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## CHAPTER I OBJECTIVES

### *Article 1* **Objectives**

1. With a view to strengthening the global cocoa sector, supporting its sustainable development and increasing the benefits to all stakeholders, the objectives of the Seventh International Cocoa Agreement are:
  - (a) To promote international cooperation in the world cocoa economy;
  - (b) To provide an appropriate framework for discussion on all cocoa matters among governments and with the private sector;
  - (c) To contribute to the strengthening of the national cocoa economies of Member countries, through the preparation, development and evaluation of appropriate projects to be submitted to the relevant institutions for financing and implementation and seeking finance for projects that benefit Members and the world cocoa economy;
  - (d) To strive towards obtaining fair prices leading to equitable economic returns to both producers and consumers in the cocoa value chain, and to contribute to a balanced development of the world cocoa economy in the interest of all Members;
  - (e) To promote a sustainable cocoa economy in economic, social and environmental terms;
  - (f) To encourage research and the implementation of its findings through the promotion of training and information programmes leading to the transfer to Members of technologies suitable for cocoa;
  - (g) To promote transparency in the world cocoa economy, and in particular in the cocoa trade, through the collection, analysis and dissemination of relevant statistics and the undertaking of appropriate studies, as well as to promote the elimination of trade barriers;
  - (h) To promote and to encourage consumption of chocolate and cocoa-based products in order to increase demand for cocoa, *inter alia* through the promotion of the positive attributes of cocoa, including health benefits in close cooperation with the private sector;
  - (i) To encourage Members to promote cocoa quality and to develop appropriate food safety procedures in the cocoa sector;
  - (j) To encourage Members to develop and implement strategies to enhance the capacity of local communities and small-scale farmers to benefit from cocoa production and thereby contribute to poverty alleviation;
  - (k) To facilitate the availability of information on financial tools and services that can assist cocoa producers, including access to credit and approaches to managing risk.

## CHAPTER III THE INTERNATIONAL COCOA ORGANIZATION (ICCO)

### *Article 3* **Headquarters and structure of the International Cocoa Organization**

1. The International Cocoa Organization established by the International Cocoa Agreement, 1972, shall continue in being and shall administer the provisions and supervise the operation of this Agreement.
2. The headquarters of the Organization shall always be located in the territory of a Member.
3. The headquarters of the Organization shall be in London unless the Council, by special vote, decides otherwise.

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4. The Organization shall function through:
    - (a) The International Cocoa Council, which is the highest authority of the Organization;
    - (b) The subsidiary bodies of the Council, comprising the Administration and Finance Committee, the Economics Committee, the Consultative Board on the World Cocoa Economy, and any other committees established by the Council; and
    - (c) The Secretariat.

*Article 5*

**Privileges and immunities**

1. The Organization shall have legal personality. It shall in particular have the capacity to contract, acquire and dispose of movable and immovable property and to institute legal proceedings.
2. The status, privileges and immunities of the Organization, its Executive Director, its staff, experts and representatives of Members, while in the territory of the host country for the purpose of exercising their functions, shall continue to be governed by the Headquarters' Agreement concluded between the host country and the International Cocoa Organization.
3. The Headquarters' Agreement referred to in paragraph 2 of this article shall be independent of this Agreement. It shall, however, terminate:
  - (a) Pursuant to the provisions of the aforementioned Headquarters' Agreement;
  - (b) In the event of the headquarters of the Organization being moved from the territory of the host Government; or
  - (c) In the event of the Organization ceasing to exist.
4. The Organization may conclude with one or more other Members agreements to be approved by the Council relating to such privileges and immunities as may be necessary for the proper functioning of this Agreement.

**CHAPTER IV THE INTERNATIONAL COCOA COUNCIL**

*Article 6*

**Composition of the International Cocoa Council**

1. The International Cocoa Council shall consist of all the Members of the Organization.
2. In the meetings of the Council, Members shall be represented by duly accredited delegates.

*Article 7*

**Powers and functions of the Council**

1. The Council shall exercise all such powers and perform or arrange for the performance of all such functions as are necessary to carry out the express provisions of this Agreement.
2. The Council shall not have power, and shall not be taken to have been authorized by the Members, to incur any obligation outside the scope of this Agreement; in particular, it shall not have the capacity to borrow money. In exercising its capacity to contract, the Council shall incorporate in its contracts the terms of this provision and of article 23 in such a way as to bring them to the notice of the other parties entering into contracts with the Council, but any failure to incorporate such terms shall not invalidate such a contract or render it *ultra vires* the Council.

