion on the draft Administrative Budget for the financial year 2018/19 currently tabled under Item 4.2, to follow Item 3.

Item 2: Votes for coffee year 2018/19

4. The Executive Director introduced document [ICC-123-1](#) containing the redistribution of votes in the Council for coffee year 2018/19, calculated in accordance with Articles 12 and 21 of the International Coffee Agreement (ICA) 2007.

5. The Executive Director reminded Members that only Governments that were Members of the 2007 Agreement and had paid their contributions would be eligible to vote at the Council Session.

6. The Council approved document [ICC-123-1](#) on the redistribution of votes for coffee year 2018/19.

Item 3: Credentials

7. The Head of Operations informed the Council that the credentials received from Members had been examined and found to be in good and due form. The full report would be circulated after the Council, together with the list of delegations.

8. The Council approved the verbal report on credentials ¹ .

Item 4: Financial and Administrative matters

Item 4.1: Draft Resolution on exclusion of Members in persistent arrears

9. The Chair of the Finance and Administration Committee introduced the Draft Resolution on exclusion of Members in persistent arrears set out in document [WP-Council 296/18 Rev. 1](#), which the Committee had recommended for approval by the Council at its intersessional meeting on 8 October 2018.

10. The Committee had deliberated the draft Resolution at great length, due to the fact that arrears had been building up over time and now threatened the orderly execution of the Administrative Budget of the Organization. The purpose of the Resolution was to establish an automatic procedure to exclude Members in persistent arrears, under the provisions of Article 46 'Exclusion' of the ICA 2007, without the need to refer the matter to the Council.

11. The draft Resolution provided that Members in arrears for more than a certain number of years at the beginning of each coffee year would receive a communication from the Secretariat stating that they had been classified as being in persistent arrears. Any Member in persistent arrears that had not regularized its financial situation with the Organization by 31 May of the same coffee year – either by payment in full of outstanding contributions or by means of a repayment plan through a Resolution approved by Council during its first regular session in the coffee year – would then be notified of its exclusion. As provided for in Article 46 of the ICA 2007, the ICO would then notify the Depository of the decision to exclude, which would become effective 90 days later.

12. The Finance and Administration Committee had stressed that exclusion should be a last resort and that the Secretariat should make strenuous efforts to provide support to such Members, in order to enable them to pay in full their contributions or to help them draw up a repayment plan for submission to the Finance and Administration Committee. All members

¹ The report was subsequently circulated, together with the List of Delegations, as document [ICC-123-4](#).

of the Finance and Administration Committee had agreed on the need for the Resolution and also that the threshold of persistent arrears should be three years. For the 2018/19 coffee year, this would affect seven Members with arrears from 2014/15 and previous years: Angola, Central African Republic, Liberia, Malawi, Yemen, Zambia and Zimbabwe. The representative of Angola subsequently informed the Council that his government had approved the payment of its arrears.

13. While some Members in the Council voiced their support for the proposed Resolution and considered it innovative and regrettably necessary in such exceptional circumstances of budgetary constraint, the consensus was that Members should not be automatically excluded. The Organization should, instead, take a more measured approach. The problem of persistent arrears was a sensitive matter for all parties concerned and Members were not always able to fulfil their financial obligations to the Organization for reasons of *force majeure*. While some Members wished to explore suspension as a less harsh sanction, there was no provision for such a measure in the ICA 2007.

14. A significant number of Members felt that exclusion of Members was not a practice applied in the multilateral context and would set an uncomfortable precedent that could lead to the permanent exclusion of some Members because of the protracted processes required at national level to rejoin the Organization. These Members also felt that greater consideration should be given to the particular economic, political and social circumstances of why a Member was in persistent arrears. Instead of exclusion, agreement on a repayment plan with a Member was considered a more positive and inclusive approach to encourage continued participation and reflect the spirit of international cooperation. A revised Resolution could form part of a negotiation package with Members in arrears, with the purpose of avoiding a punitive approach and instead signalling a clear willingness to work in partnership to find a solution. One Member confirmed that their Government had been in arrears in the past and had worked positively with the ICO Secretariat to establish a repayment plan.

