



Forest- and Climate-Smart Cocoa in Côte d'Ivoire and Ghana

Aligning Stakeholders to Support Smallholders in Deforestation-Free Cocoa

EXECUTIVE SUMMARY

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Global cocoa production faces mounting environmental and economic challenges. Despite long-term global demand, cocoa producers are confronting the triple challenge of increasing productivity on limited land, reducing pressure on forests and ecosystems, and increasing their resilience to climate change. In March 2017, leading cocoa and chocolate companies committed to work together through the Cocoa and Forests Initiative, in partnership with others, to end deforestation and land degradation in the global cocoa supply chain. The initial focus is on Côte d'Ivoire and Ghana, the world's two largest cocoa producers.

The Need for Renovation and Rehabilitation (R&R) for Cocoa Farms

Smallholders in Côte d'Ivoire and Ghana are responsible for two-thirds of global cocoa production. Cocoa provides livelihoods for about a quarter of the two countries' populations and is strategically important to their national economies, contributing 9 percent of GDP in Ghana and 20 percent in Côte d'Ivoire. While smallholders are critical to the success of the Cocoa and Forests Initiative, they face declining yields due to poor tree and soil management, pests and diseases, aging tree stock, limited expertise in modern techniques, and a lack of access to improved inputs and affordable finance schemes. Competition for land from palm oil, rubber, and other commodities adds uncertainty to future cocoa production, and pressures on smallholders from illegal mining could cause long lasting negative environmental impacts.

THE COCOA AND FORESTS INITIATIVE

The Cocoa and Forests Initiative is a joint effort by the World Cocoa Foundation, the Sustainable Trade Initiative, and the Prince of Wales' International Sustainability Unit to convene and mobilize cocoa and chocolate stakeholders across public, nonprofit, and industry sectors to enact an industry commitment to end deforestation and land degradation while improving smallholder livelihoods.

At the 23rd session of the Conference of the Parties to the U.N. Framework Convention on Climate Change, the initiative announced time-bound Frameworks for Action to support cocoa productivity increases, end deforestation, and restore forest areas. As of December 1, 2017, the Governments of Côte d'Ivoire and Ghana, as well as an initial 22 companies, have signed the Frameworks for Action. Central to the frameworks is a commitment to no further conversion of any forestland for cocoa production.

Expanding cocoa cultivation into new areas drives deforestation in West Africa while climate change is shrinking the suitable zone for growing cocoa. Historically, increases in cocoa production have been achieved through expanding the area under cultivation to mine the fertile soil of cleared forests. Between 1988 and 2007, West Africa lost 2.3 million hectares of forest to cocoa cultivation. Meanwhile, smallholders are experiencing climate stresses including rainfall variability, increases in temperature, and changing patterns of pests and diseases. Whereas these stresses call for short-term adaptation, climate trends signal a likely long-term reduction in land that is suitable for future cocoa cultivation.

Today, governments and companies agree on the need to help smallholders improve their farm productivity through climate-smart cocoa production. As of December 1, 2017, the Governments of Côte d'Ivoire and Ghana and 22 cocoa companies signed Frameworks for Action under which they committed to promoting sustainable cocoa production, social inclusion, and forest protection. Climate-smart cocoa (CSC) encapsulates three goals: increase the productivity of agricultural lands, reduce greenhouse-gas emissions, and increase climate resilience. The aging and pest-infested tree stock in West Africa makes the replacement of aging trees (renovation) and the improvement of existing tree stock (rehabilitation)—together referred to as R&R—an essential element of CSC.

Without assistance, many smallholders will be unable to transition to CSC given that they often require support for training in best agricultural practices and access to seedlings and finance. Smallholders, who operate at the poverty threshold, are unable to manage pest-infested plantations. While governments are the main providers of agricultural extension services, only a small percentage of smallholders receive satisfactory levels of training and technical assistance in applying practices that would enhance farm productivity and climate resilience. Smallholders are constrained in accessing finance because finance institutions consider extending credit to smallholder operations as complicated and risky.

The report "Forest- and Climate-Smart Cocoa in Côte d'Ivoire and Ghana" aims to inform governments, companies, and civil society partners on ways to enhance sustainability and encourage smallholders to make zero-deforestation, climate-smart choices. The focus is on formulating action items that lead to scaling up R&R and other CSC practices to improve livelihoods, protect forests, and adapt to climate change. To do so, smallholders often require enhanced access to good agriculture practices, modern inputs, and properly designed financing options through integrated support packages.

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Elements of Integrated Support Packages for Smallholders

Technical and financial assistance in the following five support areas are required to enable smallholders to adopt climate-smart practices.

- **Climate suitability assessments** that identify the areas currently suitable for cocoa production would help extension agents determine farm vulnerability to current and future climate change.
- **Climate-smart interventions** that include a suite of technical and capacity-building support activities tailored to location and smallholder profile could enable smallholders to increase productivity, reduce deforestation, enhance resilience, and improve their livelihoods.
- **R&R technique assessments** that include farm-level profiling of smallholder capacity, access to seedlings and agricultural inputs, and financing needs can allow a stepwise and multiyear approach to deploying increasingly advanced

advice and corresponding technical packages to smallholders with the ability and motivation to invest into continued cocoa production.

