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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 projects under implementation and on 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/136/8 to the one hundred and thirty-sixth meeting of the Executive Committee in May 2008. Since that date, four meetings of the Executive Committee have taken place. However, as a result of intensive deliberations on other matters on the agenda at those meetings, the progress report on projects could not be considered.

## PROGRESS REPORT ON PROJECTS

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## PROGRESS REPORT ON PROJECTS

### “TOTAL QUALITY” COCOA PROJECT IN CÔTE D’IVOIRE

1. The physical cocoa quality criteria developed by CAOBISCO in 1998 formed the basis for the implementation of this project in Côte d’Ivoire. The project aimed to produce and export cocoa, satisfying the “total quality” criteria of the industry and improving the efficiency of the marketing chain.
2. The project started in November 2001 with the development and implementation of a model of a cocoa supply system which would meet the CAOBISCO quality criteria. The system began at the co-operative level where the cocoa was collected from the farmers in villages designated as “project villages”. The cocoa collected from each farmer was kept separate from other cocoas and moved to the warehouse of the cooperative where it was checked for physical quality against the standards of the project. If the quality criteria were met, the cocoa would be placed into export bags, sealed and labelled. The cocoa would then be transported to the port, once again checked for quality, then shipped. This system would ensure not only full traceability to the farmer at the village level, but also full integrity of the cocoa between co-operative and shipment, through to the overseas manufacturer. To encourage farmers and co-operatives to engage in the proposed system and in recognition of the extra effort to produce project quality cocoa, chocolate manufacturers paid a Project Participation Incentive (P.P.I) to the traders for distribution among farmers and co-operatives.
3. This system was first tested in the 2003/2004 cocoa year, starting with the training of selected farmers and staff from eight co-operatives on quality control and best post-harvest practices. The system functioned through groups of participants, each consisting of one exporter, one to three cooperatives and one to three chocolate manufacturers. The cooperatives were supplied with quality control equipment, including a moisture meter, a small scale and sampling spears. The manufacturers paid the P.P.I., which, at the beginning, included an element paid to a Social Fund for the benefit of the community in the area concerned.
4. The pilot operations were repeated in the years 2004/2005, through to 2008/2009. Over this period, more cooperatives, exporters and chocolate manufacturers joined the project. In the course of the pilot operations, the *Bourse du Café et du Cacao* (BCC) in Côte d’Ivoire assumed an increasingly important institutional role in the project. In particular, in 2006/2007, the BCC took full responsibility for the guidance and monitoring of the project in the field. In recognition of the importance of the project, the Government of Côte d’Ivoire granted an exemption from certain export taxes for the project cocoa, starting from the 2007/2008 pilot operations.
5. The 2008/2009 campaign saw the last pilot trade operations under the project. The ICCO Task Force on Quality met in May 2009 to review the overall implementation of the project from November 2001 to April 2008. It was agreed that a report on the final evaluation of the project should be prepared to summarize and document the experiences, constraints, findings and suggestions that had been gathered during project implementation. The Chairman of the ICCO Task Force on Quality drafted the final evaluation report of the project entitled “Evaluation of the Implementation, Experiences, Results and lessons to be learnt from the “Total Quality” Project in Côte d’Ivoire”. The report will be presented to the Executive Committee at its 142<sup>nd</sup> meeting in September 2010.

6. The summary of the major achievements of the project and its implementation constraints are as follows.

- During the pilot operations between 2003 and 2009, the project exported a total of 16,526 tonnes of cocoa that met the essential project cocoa requirements of physical quality standards and traceability.
- About 15,000 farmers and staff of participating cooperatives received training on best post-harvest practices. Training manuals and quality control equipment worth US\$150,000 were provided to the participating cooperatives by the project.
- An estimated US\$ 1 million in Project Participation Incentive (PPI) has been paid to the participating cooperatives and to a Social Fund for community development.
- The system developed and tested, proved that it was commercially viable to produce cocoa which meets the physical quality standards of CAOBISCO, which is fully traceable and of which the integrity is maintained between cooperative and the point of export.
- Logistical problems, the socio-political situation in Côte d'Ivoire, availability of appropriate sacks, implementation of timely training etc., were some of the major constraints identified which made it difficult to achieve the required volumes of project cocoa during the pilot operations.

7. The major lesson learned from the project was that the improved system did work, albeit with room for further improvement. Under the project conditions, the farmers were willing and capable of producing cocoa which met high physical quality standards. The more efficient supply chain system prevented tampering with the integrity of the cocoa between the co-operative warehouse and the seaport, thereby eliminating the practice of blending bad cocoa with good cocoa. Through full traceability, the system would allow for the meaningful introduction of quality aspects, which go beyond the physical quality of cocoa, thus arriving at a "total quality" cocoa.

#### **COCOA PRODUCTIVITY AND QUALITY IMPROVEMENT: A PARTICIPATORY APPROACH**

8. The overall objective of this project is to improve the welfare of smallholder cocoa farmers through higher and more sustainable productivity levels of good quality cocoa at lower production costs. The project aims to contribute to this objective through the selection, distribution and use of new cocoa varieties with improved yield capacity, resistance to pests and pathogens and good quality traits.