3. The Council shall, by special vote, adopt such rules and regulations as are necessary to carry out the provisions of this Agreement and are consistent therewith, including its rules of procedure and those of its committees, and the financial and staff regulations of the Organization. The Council may, in its rules of procedure, provide for a procedure whereby it may, without meeting, decide specific questions.

4. The Council shall keep such records as are required for the performance of its functions under this Agreement, and such other records as it considers appropriate.

5. The Council may set up any working group(s) as appropriate to assist it in carrying out its task.

*Article 8*

**Chairman and Vice-Chairman of the Council**

1. The Council shall elect a Chairman and a Vice-Chairman for each cocoa year, who shall not be paid by the Organization.

2. Both the Chairman and the Vice-Chairman shall be elected from among the representatives of the exporting Members or from among the representatives of the importing Members. These offices shall alternate each cocoa year between the two categories.

3. In the temporary absence of both the Chairman and the Vice-Chairman or the permanent absence of one or both of them, the Council may elect new officers from among the representatives of the exporting Members or from among the representatives of the importing Members, as appropriate, on a temporary or permanent basis as may be required.

4. Neither the Chairman nor any other officer presiding at meetings of the Council shall vote. A member of his/her delegation may exercise the voting rights of the Member which he or she represents.

*Article 9*

**Sessions of the Council**

1. As a general rule, the Council shall hold one regular session in each half of the cocoa year.

2. The Council shall meet in special session whenever it so decides or at the request of:

- (a) Any five Members;
- (b) At least two Members having at least 200 votes;
- (c) The Executive Director, for the purposes of articles 22 and 60.

3. Notice of sessions shall be given at least 30 calendar days in advance, except in case of emergency, where notice shall be at least 15 days.

4. Sessions shall normally be held at the headquarters of the Organization unless the Council decides otherwise. If, on the invitation of any Member, the Council decides to meet elsewhere than at the headquarters of the Organization, that Member shall pay the additional costs involved.

*Article 10*

**Votes**

1. The exporting Members shall together hold 1,000 votes and the importing Members shall together hold 1,000 votes, distributed within each category of Members – that is, exporting and importing Members, respectively – in accordance with the following paragraphs of this article.

2. For each cocoa year, the votes of exporting Members shall be distributed as follows: each exporting Member shall have five basic votes. The remaining votes shall be divided among all the exporting Members in proportion to the average volume of their

respective exports of cocoa in the preceding three cocoa years for which data have been published by the Organization in its latest issue of the *Quarterly Bulletin of Cocoa Statistics*. For this purpose, exports shall be calculated as net exports of cocoa beans plus net exports of cocoa products, converted to beans equivalent using the conversion factors as specified in article 34.

3. For each cocoa year, the votes of importing Members shall be distributed among all importing Members in proportion to the average volume of their respective imports of cocoa in the preceding three cocoa years for which data have been published by the Organization in its latest issue of the *Quarterly Bulletin of Cocoa Statistics*. For this purpose, imports shall be calculated as net imports of cocoa beans plus gross imports of cocoa products, converted to beans equivalent using the conversion factors as specified in article 34. No Member country shall have less than five votes. Hence voting rights of Member countries with above the minimum number of votes shall be redistributed among Members with below the minimum number of votes.

4. If, for any reason, difficulties should arise in the determination or the updating of the statistical basis for the calculation of votes in accordance with the provisions of paragraphs 2 and 3 of this article, the Council may, by special vote, decide on a different statistical basis for the calculation of votes.

5. No Member except those mentioned in paragraphs 4 and 5 of article 4 shall have more than 400 votes. Any votes above this figure arising from the calculations in paragraphs 2, 3 and 4 of this article shall be redistributed among the other Members on the basis of those paragraphs.

6. When the membership in the Organization changes or when the voting rights of a Member are suspended or restored under any provision of this Agreement, the Council shall provide for the redistribution of votes in accordance with this article. The European Union or any intergovernmental Organization as defined in Article 4 shall hold votes as a single Member according to the procedure set out in paragraphs 2 or 3 of this Article.

7. There shall be no fractional votes.

#### *Article 11*

#### **Voting procedure of the Council**

1. Each Member shall be entitled to cast the number of votes it holds and no Member shall be entitled to divide its votes. A Member may, however, cast differently from such votes any votes which it is authorized to cast under paragraph 2 of this article.

2. By written notification to the Chairman of the Council, any exporting Member may authorize any other exporting Member, and any importing Member may authorize any other importing Member, to represent its interests and to cast its votes at any meeting of the Council. In this case the limitation provided for in paragraph 5 of article 10 shall not apply.

