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PROGRESS REPORT ON PROJECTS

Note by the secretariat:

This document complies with the request by the Executive Committee that the Executive Director should present written reports on the projects under implementation and progress in the development of project proposals, including, where appropriate, the status of discussions with the Common Fund for Commodities and other donors.

The report covers developments which have taken place with regard to ICCO projects since the submission of document EX/132/5 to the 132nd meeting of the Executive Committee in March 2007.

PROGRESS REPORT ON PROJECTS

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PRICE RISK MANAGEMENT PROJECT

1. The aim of the project is to help small-scale cocoa growers and/or co-operatives in Côte d'Ivoire to improve their capacity to manage price risks and offer them opportunities to access futures contracts and options available on the world's cocoa markets and commodity exchanges. The wider project objective is to enable smallholder cocoa producers, through improved access to futures markets, options and other instruments for managing price risks, to reduce their vulnerability to fluctuations in world market prices and stabilize their incomes derived from cocoa growing.
2. Implementation of the project began in February 2006 with the identification and training of the core staff of the *Bourse du Café et du Cacao* (BCC), as well as representatives from co-operatives, banks and exporters, in the use of price risk management instruments. A training manual on price risk management tools had been prepared and distributed to participants. However, over time, implementation of project activities became constrained by a series of problems.
3. Consultation between CPM Group (the consultancy company in charge of implementing the technical aspects of the price risk management operations) and Macquarie Bank in the USA on one hand, and the BCC, ADM, Cargill and the co-operatives in Abidjan on the other hand, became very difficult using the strategy of Participatory Options Programmes (POPs).
4. Despite several explanatory meetings, the local banks contacted to become involved in the project were reluctant to provide financial support and/or to sell hedging instruments to the co-operatives without some kind of guarantee mechanism from the sponsoring institutions of the cocoa sector in Côte d'Ivoire. Likewise, exporters, providers of hedging services, the BCC and co-operatives could not reach a timely agreement on the structure and implementation of the hedging contracts.
5. Finally, developments on the international markets, where cocoa prices moved considerably upwards, compounded the situation. More specifically, the guaranteed minimum farm-gate price proposed to cocoa farmers in Côte d'Ivoire in the context of the project became unattractive as compared to spot prices being paid outside the project.
6. In view of these developments and after consultations with the relevant partners, it was agreed to propose a new approach that would involve an extension of the project. In the proposed new strategy, more appropriate price risk management instruments, including POPs and/or Put options, better designed to achieve the goals of the project, would be determined.
7. Consequently, in January 2007, following a request by the ICCO Secretariat, the Common Fund for Commodities agreed to an extension of project implementation by one year, taking its completion date to March 2008.
8. The ICCO Secretariat, the BCC and the consultants are currently involved in intensive consultations to arrive at a satisfactory deal involving five co-operatives selected to deliver a total of 1,250 tonnes in the context of the project. It is expected that these consultations will yield positive results so that hedging contracts could be in place within the next few weeks.

PREVENTING AND MANAGING THE GLOBAL SPREAD OF COCOA PESTS AND PATHOGENS: LESSONS LEARNED FROM THE WITCHES' BROOM PROJECT

9. The main objective of the proposal is to hold a workshop of stakeholders in the cocoa sector, to present the results of the Witches' Broom Project, then to build a consensus on the approach and contents of a worldwide initiative to address the threat and impact of cocoa pests and pathogens.

10. The results of the workshop will provide the inputs for a major global project to minimize losses from the spread of pests and pathogens through the establishment of "early warning" and "early action" systems. The three components of the workshop are: 1) presentation of the results of the Witches' Broom Project; 2) review of the Spreading and Current State of Cocoa Pests and Pathogens; and 3) formulation of a worldwide strategy and contingency plan to prevent the introduction of and/or the management of major cocoa pests and pathogens. The expected result will be a project proposal "owned" and supported by the key stakeholders in the major cocoa producing countries. The ultimate main beneficiaries of the project will be the smallholder cocoa farmers.