15. In response to these views, Members and the Secretariat reviewed the draft Resolution in an informal working group and prepared a revision set out in document [WP-Council 296/18 Rev. 2](#). This included the following amendments:

- All references to ‘exclusion’ were removed, including within the title of the Resolution which was changed to now ‘Draft Resolution on Members in persistent arrears’.
- The fifth paragraph was removed.

- Replacement of the following points under ‘The International Coffee Council resolves:
 1. To define, for the purposes of this Resolution, Members in persistent arrears as those with more than three years of outstanding contributions to the ICO as of 30 September 2018.
 2. To instruct the Executive Director to enter, as soon as possible, into contact with all Members to which this Resolution refers and to inform them of their condition, while providing support to such Members to enable them to pay in full their contributions or to draw up a repayment plan for submission to the Finance and Administration Committee.
 3. To instruct the Executive Director to report to the Council, in its meeting in March 2019, on the situation of each Member in persistent arrears, including draft repayment plans.
 4. To consider, in its meeting in March 2019, the situation of Members in persistent arrears, including proposed repayment plans, and take the relevant decisions in each case.

16. The Council approved the draft Resolution contained in document [WP-Council 296/18 Rev. 2](#) on Members in Persistent Arrears, which became [ICC Resolution 466](#), a copy of which is attached to these Decisions.

Item 4.2: Draft Administrative Budget for the financial year 2018/19

17. As background, the Head of the Finance and Administration explained that the draft Budget had been deliberated at length by the Finance and Administration Committee at its intersessional meeting on 28 June 2018, and had subsequently been recommended for approval by the Council at its 122nd Session in September 2018 ([FA-173/18 Rev. 2](#)). Despite an in-depth discussion by Members at the September Council Session, approval of the budget had not been possible at that time due to a lack of consensus on how to address the issue of Members in persistent arrears. This had led to a further intersessional meeting of the Finance and Administration Committee, held on 8 October 2018, and the subsequent 123rd (Special) Session of Council.

18. In the absence of a written report on the outcomes of the intersessional meeting of the Finance and Administration Committee on 8 October 2018, Members were informed that the Committee had focused its discussion on the proposed Draft Resolution tabled under Item 4.1. As a result, the Committee had recommended the draft Resolution for approval by the Council, along with the draft budget set out in [FA-173/18 Rev. 2](#) without any changes. The

Executive Director apologized for the fact that, due to exceptional circumstances, a written report on the intersessional meeting of the Finance and Administration Committee had not been circulated in advance of the Council Session, while recognizing the concerns voiced by Members that such a report was important to assist Members in their consideration of the business.

19. A number of Members raised questions, along with concerns about what they saw as discrepancies in the budget, relating in particular to staffing costs. The Secretariat apologized for the oversights identified and responded to questions raised by Members. The Head of Finance and Administration explained that, following a number of redundancies, the ICO staff had now been reduced to 13, although a Statistician was in the process of being recruited. The Secretariat was determined to continue to provide the services expected by Members and make savings wherever possible. While the head count had been significantly reduced, this did not necessarily translate automatically into a corresponding reduction in expenditures due to a number of factors. These included, for example, the costs of recruiting staff internationally, honouring staff contractual obligations, having to outsource some services (such as translation) due to staff redundancies, hiring meeting venues as a result of a reduced office space, revised liquidation costs as well as increased obligations to the landlord of the ICO office.

20. To respond to the concerns and questions voiced by some Members, a revised Budget set out in document [FA-173/18 Rev. 3](#) was tabled for consideration. The Executive Director again expressed regret for discrepancies in the previous version of the document and assured the Council that these had now been rectified. The Head of Finance and Administration took the opportunity to clarify the revised figures and thereby address the concerns raised by Members relating, in particular, to personnel costs. Further information to support Members' understanding of the budget would be provided.