3. A Member authorized by another Member to cast the votes held by the authorizing Member under article 10 shall cast such votes in accordance with the instructions of the authorizing Member.

#### *Article 12*

#### **Decisions of the Council**

1. The Council shall endeavour to take all decisions and to make all recommendations by consensus. If consensus cannot be reached, the Council shall take decisions and make recommendations by a special vote, according to the following procedures:

(a) if the majority required by the special vote is not obtained because of the negative vote of more than three exporting or more than three importing Members, the proposal shall be considered as rejected;

(b) if the majority required by the special vote is not obtained because of the

negative vote of three or less exporting or three or less importing Members, the proposal shall be put to a vote again within 48 hours; and

(c) if the majority required by the special vote is again not obtained, the proposal shall be considered as rejected.

2. In arriving at the number of votes necessary for any of the decisions or recommendations of the Council, votes of Members abstaining shall not be taken into consideration.

3. Members are committed to accept as binding all decisions of the Council under the provisions of this Agreement.

#### *Article 13*

##### **Cooperation with other organizations**

1. The Council shall make whatever arrangements are appropriate for consultation or cooperation with the United Nations and its organs, in particular the United Nations Conference on Trade and Development, and with the Food and Agriculture Organization of the United Nations and such other specialized agencies of the United Nations and intergovernmental organizations as may be appropriate.

2. The Council, bearing in mind the particular role of the United Nations Conference on Trade and Development in international commodity trade, shall, as appropriate, keep that organization informed of its activities and programmes of work.

3. The Council may also make whatever arrangements are appropriate for maintaining effective contact with international organizations of cocoa producers, traders and manufacturers.

4. The Council shall seek to involve the international financial agencies and other parties with an interest in the world cocoa economy in its work on cocoa production and consumption policy.

5. The Council may seek to cooperate with other relevant experts in cocoa matters.

#### *Article 14*

##### **Invitation and admission of observers**

1. The Council may invite any non-Member State to attend any of its meetings as an observer.

2. The Council may also invite any of the organizations referred to in article 13 to attend any of its meetings as an observer.

3. The Council may also invite non-governmental organizations having relevant expertise in aspects of the cocoa sector, as observers.

4. For each of its sessions, the Council shall decide on the attendance of observers, including, on an ad hoc basis, non-governmental organizations having relevant expertise in aspects of the cocoa sector, in conformity with the conditions set out in the administrative rules of the Organization.

#### *Article 15*

##### **Quorum**

1. The quorum for the opening meeting of any session of the Council shall be constituted by the presence of at least five exporting Members and a majority of importing Members, provided that such Members together hold in each category at least two thirds of the total votes of the Members in that category.

2. If there is no quorum in accordance with paragraph 1 of this article on the day appointed for the opening meeting of any session, on the second day, and throughout the remainder of the session, the quorum for the opening session shall be constituted by the

presence of exporting and importing Members holding a simple majority of the votes in each category.

3. The quorum for meetings subsequent to the opening meeting of any session pursuant to paragraph 1 of this article shall be that prescribed in paragraph 2 of this article.

4. Representation in accordance with paragraph 2 of article 11 shall be considered as presence.

## CHAPTER V THE SECRETARIAT OF THE ORGANIZATION

### *Article 16*

#### **The Executive Director and the staff of the Organization**

1. The Secretariat shall consist of the Executive Director and the staff.

2. The Council shall appoint the Executive Director by special vote for a period of not more than the duration of the Agreement and its extensions, if any. The rules for selection of candidates and the terms of appointment of the Executive Director shall be fixed by the Council.

3. The Executive Director shall be the chief administrative officer of the Organization and shall be responsible to the Council for the administration and operation of this Agreement in accordance with the decisions of the Council.

4. The staff of the Organization shall be responsible to the Executive Director.

5. The Executive Director shall appoint the staff in accordance with regulations to be established by the Council. In drawing up such regulations, the Council shall have regard to those applying to officials of similar intergovernmental organizations. Staff appointments shall be made insofar as is practicable from exporting and importing Members.

6. Neither the Executive Director nor the staff shall have any financial interest in the cocoa industry, the cocoa trade, cocoa transportation or cocoa publicity.

7. In the performance of their duties, the Executive Director and the staff shall not seek or receive instructions from any Member or from any other authority external to the Organization. They shall refrain from any action which might reflect on their position as international officials responsible only to the Organization. Each Member undertakes to respect the exclusively international character of the responsibilities of the Executive Director and the staff and not to seek to influence them in the discharge of their responsibilities.