11. In September 2006, a Fast Track Proposal contained in document EX/128/8/Rev.1 was approved by the Executive Committee and forwarded to the Common Fund for Commodities for consideration by its Consultative Committee.

12. In January 2007, the Consultative Committee of the Common Fund approved the Proposal for implementation. In early April 2007, the Executive Director of ICCO distributed document ED(MEM)874 officially announcing the workshop and inviting all Member countries and observers to attend. The workshop is now scheduled to take place in Abidjan, Côte d'Ivoire from 17-20 July 2007.

13. The ICCO Secretariat is currently working closely with CABI and the local organizing committee in Côte d'Ivoire to finalize preparations for the workshop.

ANALYSIS OF THE VALUE CHAIN IN COCOA PRODUCING COUNTRIES

14. The ICCO Consultative Board on the World Cocoa Economy had, at an early stage in its work, noted that a better understanding of the value chain from producing and trading to exporting cocoa was one of the essential building blocks for the work of the ICCO on sustainability issues. Such an analysis was to help in defining a remunerative farm-gate price for cocoa; to establish the share of the trade in the export value of cocoa beans and the costs of handling cocoa in ports, as well as the incidence of export taxes and levies.

15. The objective of the analysis is to establish the inputs used and the costs incurred to produce, trade and export cocoa in cocoa producing countries and, simultaneously, to establish the amount and share received by each of the categories of stakeholders in the proceeds from cocoa exports. This information would improve the insight into the net income derived by farmers and other stakeholders from cocoa cultivation and trade and enhance the knowledge of the use of resources in cocoa production, trade and exporting. The results of the study will allow for a direct comparison of the composition of the costs and proceeds in the cocoa value chain in the major cocoa producing countries and regions.

16. The methodology for the implementation of the study would involve a defined common approach to conduct the study in the selected eight cocoa producing countries, thus ensuring international comparability. In this regard, it has been proposed that the study should be carried out by experts in the countries concerned. It should be noted that the best knowledge and expertise of the cocoa sector in each country rests with the practitioners in the countries themselves. The role of the ICCO Secretariat would consist of the preparation, international co-ordination, and achievement of uniformity in the approach and execution of international comparison and the final write-up of the study.

17. At its 129th meeting in June 2006, the Executive Committee reviewed the proposal for the study and approved its submission to the Common Fund for Commodities (CFC) for financing. In July 2006, the Consultative Committee of the CFC recommended the proposal for approval by the Managing Director of the Fund. At the 10th meeting of the ICCO Consultative Board on the World Cocoa Economy held in September 2006, the Board established an *ad hoc* working group to provide guidance to the ICCO Secretariat on technical matters related to the study.

18. In January 2007, the Project Agreement was signed by the ICCO and the CFC and in February 2007, the CFC transferred the first *tranche* of funds to the project account held by ICCO. Towards the end of February 2007, the Executive Director requested the countries involved in the project to nominate their chosen national co-ordinating institution in each country and to confirm the counterpart contribution of each country.

19. In this respect, positive responses have been received from Ghana, Cameroon, Côte d'Ivoire and Papua New Guinea. Ghana also agreed to test the proposed methodology for the country studies. A second reminder was sent to the remaining participating countries, requesting their nomination of the national co-ordinating institutions. The Secretariat completed the second draft of the methodology for the study. This is to be reviewed by the *ad hoc* working group of the Consultative Board and presented to the Executive Committee during its 133rd meeting in June 2007.

