



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACION INTERNACIONAL DEL CAFE
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFE

EXECUTIVE DIRECTOR
22 BERNERS STREET
LONDON ENGLAND

ED 1737/00 (E)

7 March 2000
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**MEMORANDUM OF UNDERSTANDING BETWEEN
THE UNITED NATIONS ENVIRONMENT PROGRAMME
AND THE INTERNATIONAL COFFEE ORGANIZATION**

1. The Executive Director presents his compliments and, for the information of Members, attaches a copy of a Memorandum of Understanding concluded between the United Nations Environment Programme and the International Coffee Organization.
2. This document sets out modalities of cooperation between the two organizations on the preparation of three studies exploring linkages between coffee production, environment and international trade. It also outlines arrangements for funding of US\$20,000 by UNEP towards the costs of developing an outline document with initial guidelines for a study on coffee and the environment through a life cycle approach, and a meeting to discuss this on 18 May 2000 at the headquarters of the Organization.



United Nations Environment Programme

برنامج الأمم المتحدة للبيئة · 联合国环境规划署
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT · PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is concluded between:

- i The United Nations Environment Programme, Division of Technology, Industry and Economics, Tour Mirabeau, 39-43 quai André Citroën, 75739 Paris Cedex 15, France
- ii The International Coffee Organization (ICO) 22 Berners Street, London, UK, W1P 4DD

1. Background

Within the broad context of liberalised agricultural trade, there is an increasing concern among coffee producing and consuming countries about enhancing the quality of coffee through a sustainable pattern of development. In addition, 'responsible business', in the coffee community means meeting the challenge of finding creative answers to new environmental and socio-economic issues.

There is thus a need to understand the links between the promotion of international trade and environmental protection while securing socio-economic alternatives for all participants in the coffee chain, and to learn about how they affect each other, in terms of quality and quantity i.e. the desirable thresholds which should not be exceeded. Increasing our knowledge about these matters will help with the planning of national agricultural coffee policies, as well as project implementation in developing and enhancing the coffee sector.

The ICO administers the International Coffee Agreement. The objectives of this Agreement are inter alia:

- To ensure enhance international co-operation in connection with world coffee matters
- To provide a forum for intergovernmental negotiations, and negotiations when appropriate on coffee matters
- To facilitate the expansion of international trade in coffee through the collection, analysis and dissemination of statistics and the publication of indicator and other market prices and thereby to enhanced transparency in the world coffee economy
- To act as a centre for the collection, exchange and publication of economic and technical information on coffee.

The ICO has a policy of co-operation with UN agencies and thus seeks to co-operate with UNEP to study a number of key areas relating to coffee, environment and international trade.

The UNEP Environment and Trade Programme within the UNEP Division of Technology, Industry and Economics (DTIE), focuses on improving the ability of nations to understand and address the complex relationships between trade and the environment at the local, regional and global levels. The main goals of the programme are to help decision-makers integrate environmental planning into trade policies.

Division of Technology, Industry and Economics
Division Office

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A fundamental activity of the UNEP Environment and Trade Programme is to collect and analyse the basic empirical data needed to assess what impact a deeper integration of trade and environmental issues will have on other aspects of our societies and economies. Research is also the basis for the development of practical policy tools to assess the benefits and costs of further trade liberalisation. The research also helps nations identify which of these tools are consistent with their own social, economic and development priorities.

In addition, the Production and Consumption Unit of DTIE actively promotes cleaner production practices, which through a life cycle approach can improve both the environmental and economic performance of an enterprise.

In many countries consumers are increasingly concerned about how processing and production methods (PPMs) are affecting the environment. They would also like to have more information on the subject. As domestic PPM-related requirements vary from country to country, when the requirements and regulations are stricter it may result in unfair pressure on countries which are less able to change their environmental policies and practices, restricting their access to the market. These pressures may result in extending requirements for PPMs from consuming to producing countries via the market, forcing the industry to innovate and ensure healthier and environmentally sound PPMs to respond to consumer demand.

The life cycle approach is a tool which contributes towards understanding the complex environmental effects of production and processing of a product. This approach may be very valuable in highlighting information on the different methods existing in the producing, transforming, processing, and packaging, recycling and labelling of coffee.