9. The project started in June 2004 after the successful completion of its predecessor project, "Cocoa Germplasm Utilization and Conservation: A Global Approach". The project was initially scheduled for completion in December 2009. However, *force majeure* delayed the completion of some priority activities such as on-farm and on-station trials at some project sites. Consequently, a one year budget-neutral extension was granted to the project by the Common Fund for Commodities (CFC), thus bringing the completion date of the project to December 2010.

10. All project activities have now been completed. The final project evaluation workshop was held in early June 2010 in Accra, Ghana. The workshop evaluated the results of the project and

constraints encountered during its implementation, including establishing the extent to which the project had accelerated the selection of new and improved cocoa varieties. The workshop also compiled the key benefits of the project and its impact on the cocoa sector. Finally, workshop participants agreed on the lessons to be learned from project implementation and identified steps for further research needs.

11. The final project evaluation workshop concluded that the project had significantly achieved its objectives. In particular, a number of cocoa varieties that are high yielding and pest and disease resistant had been released to the cocoa farmers. In addition, a number of new and improved cocoa planting materials were being tested and validated on research fields for eventual release to farmers.

12. The Project Executing Agency (PEA), Bioversity International will now coordinate the preparation of the Project Completion Report (PCR) and other technical publications.

### **ANALYSIS OF THE VALUE CHAIN IN COCOA PRODUCING COUNTRIES**

13. The objective of the analysis was to establish the inputs used and the costs incurred to produce, trade and export cocoa in selected cocoa producing countries (Brazil, Côte d'Ivoire, Cameroon, the Dominican Republic, Ecuador, Ghana, Nigeria, and Papua New Guinea) 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 export. The results of the study would allow for direct comparison of the composition of the costs and proceeds in the cocoa value chain in the major cocoa producing countries and regions.

14. The methodology for the study was tested in Ghana during the last week of October 2007. The test involved identifying three typical cases of cocoa production according to the level of inputs used. A preliminary analysis of the test in Ghana was finalized, giving a clear insight into the costs of production for the identified typical cases: costs of establishment of the farm and other investments and current costs of production, costs of commercialization of cocoa beans and the shares of the different stakeholders in the value chain. The result of the test in Ghana was subsequently used to modify and finalize the methodology for implementation of the study in the other participating countries. Following that revision, the study was to be conducted in Cameroon, Côte d'Ivoire and Nigeria between March and April 2008, with assistance from the ICCO Secretariat.

15. However, at the 136<sup>th</sup> meeting of the Executive Committee in May 2008 in Berlin, the Government of Côte d'Ivoire expressed its concern over the study given the confidentiality of the information required. It was felt, in particular, that the methodology used for the study by the ICCO Secretariat had focused on the production side of the cocoa supply chain. During the ICCO meetings in September 2008, the Government of Côte d'Ivoire announced that it was suspending its participation in the project, as the information related thereto was considered sensitive and confidential. However, in January 2009, the Executive Director received a letter from the new *Comité de Gestion de la Filière Café-Cacao* (CGFCC) pledging support to the project on the condition that its methodology would be modified and widened to include an agricultural survey. In the letter, the CGFCC solicited the support of the ICCO on methodology and financing of such a survey. They also indicated that they would liaise with other cocoa producing countries in Africa for their support.

16. At its 19<sup>th</sup> meeting in June 2009, the Consultative Board reviewed the possibilities for resuming implementation of the project. However, as the issue of sensitivity of the data involved could not be solved, the Board recommended that the Council should terminate the project.

17. Subsequently, the Executive Director discussed the matter with the management of the Common Fund for Commodities (CFC). As a result, the CFC wrote to the Executive Director on 19 October 2009 to notify him that, after an extension by one year, the Fund had decided to terminate the project with immediate effect as no substantial progress had been achieved. As a result, the ICCO Secretariat closed the project account and returned the remaining funds to the CFC.

18. The Executive Director informed the Executive Committee at its 141<sup>st</sup> meeting in March 2010 in Cameroon about the situation related to the termination of the project. However, during the meeting, the representative of the Common Fund for Commodities noted that the project could be resurrected if that was the wish of the ICCO.

### **FAST TRACK PROJECT ON HOST PLANT RESISTANCE FOR SUSTAINABLE COCOA POD BORER MANAGEMENT**

19. This Fast Track project was designed to address the devastation caused by the Cocoa Pod Borer (CPB) in the Asian region (Indonesia, Malaysia, the Philippines and, more recently, in Papua New Guinea). The main objective of the project is to develop accelerated measures to control CPB through breeding in the most effective manner. The project will lead to the identification of CPB tolerant varieties to enhance sustainable cocoa cultivation in the region. The expected outputs of the project include screening protocols for CPB tolerant clones, clonal materials tolerant to CPB, a research publication, and an Initial Positive Rate (IPR) on screening protocols.

20. Project implementation commenced in October 2008. In December 2009, the Malaysian Cocoa Board (MCB), as Project Executing Agency, submitted a report on progress of project implementation in Malaysia and Papua New Guinea. The report indicated that the majority of the activities carried out during the first year of the project had concentrated mainly on Components 1 and 4 of the project.