SUMMARY OF PROJECTS

SECTION I – COMPLETED PROJECTS									
	<i>Project title</i>	<i>Project Executing Agency (PEA)</i>	<i>Location</i>	<ol style="list-style-type: none"> 1. <i>Total Cost (US\$)</i> 2. <i>CFC financing (US\$)</i> 3. <i>Co-financing (US\$)</i> 4. <i>Counterpart contribution (US\$)</i> 	<i>ICCO document</i>	<i>Starting Date</i>	<i>Completion Date</i>	<i>Brief description of project</i>	<i>Status of project implementation</i>
1.1	Generic promotion of cocoa consumption in Japan	CCAJ	Japan	<ol style="list-style-type: none"> 1. SDR 353,000 2. SDR 203,600 3. – 4. SDR 150,000 	Proposal: ICC/43/6 Final evaluation: ICC/58/9	September 1993	Completed 1998	The project was designed to counteract the negative image of cocoa in Japan and to promote instead a positive image by increasing awareness of the positive nutritional and health benefits of cocoa.	Completed. The final evaluation report is available.
1.2	Project on pilot plants for the processing of cocoa by-products in Ghana	CRIG	Ghana	<ol style="list-style-type: none"> 1. US\$1,060,000 2. US\$595,413 3. Nil 4. US\$464,587 	Proposal: ICC/44/6 Report: EX/131/7/Add.1	September 1993	Completed 2003	The project investigated and developed a number of products lines using cocoa by-products and wastes. With the new technologies, cocoa by-products can now be turned into animal feeds, potash, alcoholic drinks, pectin, jam, marmalade, toilet soap and body creams.	Completed. The final report is now available.
1.3	Feasibility study on the generic promotion of cocoa consumption in the Russian Federation	ITC	Russia	<ol style="list-style-type: none"> 1. US\$30,000 2. Nil 3. 4. 	Proposal: CC/16/2	May 2001	Completed 2002	The potential of increasing chocolate consumption in the Russian Republic was investigated and the result indicated that there was a sound basis for launching a full-scale generic promotion campaign.	Completed. The final report is available.
1.4	Cocoa germplasm utilization and conservation: A global approach	IPGRI	Ghana Nigeria Brazil Ivory Coast Ecuador Cameroon Malaysia Trinidad Papua New Guinea Venezuela	<ol style="list-style-type: none"> 1. US\$10,167,000 2. US\$2,942,000 3. US\$2,300,000 4. US\$4,925,000 	Proposal: Completion report EX/124/7	April 1998	Completed 2004	This research project developed and distributed improved, pest and disease resistant varieties of cocoa planting materials through optimal use of cocoa germplasm to produce good quality cocoa and achieve higher and sustainable production levels.	Completed. The final project report has been published.

SECTION I – COMPLETED PROJECTS (Contd.)									
	<i>Project title</i>	<i>Project Executing Agency (PEA)</i>	<i>Location</i>	1. <i>Total Cost (US\$)</i> 2. <i>CFC financing (US\$)</i> 3. <i>Co-financing (US\$)</i> 4. <i>Counterpart contribution (US\$)</i>	<i>ICCO document</i>	<i>Starting Date</i>	<i>Completion Date</i>	<i>Brief description of project</i>	<i>Status of project implementation</i>
1.5	Study of chemical, physical and organoleptic parameters to establish the difference between fine and bulk cocoa	INIAP	Ecuador Venezuela Trinidad & Tobago Papua New Guinea	1. US\$1,662,570 2. US\$839,223 3. US\$205,837 4. US\$617,510	Proposal: EX/98/10	January 2001	4 years	The project aims to determine universally accepted criteria to differentiate between fine/flavour and bulk cocoas through a series of scientific analyses of physical, chemical and organoleptic parameters.	Completed. The project Completion Report (PCR) is expected to be ready by June 2007.
1.6	The use of molecular biology techniques in a search for varieties resistant to witches' broom disease of cocoa	CEPLAC	Brazil Ecuador Peru	1. US\$3,196,936 2. US\$816,197 3. US\$1,200,100 4. US\$1,180,639	Proposal: ICC/50/10/ Rev.1 PCR: Ex/132/7	April 2000	5 years	Witches' broom disease of cocoa has caused great damage to cocoa production in South America especially in Brazil. This project is developing and releasing new cocoa varieties which are more uniform, more productive and more tolerant to witches' broom disease.	Completed. The Project Completion Report (PCR) was presented to the Executive Committee in March 2007 and is now available.
1.7	Project for the improvement of cocoa marketing and trade in liberalizing cocoa producing countries	GTZ/ UNOPS	Cameroon Côte d'Ivoire Nigeria	1. US\$6,509,171 2. US\$3,573,266 3. US\$1,056,195 4. US\$1,879,710	Proposal: EX/94/6. Rev.1	October 1999	5 years	The project aims to address and correct the undesirable effects of liberalization of the cocoa market and to strengthen farmer organizations to improve the functioning of cocoa markets, improve the quality of exported cocoa, facilitate financing of the trade, provide market information and address trade and price risks	Completed. The Project Completion Report (PCR) was presented to the Executive Committee in March 2007 and is now available.