8. No information concerning the operation or administration of this Agreement shall be revealed by the Executive Director or the staff of the Organization, except as may be authorized by the Council or as is necessary for the proper discharge of their duties under this Agreement.

### *Article 17*

#### **Work Programme**

1. At the first session of the Council, after the entry into force of this agreement, the Executive Director shall submit a five-year strategic plan for review and approval by the Council. One year before the expiry of the five-year strategic plan, the Executive Director shall present a new draft of the five-year strategic plan to the Council.

2. At its last session of each cocoa year, and on the recommendation of the Economics Committee, the Council shall adopt a work programme for the Organization for the coming year prepared by the Executive Director. The work programme shall include projects, initiatives and activities to be undertaken by the Organization. The Executive Director shall implement the work programme.

3. During its last meeting of each cocoa year, the Economics Committee shall evaluate the implementation of the work programme for the current year on the basis of a

report by the Executive Director. The Economics Committee shall report its findings to the Council.

*Article 18*  
**Annual report**

The Council shall publish an Annual Report.

**CHAPTER VI THE ADMINISTRATION AND FINANCE COMMITTEE**

*Article 19*  
**Establishment of the Administration and Finance Committee**

1. An Administration and Finance Committee is hereby established. The Committee shall:

(a) supervise, on the basis of a budget proposal presented by the Executive Director, the preparation of the draft Administrative Budget to be submitted to the Council;

(b) carry out any other administrative and financial tasks which the Council assigns to it, including the monitoring of income and expenditure and matters related to the administration of the Organization.

2. The Administration and Finance Committee shall submit recommendations on the above matters to the Council.

3. The Council shall establish rules and regulations of the Administration and Finance Committee.

*Article 20*  
**Composition of the Administration and Finance Committee**

1. The Administration and Finance Committee shall consist of six exporting Members on a rotational basis and six importing Members.

2. Each Member of the Administration and Finance Committee shall appoint one representative and if it so desires, one or more alternates. Members in each category shall be elected by the Council, on the basis of the votes cast in accordance with article 10. Membership shall be for a two-year period, and shall be renewable.

3. The Chairman and Vice-Chairman shall be elected from among the representatives of the Administration and Finance Committee, for a period of two years. The posts of Chairman and Vice-Chairman shall alternate between exporting and importing Members.

*Article 21*  
**Meetings of the Administration and Finance Committee**

1. The meetings of the Administration and Finance Committee shall be open to all other Members of the Organization as observers.

2. The Administration and Finance Committee shall normally meet at the headquarters of the Organization, unless it decides otherwise. If, on the invitation of any Member, the Administration and Finance Committee meets elsewhere than at the headquarters of the Organization, that Member shall pay the additional costs involved.

3. The Administration and Finance Committee shall normally meet twice a year and report on its proceedings to the Council.



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**CHAPTER VII FINANCE***Article 22***Finance**

1. There shall be kept an administrative account for the administration of this Agreement. The expenses necessary for the administration of this Agreement shall be brought into the administrative account and shall be met by annual contributions from Members assessed in accordance with article 24. If, however, a Member requests special services, the Council may decide to accede to the request and shall require that Member to pay for them.
2. The Council may establish separate accounts for specific purposes that it may establish in accordance with the objectives of the present Agreement. These accounts shall be financed through voluntary contributions from Members or other bodies.
3. The financial year of the Organization shall be the same as the cocoa year.
4. The expenses of delegations to the Council, to the Administration and Finance Committee, to the Economics Committee and to any of the Committees of the Council or of the Administration and Finance Committee and Economics Committee, shall be met by the Members concerned.
5. If the financial position of the Organization is or appears likely to be, insufficient to finance the remainder of the cocoa year, the Executive Director shall call a special session of the Council within 15 days unless the Council is otherwise scheduled to meet within 30 calendar days.

*Article 23***Liabilities of Members**

A Member's liability to the Council and to other Members is limited to the extent of its obligations regarding contributions specifically provided for in this Agreement. Third parties dealing with the Council shall be deemed to have notice of the provisions of this Agreement regarding the powers of the Council and the obligations of the Members, in particular, paragraph 2 of article 7 and the first sentence of this article.