21. For Component 1 on **Morphological Characteristics of Cocoa Pod**, preliminary assessments on pod length, width, pod hardness and husk thickness had been carried out. Data collection would continue into the second year of the project.

22. For Component 4 on the **Tolerance study**, ten clones had been selected for the study. Determination of exit holes and Average Damage Severity Index (ADSI) for each clone had been conducted. Preliminary results had indicated variation in the tolerance level of the different clones under natural conditions.

23. The general conclusion of the report showed that there was a high correlation between the ADSI and the entry holes in the six selected clones. The exit holes, on the other hand, had shown little correlation with the values for ADSI.

24. The progress report for the first six months of Project Year 2 is now due. The PEA is expected to submit the report by the end of August 2010.

**FAST TRACK PROJECT ON A FEASIBILITY STUDY ON OPPORTUNITIES FOR ORGANIC COCOA IN AFRICAN COUNTRIES**

25. A Fast Track proposal on a “Feasibility Study on Opportunities for Organic Cocoa in African Countries” was submitted in May 2007 to the ICCO Secretariat by the Royal Tropical Institute (KIT) in Amsterdam, the Netherlands. The main objective of the project was to conduct a feasibility study to identify the best production areas, producers’ organizations and support activities for organic cocoa production in Côte d’Ivoire, Ghana, Cameroon and Togo. The project would provide a detailed analysis of the value chain of the organic cocoa niche market in these countries, as well as an assessment of the current status and opportunities for organic cocoa production and export. Finally, the study would develop an action plan for supporting organic cocoa exporters in selected areas, with selected producers’ groups and stakeholders.

26. At its 134<sup>th</sup> meeting in September 2007, the Executive Committee reviewed and approved the submission of the proposal to the Common Fund for Commodities (CFC) for financing. The Consultative Committee of the CFC approved the proposal while recommending that the feasibility study should be limited to Cameroon and Togo, given the established experience of Côte d’Ivoire and Ghana in organic cocoa growing.

27. Project implementation commenced in October 2008. In mid April 2009, the Royal Tropical Institute (KIT), as Project Executing Agency, submitted the first draft of the report of the feasibility study to the ICCO Secretariat. For Cameroon, the study concluded that existing multi-stakeholder partnerships in the country could be built upon to facilitate organic cocoa production. However, for Togo, it was indicated that more efforts were required to strengthen the supply chain and to build new partnerships. In both countries, the problem of pests and pathogens was identified as a major threat to organic cocoa production.

28. However, after a thorough review of the feasibility report by the ICCO, it appeared that the technical and financial viability of organic cocoa production in Africa had not been clearly established. Consequently, the ICCO Secretariat requested KIT to revise the report to provide more technical analysis of organic cocoa production and its overall financial viability in Africa. In March 2010, KIT submitted a revised report of the feasibility study and a project proposal on an organic cocoa package. The ICCO Secretariat has requested for clarification from KIT on a number of issues in the report. Consultations are currently ongoing between ICCO and KIT to finalize the feasibility report and a draft project proposal on an organic cocoa package.

**COCOA OF EXCELLENCE: PROMOTING DIVERSE HIGH QUALITY COCOA ORIGINS**

29. This project was initiated by Bioversity International to replicate in the cocoa sector a similar initiative in the coffee sector, whereby the “Coffee Cup of Excellence” provided a recognized award for premium Arabica coffee. It was considered that, compared with coffee, wine or tobacco, cocoa was still very much an un-differentiated and low-value industrial commodity. The factors responsible for this situation included geographical and cultural separation of cocoa producers and users, a mismatch between the predominant small-scale production and large-scale industry use of cocoa, the predominant use of cocoa as one of several flavour ingredients in confectionery and other mass-market products, confusion over the varietal and geographical origins of quality cocoa and its adulteration with inferior grades.

30. The main objective of the project is to contribute towards greater diversification of cocoa markets through the identification of specialty cocoa origins (“*terroirs*”) with recognized or newly discovered flavour attributes. The project would specifically increase awareness along the cocoa supply chain of the diversity and complexity of cocoa flavours from diverse genetic and geographic sources. It would create awareness among producers of the opportunities for high value cocoa differentiation, and provide global recognition for the producers and *terroirs* of specialty origin cocoas.

31. In the project, cocoa producing countries would be invited to send well-prepared, fermented and dried bean samples representing the genetic and geographic origins of cocoa producing regions in each country. Cocoa liquor samples would be characterized and evaluated for preference by an international panel using standard methods. Cocoa liquor samples from different origins that showed high flavour potential or interesting original new flavour attributes would be processed into chocolate and nominated for the “International Cocoa Awards” to be attributed by professionals on the occasion of the *Salon du Chocolat* in October 2009 in Paris.

32. The project had been approved by the Consultative Committee of the Common Fund for Commodities in January 2009. Subsequently, an attempt was made to organize the project for presentation at the 2009 *Salon du Chocolat*. However, time was too short to realize that and after consultations between the relevant stakeholders, it was decided that, in the best interests of all parties concerned, the project should be postponed until the 2010 *Salon du Chocolat*. This would give ample time for careful preparation and implementation of the project. Subsequently, at the request of ICCO, the Common Fund approved a one year postponement of project implementation.