SECTION II – PROJECTS UNDER IMPLEMENTATION									
	<i>Project title</i>	<i>Project Executing Agency (PEA)</i>	<i>Location</i>	1. <i>Total Cost (US\$)</i> 2. <i>CFC financing (US\$)</i> 3. <i>Co-financing (US\$)</i> 4. <i>Counterpart contribution (US\$)</i>	<i>ICCO document</i>	<i>Starting Date</i>	<i>Completion Date</i>	<i>Brief description of project</i>	<i>Status of project implementation</i>
2.1	Supply Chain Management for total quality cocoa	Task Force	Côte d'Ivoire		Proposal: EWGQ/8/3	October 2001	Action plan for 2006/2007 is in progress	This project aims at the production and export of cocoa, satisfying total quality criteria and improving the efficiency of the marketing chain.	The final report for the 2006/2007 pilot operations was received from the BCC and is being studied by the ICCO Secretariat.
2.2	Cocoa productivity and quality improvement: a participatory approach	IPGRI	Ghana Nigeria Brazil Côte d'Ivoire Ecuador Cameroon Malaysia Trinidad Papua New Guinea Venezuela Peru Costa Rica	1. US\$10,558,523 2. US\$ 3,970,090 3. US\$ 3,338,443 4. US\$ 3,249,990	Proposal:	March 2004	5 years	This is the successor project to the just concluded project on cocoa germplasm utilization and conservation: a global approach. The project aims at developing more efficient and sustainable cocoa cropping systems through the accelerated selection and distribution of planting material with improved yielding capacity, disease resistance and quality traits.	IPGRI, the PEA has submitted the progress report for the second year of project implementation. Encouraging results have been achieved in project implementation. The progress report for the first semester of the third year of project implementation is now due.
2.3	Pilot project on price risk management for cocoa farmers	BCC	Côte d'Ivoire	1. US\$ 384,762 2. US\$ 272,622 3. US\$ 101,640 4. US\$ 10,500	Project Proposal: EX/127/7/Add.1	February 2006	15 months	Cocoa farmers are often faced with the problem of constant fluctuation of cocoa prices. The project aims to address the price risk that the farmers face during the period before the harvest and the time of selling their cocoa	The Common Fund approved the extension of project implementation by one year, taking its completion to March 2008. ICCO, BCC and the consultants are currently in intensive consultations to arrive to a satisfactory hedging contract as soon as possible.