*Article 24***Approval of the administrative budget and assessment of contributions**

1. During the second half of each financial year, the Council shall approve the administrative budget of the Organization for the following financial year, and shall assess the contribution of each Member to that budget.
2. The contribution of each Member to the administrative budget for each financial year shall be in the proportion which the number of its votes at the time the administrative budget for that financial year is approved bears to the total votes of all the Members. For the purpose of assessing contributions, the votes of each Member shall be calculated without regard to the suspension of any Member's voting rights and any redistribution of votes resulting therefrom.
3. The initial contribution of any Member joining the Organization after the entry into force of this Agreement shall be assessed by the Council on the basis of the number of votes to be held by that Member and the period remaining in the current financial year, but the assessment made upon other Members for the current financial year shall not be altered.
4. If this Agreement enters into force before the beginning of the first full financial year, the Council shall, at its first session, approve an administrative budget covering the period up to the commencement of the first full financial year.

*Article 25*

**Payment of contributions to the administrative budget**

1. Contributions to the administrative budget for each financial year shall be payable in freely convertible currencies, shall be exempt from foreign exchange restrictions and shall become due on the first day of that financial year. Contributions of Members in respect of the financial year in which they join the Organization shall be due on the date on which they become Members.

2. Contributions to the administrative budget approved under paragraph 4 of article 24 shall be payable within three months of the date of assessment.

3. If, at the end of four months after the beginning of the financial year or, in the case of a new Member, three months after the Council has assessed its contribution, a Member has not paid its full contribution to the administrative budget, the Executive Director shall request that Member to make payment as quickly as possible. If, at the expiration of two months after the request of the Executive Director, that Member has still not paid its contribution, the voting rights of that Member in the Council, the Administration and Finance Committee and the Economics Committee shall be suspended until such time as it has made full payment of the contribution.

4. A Member whose voting rights have been suspended under paragraph 3 of this article shall not be deprived of any of its other rights or relieved of any of its obligations under this Agreement unless the Council, by special vote, decides otherwise. It shall remain liable to pay its contribution and to meet any other financial obligations under this Agreement.

5. The Council shall consider the question of membership of any Member with two years' contributions unpaid, and by special vote may decide that this Member shall cease to enjoy the rights of membership and/or cease to be assessed for budgetary purposes. It shall remain liable to meet any other of its financial obligations under this Agreement. By payment of the arrears the Member will regain the rights of membership. Any payments made by Members in arrears will be credited first to those arrears, rather than to current contributions.

*Article 26*

**Audit and publication of accounts**

1. As soon as possible, but not later than six months after the close of each financial year, the statement of the Organization's accounts for that financial year and the balance sheet at the close of that financial year under the accounts referred to in article 22 shall be audited. The audit shall be carried out by an independent auditor of recognized standing, to be elected by the Council for each financial year.

2. The terms of appointment of the independent auditor of recognized standing, as well as the intentions and objectives of the audit, shall be laid down in the financial regulations of the Organization. The audited statement of the Organization's accounts and the audited balance sheet shall be presented to the Council at its next regular session for approval.

3. A summary of the audited accounts and balance sheet shall be published.

**CHAPTER VIII THE ECONOMICS COMMITTEE**

*Article 28*

**Composition of the Economics Committee**

1. The Economics Committee shall be open to all Members of the Organization.

2. The Chairman and the Vice-Chairman of the Economics Committee shall be elected from among the Members for a period of two years. The posts of Chairman and Vice-Chairman shall alternate between exporting and importing Members.

*Article 29***Meetings of the Economics Committee**

1. The Economics Committee shall normally meet at the headquarters of the Organization, unless it decides otherwise. If, on the invitation of any Member, the Economics Committee meets elsewhere than at the headquarters of the Organization, that Members shall pay the additional costs involved.
2. The Economics Committee shall normally meet twice a year coinciding with the sessions of the Council. The Economics Committee shall report on its proceedings to the Council.

**CHAPTER IX MARKET TRANSPARENCY***Article 32***Cocoa substitutes**

1. Members recognize that the use of substitutes may have negative effects on the expansion of cocoa consumption and the development of a sustainable cocoa economy. In this regard, Members shall take full account of the recommendations and decisions of competent international bodies, in particular, the provisions of the *Codex Alimentarius*.
2. The Executive Director shall make regular reports to the Economics Committee on the development of the situation. On the basis of these reports, the Economics Committee shall assess the situation and, if necessary, make recommendations to the Council for appropriate decisions.