21. To ensure the continued effectiveness of the financial oversight of the Organization and to give Members more opportunity for dialogue regarding the financial management of the Organization and its Programme of Activities, the Executive Director proposed that the Finance and Administration Committee should hold an intersessional meeting in January 2019. A suitable date would be confirmed in consultation with the Chair of the Committee in due course. The Executive Director stressed to Members that the International Coffee Organization was their Organization and existed to serve them. All Members were therefore encouraged to participate in the proposed intersessional meeting in January 2019, particularly at this time of financial constraints not only for the Organization, but also the coffee sector as a whole. While it was too early to evaluate the true impact of the reduced budget and staff on the Organization, the Executive Director emphasized that it was the Secretariat's intention to always be as transparent as possible and to work tirelessly to ensure it maintained the services Members expected.

22. The Council approved the Draft Administrative Budget for the financial year 2018/19 contained in document [FA-173/18 Rev. 3](#)².

23. The Chair thanked Members for their valuable contributions and careful consideration of the Budget and Resolution to achieve a consensus. The approved Resolution was positive in not excluding Members in persistent arrears and supporting their continued inclusion in the Organization, while also containing a strong message that the failure to pay contributions on time was compromising the future sustainability of the Organization. Meanwhile, approval of the Budget enabled the Organization to continue its work on behalf of Members.

Item 5: Report on the implementation of Resolution 465 on Coffee Price Levels

24. Members noted and appreciated that the Executive Director and his team were already actively involved in implementing the mandate set out in Resolution 465 on Coffee Price Levels. As item [ICC-123-2](#) had been tabled as a report and some of the actions contained in the document were not contemplated in the approved Programme of Activities, thus requiring additional voluntary contributions, Members suggested that further consideration would be better suited to the proposed intersessional meeting of the Finance and Administration Committee in January 2019. During this meeting, the Secretariat would provide an update on progress of the implementation of the approved Programme of Activities for 2018/19, as well as Resolution 465.

25. The Council agreed to defer discussion of Item 5 to the intersessional meeting of the Finance and Administration Committee to be held in January 2019.

Item 6: Other business

26. There was no other business.

Item 7: Future meetings

27. Members noted that the 124th Session of the International Coffee Council and associated meetings would take place from 25 to 29 March 2019 in Kenya, followed by the 125th Session from 23 to 27 September 2019 in London.

² Subsequently published as document [ICC-123-3](#).



**INTERNATIONAL
COFFEE
ORGANIZATION**

ICC Resolution 466

14 November 2018
Original: English

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International Coffee Council
123rd Session (Special)
14 November 2018
London, United Kingdom

Resolution number 466

APPROVED AT THE FIRST PLENARY MEETING,
14 NOVEMBER 2018

MEMBERS IN PERSISTENT ARREARS

CONSIDERING:

That paragraph (2) of Article 21 of the International Coffee Agreement 2007 provides that: “if any Member fails to pay its full contribution to the Administrative Budget within six months of the date on which the contribution is due, its voting rights and its right to participate in meetings of specialized committees shall be suspended until its contribution has been paid in full. However, unless the Council so decides, such Member shall not be deprived of any of its other rights nor relieved of any of its obligations under this Agreement”;

That outstanding contributions owed to the Organization have risen over time;

That some Members are in persistent arrears, having accumulated outstanding contributions over several years, and could not be counted on to contribute to current and future budgets;

That persistent failure to pay contributions significantly impairs the operation of the International Coffee Agreement, both in terms of the execution of the Administrative Budget in the short term and the liquidity of the Organization in the long term,

THE INTERNATIONAL COFFEE COUNCIL

RESOLVES:

1. To define, for the purposes of this Resolution, Members in persistent arrears as those with more than three years of outstanding contributions to the ICO as of 30 September 2018.
2. To instruct the Executive Director to enter, as soon as possible, into contact with all Members to which this Resolution refers and to inform them of their condition, while providing support to such Members to enable them to pay in full their contributions or to draw up a repayment plan for submission to the Finance and Administration Committee.
3. To instruct the Executive Director to report to the Council, in its meeting in March 2019, on the situation of each Member in persistent arrears, including draft repayment plans.
4. To consider, in its meeting in March 2019, the situation of Members in persistent arrears, including proposed repayment plans, and take the relevant decisions in each case.