SECTION II – PROJECTS UNDER IMPLEMENTATION (Contd.)									
	<i>Project title</i>	<i>Project Executing Agency (PEA)</i>	<i>Location</i>	5. <i>Total Cost (US\$)</i> 6. <i>CFC financing (US\$)</i> 7. <i>Co-financing (US\$)</i> 8. <i>Counterpart contribution (US\$)</i>	<i>ICCO document</i>	<i>Starting Date</i>	<i>Completion Date</i>	<i>Brief description of project</i>	<i>Status of project implementation</i>
2.4	Preventing and Managing the Global Spread of Cocoa Pests and Diseases: Lessons from Witches' Broom Project	CABI in cooperation with CNRA and ARCC	Abidjan, Côte d'Ivoire	1. US\$ 200,000 2. US\$ 115,200 3. US\$ 79,118 4. US\$ 5,250	Fast Track Proposal	June 2007	6 months	The main objective of the Fast Track Proposal is to hold a workshop of stakeholders in the cocoa sector, to present the results of the Witches' Broom Project, then to build a consensus on the approach and contents of a global project to address the threat and impact of cocoa pests and pathogens.	In January 2007 the Consultative Committee of CFC approved the Proposal for implementation. ICCO secretariat is closely working with CABI and the local organizing committee in Côte d'Ivoire to finalize preparations for the workshop, scheduled to take place in Abidjan from 17-20 July 2007.
2.5	Analysis of the value chain in cocoa producing countries		Brasil Côte d'Ivoire Cameroon Dominican Republic Ecuador Ghana Nigeria Papua New Guinea	1. US\$ 330,000	EX/129/7 EX/129/7/Add. 1			The objective of the study is to, systematically and uniformly, establish the input used and the costs incurred to produce, trade and export cocoa in different areas and under different practices in respective countries; and to establish simultaneously the amounts and shares received by each of the categories of stakeholders in the proceeds from the export of cocoa.	

SECTION III – PROJECTS UNDER CONSIDERATION BY CFC									
	Project title	Project Executing Agency (PEA)	Location	1. Total Cost (US\$) 2. CFC financing (US\$) 3. Co-financing (US\$) 4. Counterpart contribution (US\$)	ICCO document	Starting Date	Completion Date	Brief description of project	Status of project implementation
3.1	Supply chain management operations in cocoa producing countries	To be determined	Ghana Nigeria Cameroon Ecuador Papua New Guinea Dom. Rep		Proposal: EX/131/8	October 2007	4 years	The main objective of the project is to establish a sustainable cocoa supply chain mechanism that ensures production and supply of “total quality” cocoa to the chocolate industry such that they can meet the demand of their consumers and the requirements of changing food legislations.	In January 2007 the Consultative Committee of CFC reviewed the proposal. It approved the concept and its objectives but recommended some amendments before re-submission at its next meeting. In view of a possible financing of project operation in Africa by the Bill & Melinda Gates Foundation, two project proposals are currently being formulated by the ICCO Secretariat to be presented to the Common Fund in May 2007.
3.2	Development of sustainable agro-forestry systems through multiple land use: the <i>cacau cabruca</i> model	CEPLAC	Brazil Ecuador Peru Colombia		Proposal: EX/123/ CRP.1		5 years	This project will promote environmentally friendly cocoa growing systems by modernizing the <i>cacau cabruca</i> system practiced in Brazil. It will adopt an intensive and diversified cropping system that combines agro-forestry for tree and food crops with the identification of and application of adequate soil conservation and pest and disease control practices.	CFC conducted a preliminary review of the project profile and made comments and suggestions for improvement. Consultations are ongoing between the ICCO Secretariat and CEPLAC to finalize the proposal.

SECTION IV – PROJECTS IN AN ADVANCED STAGE OF PREPARATION									
	<i>Project title</i>	<i>Project Executing Agency (PEA)</i>	<i>Location</i>	5. <i>Total Cost (US\$)</i> 6. <i>CFC financing (US\$)</i> 7. <i>Co-financing (US\$)</i> 8. <i>Counterpart contribution (US\$)</i>	<i>ICCO document</i>	<i>Starting Date</i>	<i>Completion Date</i>	<i>Brief description of project</i>	<i>Status of project implementation</i>
4.1	Generic promotion of cocoa and chocolate in the Russian Federation	To be decided	Russia	To be determined				Russia is a huge potential market for chocolate and other cocoa products as indicated by the feasibility study. The project will conduct a generic promotion to increase cocoa and chocolate consumption in the country, currently low in terms of consumption <i>per capita</i> .	Consultations are currently ongoing between the Russian authorities and the private sector, in close cooperation with the ICCO Secretariat in order to decide the next course of action in the project proposal.