*Article 33***Indicator price**

1. For the purposes of this Agreement and, in particular, for monitoring the evolution of the cocoa market, the Executive Director shall compute and publish the ICCO indicator price for cocoa beans. This price shall be expressed in United States dollars per tonne as well as in Euros, Pounds Sterling and Special Drawing Rights (SDRs) per tonne.
2. The ICCO indicator price shall be the average of the daily quotations for cocoa beans of the nearest three active futures trading months on the London market (NYSE Liffe) and on the New York market (ICE Futures US) at the time of the London close. The London prices shall be converted into United States dollars per tonne by using the current six months forward rate of exchange in London at closing time. The United States dollar-denominated average of the London and New York prices shall be converted into its Euro and Pound Sterling equivalent by using the spot rates of exchange in London at closing time and its SDR equivalent at the appropriate daily official United States dollar/SDR exchange rate published by the International Monetary Fund. The Council shall decide the method of calculation to be used when the quotations on only one of these two cocoa markets are available or when the London Foreign Exchange market is closed. The time for shift to the next three-month period shall be the fifteenth of the month immediately preceding the nearest active maturing month.
3. The Council may, by special vote, decide on any other method of computing the daily price if it considers such other method to be more satisfactory than that prescribed in this article.

*Article 34***Conversion factors**

1. For the purpose of determining the beans equivalent of cocoa products, the following shall be the conversion factors: cocoa butter 1.33; cocoa cake and powder 1.18; cocoa paste/liquor and nibs 1.25. The Council may determine, if necessary, that other products containing cocoa are cocoa products. The conversion factors for cocoa products other than those for which conversion factors are set out in this paragraph shall be fixed by the Council.

2. The Council may, by special vote, revise the conversion factors in paragraph 1 of this article.

*Article 35*

**Scientific research and development**

The Council shall encourage and promote scientific research and development in the areas of cocoa production, transportation, processing, marketing and consumption as well as the dissemination and practical application of the results obtained in this field. To this end, the Organization may cooperate with international organizations, research institutions and the private sector.

**CHAPTER X MARKET DEVELOPMENT**

*Article 36*

**Market analyses**

1. The Economics Committee shall analyse trends and prospects for development in cocoa-producing and -consuming sectors, as well as the movement of stocks and prices, and shall identify any market imbalances at an early stage.

2. At its first session after the start of a new cocoa year, the Economics Committee shall examine annual forecasts of world production and consumption for the next five cocoa years. The forecasts provided shall be reviewed and revised, if necessary, every year.

3. The Economics Committee shall submit detailed reports to each regular session of the Council. On the basis of these reports, the Council will examine the general situation, and in particular will review trends in world supply and demand. The Council may make recommendations to its members on the basis of this review.

4. On the basis of these forecasts, and in order to deal with the problems of market imbalances in the medium and long term, the exporting Members may undertake to coordinate their national production policies.

*Article 37*

**Consumption promotion**

1. Members undertake to encourage the consumption of chocolate and the use of cocoa products, improve the quality of products and develop markets for cocoa, including in exporting Member countries. Each Member shall be responsible for the means and methods it employs for that purpose.

2. All Members shall endeavour to remove or reduce substantial domestic obstacles to the expansion of cocoa consumption. In this regard, Members shall regularly provide the Executive Director with information on pertinent domestic regulations and measures and with other information concerning cocoa consumption, including domestic taxes and customs tariffs.

3. The Economics Committee shall establish a programme for the promotion activities of the Organization which may comprise information campaigns, research, capacity-building and studies related to the production and consumption of cocoa. The Organization shall seek the collaboration of the private sector for the implementation of its activities.

4. The promotion activities shall be included in the annual work programme of the Organization and may be financed by resources pledged by Members, non-Members, other organizations and the private sector.

*Article 38*

**Studies, surveys and reports**

1. In order to assist Members, the Council shall encourage the preparation of studies, surveys, technical reports and other documents on the economics of cocoa production and distribution, including trends and projections, the impact of governmental measures in

exporting and importing countries on the production and consumption of cocoa, the analysis of the cocoa value chain, approaches to managing financial and other risks, sustainability aspects of the cocoa sector, opportunities for expansion of cocoa consumption for traditional and possible new uses, links between cocoa and health and the effects of the operation of this Agreement on exporters and importers of cocoa, including their terms of trade.

2. It may also promote studies likely to contribute to greater market transparency and facilitate the development of a balanced and sustainable world cocoa economy.

3. In order to carry out the provisions of paragraph 1 and 2 of this article, the Council, upon recommendations of the Economics Committee, may adopt the list of studies, surveys and reports to be included in the annual work programme in conformity with the provisions of article 17 of this Agreement. These activities may be financed either from provisions within the administrative budget or from other sources.