33. Since then, preparations for the project towards the 2010 *Salon du Chocolat* have intensified. Letters of announcement and protocols for preparation of samples have been sent to all participating countries. Most participating countries have put in place a National Organizing Committee and have sent samples to CIRAD in Montpellier, France. An implementation committee of ten institutions has been formed to coordinate the project activities. In addition, a technical committee has been established to harmonize the methodologies for the sensory panel that will describe and select samples for chocolate manufacturing.

34. A total of 147 new samples from 19 countries has been received and analyzed. The Sensorial Technical Committee has selected 50 samples with promising flavour attributes from the 147 samples received. The selected samples have been processed into liquor and evaluated by the Taste Panel. Cocoa liquor of the selected samples have been prepared and sent to the appropriate chocolate manufacturers to be made into chocolate for the award at the *Salon du Chocolat* 2010 in October 2010 in Paris. Bioversity International has confirmed that all the Member countries of ICCO participating in the project have submitted samples except Nigeria, Togo, Venezuela and Nicaragua.

### **PILOT PROJECT ON PRICE RISK MANAGEMENT FOR COCOA FARMERS**

35. This project was implemented in Côte d’Ivoire from February 2006 to March 2008. The overall objective of the pilot project was to develop and implement a price risk management strategy in Côte d’Ivoire for cocoa farmers to reduce their exposure to price fluctuations on the international market and to develop capacity to enable small cocoa producers to make more rational production and investment decisions based on more realistic assumptions and price expectations.

36. The results of the pilot operations in Côte d’Ivoire demonstrated that a price risk management instrument could be an effective tool to mitigate the fluctuations of farm-gate prices. In more specific

terms, the project identified Put options as the most effective price risk management instrument. In view of the positive results achieved in the pilot project, it had been proposed to expand the scope of the project in Côte d'Ivoire and to extend its implementation to Cameroon and Nigeria.

37. The final dissemination workshop for the project was organized in Abidjan, Côte d'Ivoire, from 11-13 May 2010. A total of 143 participants from Botswana, Burkina Faso, Cameroon, Côte d'Ivoire, France, Ghana, Nigeria, the Netherlands, the United Kingdom, Russia, Togo and Switzerland as well as representatives of the ICCO, CFC and UNCTAD attended the workshop. After two days of deliberations, the workshop observed that the liberalization of the cocoa and coffee sectors in some countries in Africa had been implemented without the necessary preliminary preparation, thus creating a situation in which stakeholders did not have sufficient tools to manage the fluctuations of cocoa prices at international level. As such, the workshop recommended that a solid capacity building programme on the use of price management instruments should be put in place to train relevant stakeholders on how to better cope with price fluctuations and the resulting instability of revenues. The workshop also recommended that governments in cocoa producing countries should create appropriate institutional, legal and policy frameworks to make price risk management tools accessible to cocoa farmers through strong and viable cooperatives.

38. The workshop proceedings are presently being finalized and will be used as inputs for a possible follow-up project on capacity building to be implemented in Cameroon, Côte d'Ivoire and Nigeria.

#### **STRENGTHENING AND MODERNIZATION OF COCOA MARKET INFORMATION SERVICES (MIS) IN COCOA PRODUCING COUNTRIES**

39. The final workshop of the ICCO/CFC Project on Improvement of Cocoa Marketing and Trade in Liberalizing Cocoa Producing Countries acknowledged the benefits of an efficient and transparent MIS and recommended that all participating countries should take necessary actions to improve existing market information systems.

40. Subsequently, the ICCO Council adopted a Resolution which recognized the importance of Market Information Systems (MIS) to improve the functioning of cocoa markets by increasing market transparency for the benefit of all stakeholders in the cocoa supply chain. In the Resolution, the Council encouraged all cocoa producing countries to take all measures necessary to enable the establishment of a reliable, transparent and sustainable market information system that would be accessible to all stakeholders. The project on "Improvement of Cocoa Marketing and Trade in Liberalizing Cocoa Producing Countries" had helped to establish the necessary framework for the development of cocoa market information systems that enabled farmers to have access to reliable price information at national and international levels.

41. Based on the recommendation of the final workshop of the Marketing project and the resulting ICCO Council Resolution, the ICCO Secretariat enlisted the services of a consultant to conduct a review of existing MIS in Cameroon, Côte d'Ivoire and Nigeria. The review indicated that further work would be required to improve and modernize these systems. Specifically, the review indicated that all three countries needed to reinforce their capacity to collect, process, and disseminate reliable market information on cocoa prices. As a result, the ICCO Secretariat, in close cooperation with the relevant countries, has formulated a request to the Common Fund for Commodities for a Project Preparation Facility (PPF) to develop a project proposal on "Strengthening and Modernization of Cocoa Market Information Systems in Cocoa Producing Countries". The purpose of the request is to

enable a thorough review of the MIS situation in Cameroon, Côte d'Ivoire and Nigeria and to develop a project proposal for the implementation of action programmes that would strengthen and modernize the MIS in these countries.