Voluntary eco-labelling schemes are also being developed and, when well-designed, they can provide customers with information about the environmental consequences of their purchasing decisions.

A study on coffee and the environment through a life cycle approach could lead to the examination of the latest situation in the PPM debate, life cycle analysis, and eco-labelling. This information could then be applied to the coffee sector in order to identify constraints and areas in which recommendations on codes of conduct and practices may be proposed.

In addition such a study can contribute towards a greater awareness of the environmental benefits arising from coffee production.

II. Modalities of cooperation

UNEP and ICO agree that it would be in their mutual interest to cooperate and to jointly prepare studies to further explore the linkages between coffee production, environment and international trade.

Specifically, the two organisations agree to cooperate towards preparing the following studies:

1. Study of environmental issues relating to the coffee chain through a life-cycle approach.
2. Study on a natural resources economics approach of the efficiency in the use of natural resources in the coffee chain within a context of trade liberalization.

3. Comparative study of the efficiency of the use of natural resources among other perennial commodity crops and coffee within a context of trade liberalization based on the natural resources economics approach.
4. Study of regulations and multilateral agreements in trade and/or the environment based on an international political economic approach.

These studies represent potential future areas of collaboration between UNEP and ICO.

More specifically, under this Agreement ICO will:

- 1) Develop a comprehensive outline document to be used as a basis for discussion for a meeting to be held on 18 May 2000 at ICO headquarters in order to define guidelines for a study on coffee and the environment through a life cycle approach.
- 2) Organize a meeting to discuss the outline document with various international experts in conjunction with the meeting that ICO is organizing on the subject of Organic Coffee.
- 3) After the meeting, prepare and print a report which will serve as a basis for the study on coffee and the environment through a life cycle approach. The final meeting report will be used to estimate the requirements for the study to be carried out (i.e. work-plan, executing agency and budget).
- 4) Consult with UNEP on the various drafts (outline basic document and report of the meeting) and revise the drafts where necessary.
- 5) Disseminate the final report through ICO channels.

UNEP will:

- 1) Provide input and comment on the outline document and the report of the meeting.
- 2) Assist in convening international experts to review the draft outline document and report.
- 3) Disseminate the final report through UNEP.

III. Financial Arrangements

1. UNEP ETU shall pay ICO a sum not exceeding US\$20,000 for the cost of preparing the strategy. The disbursements of funds by UNEP TIE to ICO will be as follows:
 - US dollars ten thousand (US\$10,000) will be paid upon signature of this Memorandum
 - US dollars ten thousand (US\$10,000) will be paid upon receipt of the draft study by 28 April 2000
2. ICO will maintain a separate accounting for disbursements pertaining to this Memorandum and shall submit to UNEP within three months after the publication of the final meeting report (broadly in autumn 2000) a detailed breakdown of expenditures incurred, duly certified by an authorized official of ICO. The expenditures will be reported by item of expenditure as per the attached budget (Annex 1) of this Memorandum. Any portion of cash advances remaining unspent or unaccounted for by ICO on completion of the activities under this Memorandum will be reimbursed to UNEP within one month of the receipt of the expenditure report. In the event of any delay in such reimbursement, ICO will be financially responsible for any adverse movement in exchange rates.

3. ICO shall retain for a period of three years all reporting documentation related to financial transactions made under this Memorandum. If requested, ICO shall facilitate an audit by the United Nations Board of Auditors and/or its Audit Service of the accounts resulting from this Memorandum.

IV. INSTITUTIONAL ARRANGEMENTS

All Correspondence regarding substantive, technical, administrative and financial matters in this Memorandum between UNEP and ICO should be addressed to:

For UNEP:

H. Abaza, Chief of the Economics and Trade Unit at e-mail Hussein.Abaza@unep.ch, 15 Chemin des Anemones, 1219 Chatelaine, Geneva, Tel: 41-22 917 8179, Fax: 41-22 917 8076.