## **CHAPTER XI FINE OR FLAVOUR COCOA**

### *Article 39*

#### **Fine or flavour cocoa**

1. The Council shall, at its first session following the entry into force of this Agreement, review annex C of this Agreement and, if necessary, revise it by special vote, determining the proportions in which the countries listed therein produce and export exclusively or partially fine or flavour cocoa. Thereafter, the Council may at any time during the lifetime of this Agreement review annex C and, if necessary, revise it by special vote. The Council shall seek expert advice on this matter, as appropriate. In such cases, the composition of the Panel of experts should, as far as possible, ensure a balance between experts from consuming countries and experts from producing countries. The Council shall decide on the composition of and on the procedures to be followed by the Panel of experts.

2. The Economics Committee may make proposals for the Organization to devise and implement a system of statistics on production of and trade in fine or flavour cocoa.

3. Giving due consideration to the importance of fine or flavour cocoa, Members shall examine, and adopt as appropriate, projects relating to fine or flavour cocoa in accordance with the provisions of articles 37 and 43.

## **CHAPTER XII PROJECTS**

### *Article 40*

#### **Projects**

1. Members may submit project proposals which contribute to the achievement of the objectives of this Agreement and the priority areas for work identified in the five-year strategic plan referred to in paragraph 1 of article 17.

2. The Economics Committee shall examine project proposals and make recommendations to the Council, according to the mechanisms and procedures for submission, appraisal, approval, prioritization and funding of projects, as established by the Council. The Council may, as appropriate, establish mechanisms and procedures for the implementation and monitoring of projects, as well as the wide dissemination of their results.

3. At each meeting of the Economics Committee, the Executive Director shall report on the status of all projects approved by the Council, including those awaiting financing, under implementation or completed. A summary shall be presented to the Council pursuant to paragraph 2 of article 27.

4. As a general rule, the Organization shall act as supervisory body during project execution. The overhead costs incurred by the Organization for the preparation, management,

supervision and evaluation of projects shall be included in the total costs of projects. These overhead costs shall not exceed 10 per cent of the total costs of any project.

*Article 41*

**Relationship with the Common Fund for Commodities and other multilateral and bilateral donors**

1. The Organization shall take full advantage of the facilities of the Common Fund for Commodities in order to assist in the preparation and financing of projects of interest to the cocoa economy.

2. The Organization shall endeavour to cooperate with other international organizations, as well as with multilateral and bilateral donor agencies, in order to obtain financing for programmes and projects of interest to the cocoa economy as appropriate.

3. Under no circumstances shall the Organization undertake any financial obligations related to projects, either on its own behalf or in the name of Members. No Member of the Organization shall be responsible by reason of its membership of the Organization for any liability arising from borrowing or lending by any other Member or entity in connection with such projects.

**CHAPTER XIV THE CONSULTATIVE BOARD ON THE WORLD COCOA ECONOMY**

*Article 46*

**Composition of the Consultative Board on the World Cocoa Economy**

1. The Consultative Board on the World Cocoa Economy shall be composed of experts from all sectors of the cocoa economy, such as:

- (a) Associations from the trade and industry;
- (b) National and regional cocoa producer organizations, from both the public and private sectors;
- (c) National cocoa exporters' organizations and farmers' associations;
- (d) Cocoa research institutes; and
- (e) Other private sector associations or institutions having an interest in the cocoa economy.

2. These experts shall act in their personal capacity or on behalf of their respective associations.

3. The Board shall be composed of eight experts from exporting countries and eight experts from importing countries as defined in paragraph 1 of this article. These experts shall be appointed by the Council every two cocoa years. The Members may designate one or more alternates and advisers to be approved by the Council. In the light of the experience of the Board, the Council may increase the number of Members of the Board.

4. The Chairman of the Board shall be chosen from among its Members. The chairmanship shall alternate between exporting and importing countries every two cocoa years.

*Article 47*

**Meetings of the Consultative Board on the World Cocoa Economy**

1. The Consultative Board on the World Cocoa Economy shall normally meet at the headquarters of the Organization, unless the Council decides otherwise. If, on invitation of any Member, the Consultative Board meets elsewhere than at the headquarters of the Organization, that Member shall pay the additional costs involved.

2. The Board shall normally meet twice a year alongside the regular sessions of the Council. The Board shall report regularly to the Council on its proceedings.

3. The meetings of the Consultative Board on the World Cocoa Economy shall be open to all Members of the Organization as observers.