### **SPS CAPACITY BUILDING PROGRAMME IN AFRICA TO MITIGATE THE HARMFUL EFFECTS OF PESTICIDE RESIDUES IN COCOA AND TO MAINTAIN MARKET ACCESS**

42. The overall objective of this project is to maintain market access for cocoa beans from Africa through capacity building in Sanitary and Phytosanitary Standards (SPS), in order to produce good quality cocoa that complies with the relevant international regulations and legislation on pesticide residues and other harmful substances.

43. The project proposal was developed using a Project Preparation Grant (PPG) provided by the Standards and Trade Development Facility of the World Trade Organization (STDF/WTO) in July 2009. The request for the PPG was based on the need to urgently address the implications of the European Union Directive on Maximum Residue Levels (MRLs). The EU Directive came into force in September 2008 and sets maximum levels on the amounts of pesticide residues permitted on imported foods, including cocoa beans. There are similar regulations already existing and in force in the USA and Japan. These regulations set by the EU, the USA and Japan have the potential, if not properly adhered to, to considerably affect cocoa trade and, consequently, of depriving cocoa smallholder farmers and governments of producing countries of much needed revenues.

44. The PPG enabled the ICCO to engage a consultant to assess the ability of cocoa producing countries in Africa to meet existing SPS standards, as well as to review the existing phytosanitary practices along the cocoa supply chain and to identify weaknesses and areas for improvement. In close cooperation with the relevant institutions in the countries concerned, the measures proposed by the consultant have been developed into a project proposal on "SPS Capacity Building in Africa to Mitigate the Harmful Effects of Pesticide Residues in Cocoa and to Maintain Market Access" to be implemented in Cameroon, Côte d'Ivoire, Ghana, Nigeria and Togo.

45. The project proposal was presented to the Executive Committee at its 141<sup>st</sup> meeting in March 2010. The Committee commended the project and approved its submission to the Standards and Trade Development Facility of the World Trade Organization (STDF/WTO) and to other donors for financing. Subsequently, the ICCO Secretariat submitted the project proposal to the STDF/WTO for grant consideration and equally to other potential donors for co-financing.

46. In June 2010, the Secretariat of the STDF requested the ICCO to provide evidence from the proposed participating countries indicating that they support the project and agree to provide the necessary counterpart contribution in cash and in kind to the project over its implementation period. As a result, the Executive Director wrote to the relevant authorities in the countries concerned requesting their letters of support and commitment to provide counterpart contributions in cash and in kind for the project.

47. In July 2010, the Secretariat of the STDF/WTO informed the ICCO that its Working Group had approved the project on the condition that ICCO would provide letters of support and commitment from the participating countries before the project agreement could be signed. Subsequently, the Executive Director wrote a letter of reminder to the countries concerned informing them of the approval of the project by the STDF/WTO and the need for them to urgently provide the said letters of support.

48. In the meantime, the ICCO secretariat is in consultations with other potential donors to secure the necessary foreign co-financing for the project.

#### **INTEGRATED MANAGEMENT OF COCOA PESTS AND PATHOGENS IN AFRICA: CONTROLLING INDIGENOUS COCOA PESTS AND DISEASES AND PREVENTING THE INTRODUCTION OF EXOGENOUS ONES**

49. The overall objective of this project is to implement a major programme of awareness-raising and capacity building in cocoa producing countries in Africa to improve the understanding about the impact of current cocoa pests and pathogens; to assess the risks of the global spread of pests and diseases into new regions and to establish improved pest surveillance mechanisms; to develop eradication plans and support the ongoing management and control of introduced and indigenous pests and diseases in individual countries. The project will be implemented in Cameroon, Côte d'Ivoire, Ghana, Nigeria and Togo.

50. This project proposal was based on the recommendations of the CFC/ICCO/CABI workshop on "Preventing and Managing the Global Spread of Cocoa Pests and Pathogens: Lessons learned from the Witches Broom Project" held in Abidjan, Côte d'Ivoire from 17-20 July 2007.

51. At the workshop, the participants reviewed the impact and spread of major cocoa pests and pathogens and the readiness of cocoa producing countries to manage existing pests and pathogens and to prevent the introduction of foreign ones. The results indicated that cocoa pests and pathogens continued to cause considerable losses in production and were constantly migrating to new regions and countries. The review also demonstrated that, at present, there were no contingency plans or mechanisms in place in the major cocoa producing countries to prevent an outbreak and, in the event of there being one, to efficiently and effectively control it.

52. The draft project proposal was prepared by the ICCO Secretariat and submitted to cocoa producing countries in Africa for their inputs. Following internal consultations among the participating countries, the Cocoa Research Institute of Ghana (CRIG) was appointed to coordinate the finalization of the draft project proposal and to be the Project Executing Agency for the project. At a workshop organized in Cameroon in February 2010, representatives from all five participating countries (Cameroon, Côte d'Ivoire, Ghana, Nigeria and Togo) agreed on the structure and contents of the project proposal. The proposal was presented to the Executive Committee at its 141<sup>st</sup> meeting in March 2010. The Committee endorsed the project and approved its submission to the Common Fund for Commodities (CFC) and other donors for financing.