SECTION V – PROJECTS IN AN EARLY STAGE OF PREPARATION

	<i>Project title</i>	<i>Project Executing Agency (PEA)</i>	<i>Location</i>	1. <i>Total Cost (US\$)</i> 2. <i>CFC financing (US\$)</i> 3. <i>Co-financing (US\$)</i> 4. <i>Counter part contribution (US\$)</i>	<i>ICCO document</i>	<i>Starting Date</i>	<i>Completion Date</i>	<i>Brief description of project</i>	<i>Status of project implementation</i>
5.1	Generic promotion of cocoa consumption in Central Africa	Sic-Cacao, Cameroon	Cameroon, Gabon, Congo	To be determined				This project will focus on developing strategies on generic promotion of cocoa and chocolate consumption in Central Africa.	Consultations have resumed between ONCC in Cameroon and the ICCO Secretariat in order to revive the project proposal.
5.2	Improvement of fine or flavour national cocoa production and post harvest systems.	Anecacao	Ecuador	1. US\$ 749,3 2. US\$ 592,7 3. US\$ 4. US\$ 152,4				The main objective of this project is to increase the productivity of traditional cocoa farms and to establish appropriate post harvest techniques.	The project proposal had to be reformulated. A second draft is presently under review by the ICCO secretariat.
5.3	Sustainable cocoa production and strengthening of farmers' organization in Cameroon	Sodecao	Cameroon	1. US\$ 10,00 2. US\$ 6,00 3. US\$ 3,12 4. US\$ 88				This project aims to re-launch the cocoa sector in Cameroon through training farmers for sustainable cocoa production and strengthening existing and new farmer organizations.	The ICCO Secretariat held consultations with SODECAO to improve the project profile. A second draft is presently under review.
5.4	Development and dissemination of sustainable cocoa production systems	CNRA	Côte d'Ivoire, Nigeria, Togo, Benin						CNRA is in consultation with institutions in Ghana, Nigeria, Cameroon and Togo with the view to holding a meeting to improve the formulation of the project proposal.
5.5	Improving the quality of fine or flavour cocoa	CRU, Trinidad & Tobago	Ecuador, Trinidad & Tobago, Venezuela, Colombia					The project aims to understand and determine the effect of environmental factors on the quality, flavour and productivity of fine or flavour cocoa.	A first draft of a project proposal has been submitted by CRU. Further work will be required to finalize the proposal taking into account the results of the Fine and Bulk Cocoa project.

SECTION V – PROJECTS IN AN EARLY STAGE OF PREPARATION (Contd.)

	<i>Project title</i>	<i>Project Executing Agency (PEA)</i>	<i>Location</i>	9. <i>Total Cost (US\$)</i> 10. <i>CFC financing (US\$)</i> 11. <i>Co-financing (US\$)</i> 12. <i>Counter part contribution (US\$)</i>	<i>ICCO document</i>	<i>Starting Date</i>	<i>Completion Date</i>	<i>Brief description of project</i>	<i>Status of project implementation</i>
5.6	Area Wide Management of Cocoa Pod Borer	Malaysia Cocoa Board	Malaysia and possibly Papua New Guinea and Indonesia					The overall objective of the project is to use a combination of methods to effectively manage CPB.	The ICCO Secretariat sent its preliminary comments to MCB including the requirement to include Papua New Guinea and Indonesia in the project. A revised version of the project proposal is expected very soon.
5.7	An Integrated Programme for the Control of Cocoa Swollen Shoot Virus Disease in West Africa and Central Africa	Cocoa Producers' Alliance (COPAL)	Cameroon, Côte d'Ivoire, Ghana, Nigeria and Togo					The overall objective of the project is to develop an integrated programme for the control of the Swollen Shoot Virus Disease (CSSVD) in the view to improve the welfare of the large number of small-holder cocoa producers in west and central Africa.	The ICCO Secretariat held consultations with the Secretary General of COPAL. The latter is expected to send a detailed budget in order for the former to provide its preliminary comments on the project proposal.