With copies to Ms Jacqueline Aloisi de Larderel, Director, Division of Technology, Industry and Economics, UNEP, Tour Mirabeau, 39 - 43 quai André Citroen, 75739 Paris Cedex 15, France, Tel: 33.1.44.37.14.50 Fax: 33.1.44.37.14.74 and Fritz Balkau, Director of Production and consumption Unit at e-mail Fritz.Balkau@unep.fr

For ICO:

Mr. Celsius Lodder, Executive Director, International Coffee Organization 22 Berners Street, London W1P 4DD England Tel: +44 (0)20 7580 8591 Fax: +44 (0)20 7580 6129 with copies to Julia Elena Serpa, Economist, ICO e-mail serpa@ico.org.

The progress of the agreed activities under the MOU will be reviewed every six months and amended as a result of the review. The MOU may be amended and extended after due consultation at any time.

V. ARBITRATION

1. ICO shall indemnify, hold and save harmless and defend at its own expense UNEP, its officers, agent and employees from and against all suits, claims, demands and liability of any nature or kind, including costs and expenses arising out of negligent misconduct of ICO or its employees in the performance of the Terms of this MOU.
2. ICO shall be considered as having the legal status of an independent contractor, agents or employees of ICO shall not be considered in any respect as being officials or staff members of UNEP.
3. ICO shall neither seek nor accept instructions from any authority external to UNEP in connection with the performance of its services under this MOU. ICO shall refrain from any action which may adversely affect UNEP or the United Nations and shall fulfil its commitments with fullest regard for the interests of the United Nations.
4. Any controversy or claim arising out of or in accordance with this MOU or breach thereof, shall, unless it is settled by direct negotiation be settled in accordance with UNICTRAL Arbitration rules as at present in force. The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy or claim.

- 5. Nothing in or relating to this MOU shall be deemed a waiver of any of the privileges and immunities of the United Nations.
- 6. This Memorandum shall be in effect from the 12 December 1999 to three months after the final meeting report is prepared (broadly autumn 2000).
- 7. Either party may terminate this MOU before the expiry date of the contract by giving notice in writing to the other party. The period of notice shall be fourteen days.

In the event of the MOU being terminated prior to its due expiry date in this way, ICO shall be compensated on a pro rata basis for no more than the actual amount of work performed to the satisfaction of UNEP. Additional costs incurred by UNEP resulting from the termination of the MOU by ICO may be withheld from any amount otherwise due to ICO from UNEP.

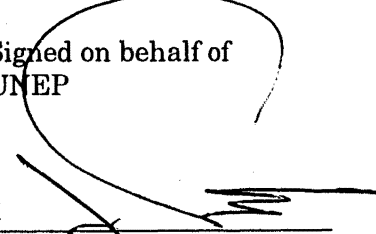
- 8. No change in or modification of this MOU shall be made, except by prior written agreement between UNEP and ICO. ICO shall not assign, transfer, pledge, subcontract or make other disposition of this MOU or any part thereof, or of any of ICO's rights, claims or obligations under this MOU except with prior written consent of UNEP.
- 9. The progress of the agreed activities under the MOU will be reviewed every six months and amended as a result of the review. The MOU may be amended and extended after due consultation at any time.

VI. TERMS AND CONDITIONS

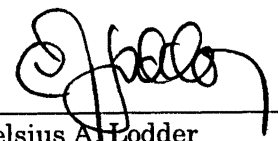
ICO and UNEP shall act as equal partners to fulfil the tasks as outlined above, and shall accept the right and obligations arising there from, without prejudices to their privileges and immunities, as collaborating institutions.

Both parties will proceed with each of the co-operative activities, specifying the roles to be performed in each activity by both parties, including cost sharing arrangements.

Signed on behalf of
UNEP

X

 Hussein Abaza
 Chief, ETU, TIE Division UNEP

Signed on behalf of
ICO


 Celsius A. Lodder
 Executive Direct

12/2/99

 Date of Signature

 Date of Signature

ANNEX 1

Budget in US\$ 20,000

Budget line	Item	Cost
1100 Project Personnel		
	1101 Experts	10,000
	1999 Component Total	10,000
5000 Miscellaneous	5301 Communications, Printing	10,000
	5999 Component Total	10,000
	Grand Total	20,000