53. In June 2010, the internal Project Appraisal Committee (PAC) of the CFC reviewed the project proposal and recognized its importance to the cocoa sector. The PAC recommended the project to the management of CFC for consideration by its Consultative Committee. However, the management of the CFC delayed the submission of the project proposal to its Consultative Committee until January 2011. This decision was based on the need to have firm confirmation on the required co-financing and counterpart contributions from the private sector and the participating countries respectively.

54. In the meantime, the Executive Director has written to several companies and institutions in the cocoa industry requesting co-financing of up to US\$2 million in cash and in kind for the project. As at the end of July 2010, a number of institutions and companies have indicated their support and commitment to the project. Written confirmations of these commitments are expected soon. Similarly, in June 2010, the Executive Director wrote to the participating countries, requesting them to provide a

letter of support to the project and their commitment to provide the necessary counterpart contributions in cash and in kind.

### **ACHIEVING SUSTAINABILITY IN PRODUCTION AND TRADE OF COCOA IN AFRICA**

55. The project aims to substantially increase productivity on the cocoa farms and bring about a profound change in the functioning of the cocoa supply chain, thereby achieving a very substantial increase in the incomes of cocoa farmers.

56. For cocoa production to be sustainable, first and foremost, it has to be economically sustainable. The lack of economic sustainability would almost inevitably result in shortfalls in both social and environmental sustainability of cocoa cultivation. The inefficiencies in the production and marketing of cocoa need to be addressed to enable cocoa production to significantly increase the real incomes of a large number of cocoa farmers in Africa, thereby lifting them well above the poverty line. This could be achieved by establishing systems of more efficient supply chains from farmer to port, including traceability and maintaining the integrity of the cocoa. Equally important is the need to work with farmers to produce sustainable cocoa, applying Good Agricultural Practices (GAPs) that simultaneously meet economic, social and environmental standards, while making optimal use of diversification opportunities.

57. The establishment of a sustainable cocoa supply chain mechanism for traceable and efficiently produced and traded “total quality” cocoa will lead to additional value for cocoa produced by complying farmers and co-operatives. This would encourage non-project farmers in the countries concerned to also adopt “total quality” practices and increase the preparedness of the chocolate industry to reward the production of traceable “total quality” cocoa. Within 10 to 15 years, a new, shorter and more efficient cocoa supply chain is expected to give significantly higher returns to large numbers of cocoa farmers in Africa.

58. The framework of the project is based on the experience gained from the implementation of the pilot project on “Total Quality” in Côte d’Ivoire. The successful implementation of this pilot project opened the way for the introduction of a system of production and trade of “total quality” cocoa, which, through traceability, can ensure that economic, social and environmental sustainability is achieved.

59. The ICCO Secretariat has formulated a draft project proposal on “Achieving Sustainability in Production and Trade of Cocoa in Africa”, to be implemented in Cameroon, Côte d’Ivoire, Ghana, Nigeria and Togo. The draft proposal was reviewed by the Executive Committee at its 140<sup>th</sup> meeting in September 2009. The Committee encouraged the prospective participating countries to provide their detailed feedback and comments on the project. Observations have so far been received from Ghana and Cameroon. Côte d’Ivoire has indicated to the ICCO Secretariat that its initiative, entitled “Programme on Productivity and Quality Improvement to Enhance Farmers’ Incomes” (2QC) could be used as their inputs to the new project proposal.

60. The ICCO Secretariat is currently incorporating the comments received so far and will prepare a second draft of the project proposal. Thereafter, the project proposal will be submitted to the participating countries and interested private sector entities for review and comment, before the proposal is submitted to the Executive Committee for endorsement.

## SUMMARY OF PROJECTS

	PROJECT TITLE	PEA	LOCATION	TOTAL COST (US\$)	ICCO DOCUMENT	STARTING DATE	COMPLETION DATE	BRIEF DESCRIPTION OF PROJECT	STATUS OF PROJECT IMPLEMENTATION
<b>SECTION I – COMPLETED PROJECTS</b>									
1.1	Generic promotion of cocoa consumption in Japan	CCAJ	Japan	SDR 353,000	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 a positive image of the nutritional and health benefits of cocoa.	Completed. Project Completion Report (PCR) is available.
1.2	Project on pilot plants for the processing of cocoa by-products in Ghana	CRIG	Ghana	1,060,000	Proposal: ICC/44/6 Report: EX/131/7/ Add.1	September 1993	Completed 2003	The project investigated and developed a number of product lines using cocoa by-products to produce animal feed, potash, alcoholic drinks, pectin, jam, marmalade, toilet soap and body creams.	Completed. The PCR is available.
1.3	Feasibility study on the generic promotion of cocoa consumption in the Russian Federation	ITC	Russia	30,000	Proposal: CC/16/2	May 2001	Completed 2002	The potential of increasing chocolate consumption in the Russian Federation was investigated as a basis for launching a full-scale generic promotion campaign.	Completed. The PCR is available.
1.4	Cocoa germplasm utilization and conservation: A global approach	IPGRI	Ten cocoa producing countries	10,167,000	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 material through the optimal use of cocoa germplasm to produce good quality cocoa and achieve higher and sustainable production levels.	Completed. The PCR is available.
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	1,662,570	Proposal: EX/98/10 PCR: EX/134/10	January 2001	Completed March 2006	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 PCR is available.