4. The Board may also invite eminent experts or personalities of high standing in a specific field, from the public and private sectors, including appropriate non-governmental organizations, having relevant expertise in aspects of the cocoa sector, to participate in its work and meetings.

## **CHAPTER XV RELIEF FROM OBLIGATIONS AND DIFFERENTIAL AND REMEDIAL MEASURES**

### *Article 48*

#### **Relief from obligations in exceptional circumstances**

1. The Council may, by special vote, relieve a Member of an obligation on account of exceptional or emergency circumstances, *force majeure*, or international obligations under the Charter of the United Nations for territories administered under the trusteeship system.

2. The Council, in granting relief to a Member under paragraph 1 of this article, shall state explicitly the terms and conditions on which, and the period for which, the Member is relieved of the obligation and the reasons for which the relief is granted.

3. Notwithstanding the foregoing provisions of this article, the Council shall not grant relief to a Member in respect of the obligation under article 25 to pay contributions, or the consequences of a failure to pay them.

4. The basis for the calculation of the distribution of votes of an exporting Member, for which the Council has recognized a case of force majeure, shall be the effective volume of its exports for the year in which the force majeure occurred and subsequently for the ensuing three years following the *force majeure*.

### *Article 49*

#### **Differential and remedial measures**

Developing importing Members, and least developed countries which are Members, whose interests are adversely affected by measures taken under this Agreement may apply to the Council for appropriate differential and remedial measures. The Council shall consider taking such appropriate measures in the light of the provisions of resolution 93 (IV) adopted by the United Nations Conference on Trade and Development.

## **CHAPTER XVI CONSULTATIONS, DISPUTES AND COMPLAINTS**

### *Article 50*

#### **Consultations**

Each member shall accord full and due consideration to any representations made to it by another member concerning the interpretation or application of this Agreement and shall afford adequate opportunity for consultations. In the course of such consultations, on the request of either party and with the consent of the other, the Executive Director shall establish an appropriate conciliation procedure. The costs of such a procedure shall not be chargeable to the Organization. If such a procedure leads to a solution, this shall be reported to the Executive Director. If no solution is reached, the matter may, at the request of either party, be referred to the Council in accordance with article 51.

*Article 51*

**Disputes**

1. Any dispute concerning the interpretation or application of this Agreement which is not settled by the parties to the dispute shall, at the request of either party to the dispute, be referred to the Council for decision.

2. When a dispute has been referred to the Council under paragraph 1 of this article and has been discussed, Members holding not less than one third of the total votes, or any five Members, may require the Council, before giving its decision, to seek the opinion on the issues in dispute of an ad hoc advisory panel to be constituted as described in paragraph 3 of this article.

3. (a) Unless the Council by special vote decides otherwise, the *ad hoc* advisory panel shall consist of:

(i) Two persons, one having wide experience in matters of the kind in dispute and the other having legal standing and experience, nominated by the exporting Members;

(ii) Two persons, one having wide experience in matters of the kind in dispute and the other having legal standing and experience, nominated by the importing Members; and

(iii) A chairman selected unanimously by the four persons nominated under (i) and (ii) above or, if they fail to agree, by the Chairman of the Council.

(b) Nationals of Members shall not be ineligible to serve on the *ad hoc* advisory panel.

(c) Persons appointed to the *ad hoc* advisory panel shall act in their personal capacities and without instructions from any Government.

(d) The costs of the *ad hoc* advisory panel shall be paid by the Organization.

4. The opinion of the *ad hoc* advisory panel and the reasons therefore shall be submitted to the Council, which, after considering all the relevant information, shall decide the dispute.

*Article 52*

**Complaints and action by the Council**

1. Any complaint that any Member has failed to fulfil its obligations under this Agreement shall, at the request of the Member making the complaint, be referred to the Council, which shall consider it and take a decision on the matter.

2. Any finding by the Council that a Member is in breach of its obligations under this Agreement shall be made by a simple distributed majority vote and shall specify the nature of the breach.

3. Whenever the Council, whether as a result of a complaint or otherwise, finds that a Member is in breach of its obligations under this Agreement, it may, without prejudice to such other measures as are specifically provided for in other articles of this Agreement, including article 61, by special vote:

(a) Suspend that Member's voting rights in the Council; and

(b) If it considers it necessary, suspend additional rights of such Member, including that of being eligible for, or of holding, office in the Council or in any of its committees, until it has fulfilled its obligations.

4. A Member whose voting rights are suspended under paragraph 3 of this article shall remain liable for its financial and other obligations under this Agreement.