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1.6	The use of molecular biology techniques in a search for varieties resistant to Witches' Broom disease of cocoa	CEPLAC	Brazil Ecuador Peru	3,196,936	Proposal: ICC/50/10/ Rev.1 PCR: EX/132/7	April 2000	Completed September 2005	Witches' Broom Disease of cocoa has caused great damage to cocoa production in South America. The project developed new cocoa varieties which are more tolerant to Witches' Broom Disease.	Completed. The PCR is available.
1.7	Project for the improvement of cocoa marketing and trade in liberalizing cocoa producing countries	GTZ/ UNOPS	Cameroon Côte d'Ivoire Nigeria	6,509,171	Proposal: EX/94/6/ Rev.1 Completion report: EX/132/6	October 1999	Completed September 2005	The project aimed to improve the functioning of cocoa markets, the quality of exported cocoa, facilitate trade financing, provide market information and address trade and price risks.	Completed. The PCR is available.
1.8	Preventing and managing the global spread of cocoa pests and pathogens: Lessons learned from the Witches' Broom project	CABI	Abidjan, Côte d'Ivoire	200,000	Proposal: EX/128/8/ Rev.1	July 2007	6 months	The main objective of the project was to hold a workshop of stakeholders in the cocoa sector to present the results of the Witches' Broom Disease project, then to build consensus on the approach and contents of a worldwide initiative to address the threat and impact of cocoa pests and pathogens.	The Workshop was successfully held. The workshop proceedings are available.
1.9	Pilot Project on Price Risk Management for Cocoa Farmers	BCC	Côte d'Ivoire	384,762	Proposal: EX/127/7/ Add.1	February 2006	Completed March 2008	The project aims to address the issue of constant price fluctuations faced by cocoa farmers	The Project Completion Report is available. The final dissemination workshop was held in May 2010 in Abidjan, Côte d'Ivoire.
1.10	Capacity Building Programme on Pesticides Residues and other Harmful Substances in Cocoa in Africa	Consul- tant	Cameroon Côte d'Ivoire Ghana Nigeria Togo	46,000	Project Preparation Facility	October 2009	6 months	The objectives of the study are to assess the ability of cocoa producing countries in Africa to meet existing SPS standards; to review the existing phytosanitary practices along the cocoa supply chain; to identify weaknesses and areas for improvement; and to propose measures to reduce the contamination of cocoa beans by pesticide residues and other harmful substances.	The report of the consultant and the resulting project proposal are available. The new proposal has been approved by the STDF/WTO.

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1.11	Total quality cocoa project in Côte d'Ivoire	ICCO Task Force	Côte d'Ivoire		Several, including: EWGQ/8/3 EWGQ/15/2  Evaluation report: EX/141/11	October 2003	April 2009	This project aims at the production and export of cocoa, satisfying total quality criteria and improving the efficiency of the marketing chain.	The 2008/2009 pilot operations were the last under the project. The ICCO Task Force on Quality has prepared a report on "Evaluation of the Implementation, Experiences, Results and Lessons to be Learnt from the "Total Quality" Project in Côte d'Ivoire. The report will be presented to the 142 <sup>nd</sup> meeting of the Executive Committee in September 2010. final evaluation report is available.
1.12	Analysis of the value chain in cocoa producing countries	ICCO	Eight cocoa producing countries	330,000	EX/129/7 EX/129/7/ Add.1	February 2007	Terminated	The objective of the study is to systematically and uniformly establish the inputs 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.	The study could not be continued due to the perceived sensitive nature of the information required from producing countries. The study was terminated by the CFC.

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<b>SECTION II – PROJECTS UNDER IMPLEMENTATION</b>									
2.1	Cocoa productivity and quality improvement: a participatory approach	Bioersity Inter-national	Thirteen cocoa producing countries	10,558,523	Proposal: ICC/66/5e	March 2004	5 years	This is the successor project to that on cocoa germplasm utilization and conservation: a global approach. It deals with more efficient and sustainable cocoa cropping systems through accelerated selection/distribution of improved planting material.	The final evaluation workshop for the project was held in early June 2010 in Accra, Ghana. The Project Completion Report (PCR) is being finalized.
2.2	Fast Track project on a feasibility study for organic cocoa production in West African countries	KIT Development Policy & Practice	Cameroon Togo	159,976	Proposal: EX/134/12	October 2008	6 months	The objective of the project is to conduct a study to better understand the opportunities for organic cocoa production in Africa.	The study has been completed. ICCO and KIT are in consultations to finalize the report of the feasibility study and a draft project proposal on organic cocoa package.
2.3	Fast Track Project on Host Plant Resistance for Sustainable Cocoa Pod Borer Management	Malaysian Cocoa Board (MCB)	Malaysia Papua New Guinea	263,000	Proposal: EX/134/13	October 2008	2 years	The objective is to develop simple, reliable and quick screening protocols for the identification and selection of clones tolerant to CPB.	The project is in its second year of implementation. The progress report of the first 6 months of Project Year 2 is being expected from the PEA.
2.4	Cocoa Excellence: Promoting diverse High Quality Cocoa Origins	Bioersity Inter-national	Inter-national	304,702	Proposal: EX/137/17	November 2009	18 Months	The goal of the project is to contribute towards greater diversification of cocoa markets through the identification and characterization of high quality cocoa origins.	147 cocoa samples have been received from 19 countries. 50 samples have been selected and are being processed into chocolate. Awards for the most promising samples will be presented at the 2010 <i>Salon du Chocolat</i> in Paris in October 2010.

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<b>SECTION III – PROJECTS UNDER CONSIDERATION BY THE CFC AND OTHER DONORS</b>									
3.1	SPS Capacity Building in Africa to Mitigate the Harmful Effects of Pesticides Residues in Cocoa and to Maintain Market Access	FIRCA	Cameroon Côte d'Ivoire Ghana Nigeria and Togo	5,322,104	Proposal: EX/141/9	January 2011	24 months	The objective of the project is to maintain market access for cocoa beans from Africa through capacity building in SPS, in order to produce good quality cocoa that complies with the relevant international regulations and legislations on pesticides residues and other harmful substances.	The STDF/WTO has approved the grant application for the project. Letters of support and commitment to provide counterpart contributions in cash and in kind are expected from the participating countries. The ICCO Secretariat is in consultations with other potential donors to secure necessary foreign co-financing for the project.
3.2	Integrated Management of Cocoa Pests and Pathogens in Africa	CRIG	Cameroon Côte d'Ivoire Ghana Nigeria Togo	5,225,528	EX/141/ Rev.1	January 2011	4 years	The objective of the project is to facilitate a programme of capacity building in the participating countries to identify the impact of current cocoa pests, to assess the potential for global spread of any of these pests into new regions and to build in-country capacity for improved pest surveillance, plans for eradication and continued management of introduced pests	The project proposal has been submitted to the CFC and other donors for financing. The Consultative Committee of the CFC will consider the project in January 2011. In the meantime, the ICCO Secretariat is seeking letters of support and commitment to provide the necessary co-financing and counterpart contributions in cash and in kind from the private sector and from the participating countries.

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<b>SECTION IV – PROJECTS AT AN ADVANCED STAGE OF PREPARATION</b>									
4.1	Achieving Sustainability in Production and Trade of Cocoa in Africa	To be determined	Cameroon, Côte d'Ivoire, Ghana, Nigeria and Togo		Proposal: EX/139/8/ Rev.1		5 years	The overall objective of the project is to bring about a profound change in the functioning of the supply chain, thereby enabling very substantial income increase for cocoa farmers.	A second draft of the project proposal is being finalized by the ICCO Secretariat. This will incorporate comments received from the participating countries.
4.2	Generic promotion of cocoa and chocolate in the Russian Federation	To be decided	Russia	To be determined				The project is to implement a generic promotion campaign to increase cocoa and chocolate consumption in the Russian Federation, currently low in terms of consumption <i>per capita</i> .	The stakeholders in the Russian Federation are working on a project proposal. ICCO has sent relevant information and data to the Ministry of Economic Development in Russia to assist in this process.
4.3	Strengthening and Modernization of Cocoa Market Information Services (MIS) in Africa	To be determined	Cameroon, Côte d'Ivoire, and Nigeria	6,500,000		To be determined	To be determined	The overall objective is to provide a sustainable Market Information Service (MIS) as a means of increasing the efficiency of cocoa marketing systems and promoting improved cocoa price formation.	The ICCO Secretariat is finalizing a request to the CFC for a Project Preparation Facility (PPF) to develop the project proposal.
4.4	Capacity building on price risk management for cocoa farmers	To be determined	Cameroon, Côte d'Ivoire, and Nigeria					The main objective of the project is to reinforce the capacity of cocoa farmers to use price risk management instruments to mitigate the effects of constant price fluctuations.	The ICCO Secretariat is finalizing a request to the CFC for a Project Preparation Facility (PPF) to develop the project proposal

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<b>SECTION V – PROJECTS AT AN EARLY STAGE OF PREPARATION</b>									
5.1	Achieving sustainability in production and trade of cocoa in Latin America and Asia	To be determined	Ecuador Venezuela PNG Dominican Republic Trinidad					The overall objective of the project is to bring about a profound change in the functioning of the supply chain, thereby enabling very substantial income increase for cocoa farmers.	Responses from the concerned countries on the draft project concept note is being analysed by the ICCO Secretariat. Thereafter work on drafting the project proposal will start.
5.2	Fine flavour cocoa quality certification and differentiation	To be determined	Ecuador, Trinidad & Tobago, Venezuela, Colombia					The project would aim to develop measures to differentiate fine/flavour cocoa and mechanism for certifying quality	A project profile is being developed by the ICCO Secretariat.
5.3	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.	A full project proposal will be formulated, following implementation of the fast-track project mentioned above.