- **Pest and disease control measures** that address cocoa swollen shoot virus disease (CSSVD) and other infection issues while integrating preventative measures would help prevent or stem the spread of similar afflictions.
- **Financial access and management** that expands smallholders' access to finance and enhances their financial management capacity would allow them to pursue future farm and household investments.

Public and private partners could supply the activities listed under the five support areas in Figure 1 through integrated support packages to lead smallholders through the transition to CSC. It is essential that chosen measures are embedded in broader national efforts to strengthen forest and land governance beyond cocoa production. Connection to carbon markets or other forms of climate finance, including results-based payments for REDD+,¹ may support future payments for ecosystem services.

FIGURE 1: Potential Activities to Address Smallholder Needs through Integrated Support Packages

ACTIVITIES:	KEY SUPPORT AREAS:				
	Climate Suitability Assessment	Climate-Smart Interventions	R&R Techniques	Pest & Disease Control	Financial Access & Management
Suitability Modeling and Decision Tools		—	—	—	—
Enhanced Training, Capacity Building, and Knowledge Sharing	—				
Enhanced Access to Planting Material	—				—
Enhanced Access to Agricultural Inputs	—				—
Access Ecosystem Service Payments	—		—	—	
Access to Market	—			—	
Specilized Financial Products	—	—		—	
Expanded Financial Services	—	—		—	
Enhanced Enabling Environment (secure tenure, forest protection, law enforcement)					

1. REDD+ refers to the incentive framework for “reduced emissions from deforestation, forest degradation, the sustainable management of forests, the role of conservation, and the enhancement of forest carbon stocks” as defined under the U.N. Framework Convention on Climate Change.

Options for Mobilizing and Delivering Finance for Integrated Support Packages

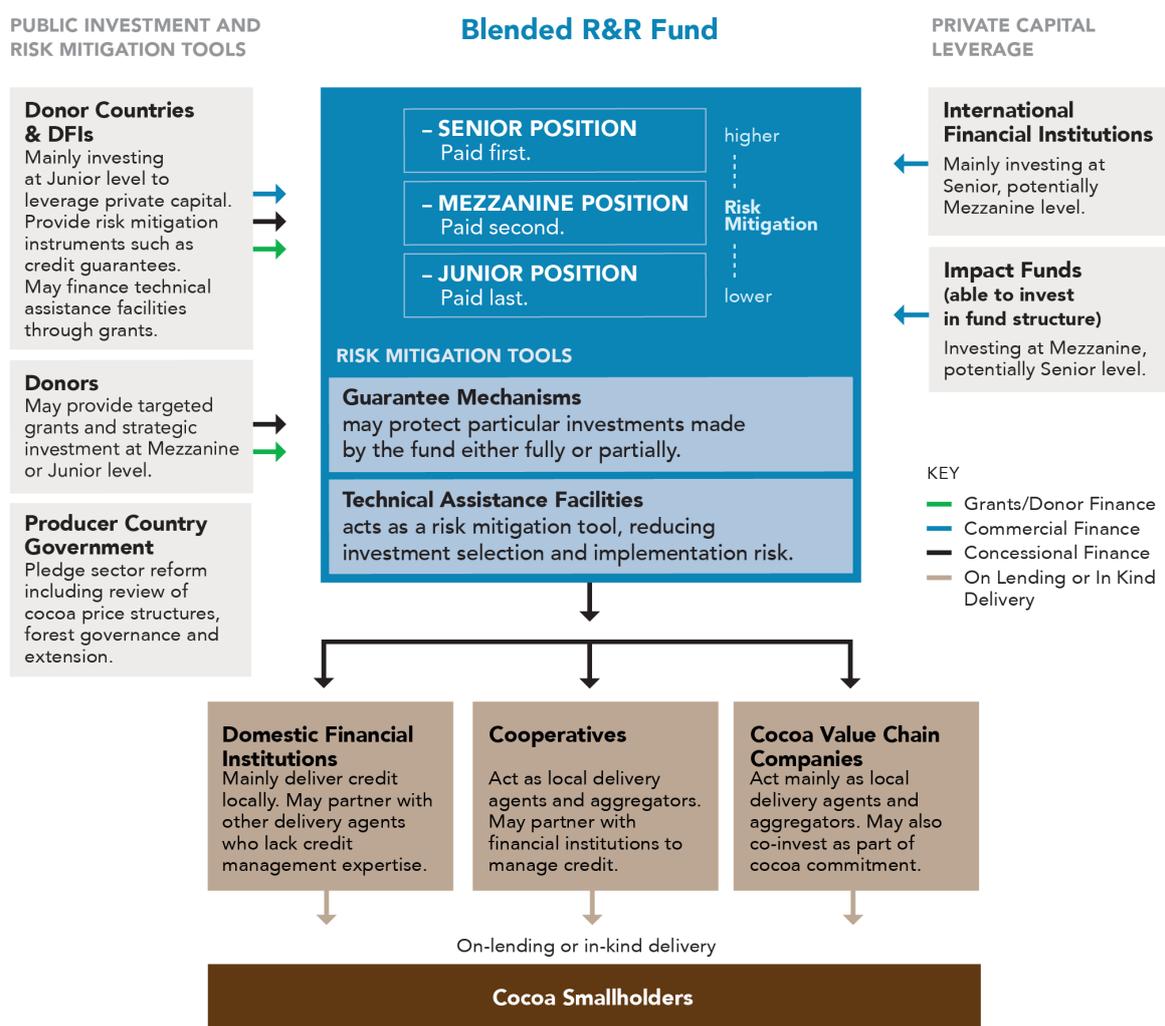
A combination of public and private sources and instruments is essential to financing CSC and R&R implementation. Government, companies, and cooperative extension services will be crucial to delivering CSC activities in the five support areas (see Figure 1). Funding for CSC implementation could be mobilized through:

- **Individual partnerships.** Financial institutions or impact investors may invest directly in cocoa projects and programs that are managed by local companies, cooperatives, or financial institutions. An advantage to this approach is its ability to leverage the success of existing investment models in cocoa while meeting the challenges of reaching a critical mass of cocoa farms and coordinating across a range of actors and partnerships in services delivery.

- **A dedicated R&R fund (Figure 2).** As a new funding facility, a dedicated R&R fund could blend public and private capital to channel investment through local partners to smallholders. A specialized fund would ease actor alignment and coordination while acting as a focal point for stakeholders to demonstrate their ongoing commitment. However, developing a new fund may entail high transaction costs and a complex design process.

In both approaches, financing smallholder R&R requires the development of risk mitigation tools to attract private investors with lower risk tolerance. Development finance institutions and donor agencies offer various investment tools such as guarantees, first-loss capital, or other risk-sharing agreements. Furthermore, a technical assistance facility could be designed to complement both approaches: it could channel support activities — including coaching and capacity building, and access to agricultural inputs—to smallholders through government or company extension services or other smallholder aggregation points.

FIGURE 2: Illustrative Example of a Blended Cocoa Renovation and Rehabilitation (R&R) Fund



Going Forward: An Action Agenda for Climate-Smart Cocoa Production

To rapidly advance CSC interventions to scale, we propose eight priority actions. Together, they will both support the transition of the West African

cocoa sector toward sustainable management and eliminate deforestation from the cocoa supply chain. The actions build on each other and promote collaboration between governments and supply-chain companies, the construction and delivery of integrated support packages, and the mobilization and disbursement of finance. The actions are shown in Figure 3 and described below.

FIGURE 3: An Action Agenda for the Cocoa Sector

Driving Alignment	Integrating Smallholder Support	Mobilizing Finance
<p>PRIORITY ACTION 1: Operationalize Cocoa Sector Action Plans</p> <ul style="list-style-type: none"> <input type="checkbox"/> Cover three-fold objectives of forest protection, increasing production, and improving smallholders livelihoods through CSC and R&R <input type="checkbox"/> Engage in partnerships and ongoing dialogue to identify support packages for joint implementation <p>PRIORITY ACTION 2: Agree on Common Operational Principles / Definitions</p> <ul style="list-style-type: none"> <input type="checkbox"/> Develop common definitions and principles to enable understanding and collaboration, esp. on key terms <input type="checkbox"/> Utilize proven frameworks but apply to cocoa <input type="checkbox"/> Allocate operational roles across stakeholders <p>PRIORITY ACTION 3: Establish Multi-Stakeholder Engagement / Action Platforms</p> <ul style="list-style-type: none"> <input type="checkbox"/> Agree on and appoint third-party management <input type="checkbox"/> Facilitate dialogue among actors to coordinate in the design of a platform <input type="checkbox"/> Determine time-bound and place-specific CSC agenda 	<p>PRIORITY ACTION 4: Develop Integrated Smallholder Support Packages</p> <ul style="list-style-type: none"> <input type="checkbox"/> Develop integrated support that is customizable to regional CSC and R&R priority program areas <input type="checkbox"/> Design support packages that fully consider smallholder short- and long-term economic needs, food and nutritional security, and region's climatic constraints <input type="checkbox"/> Indicate the conditions necessary for different actors to provide further technical or financial resources in delivery <input type="checkbox"/> Define clear roles and responsibilities, set implementation timelines, and achieve operational transparency <input type="checkbox"/> Share data and maps, and collaborate to increase nursery capacity to meet region's need 	<p>PRIORITY ACTION 5: Develop a Financing Strategy</p> <ul style="list-style-type: none"> <input type="checkbox"/> Choose a funding vehicle— individual partnerships, dedicated R&R fund, or both <input type="checkbox"/> Design and define capital and governance structure, investment criteria, and operational criteria <p>PRIORITY ACTION 6: Deliver Finance and Support to Smallholders</p> <ul style="list-style-type: none"> <input type="checkbox"/> Select or establish institutions and mechanisms to channel finance to smallholders <input type="checkbox"/> Identify intermediaries like cooperatives and traders for on-lending <input type="checkbox"/> Identify further needs for scaling results <input type="checkbox"/> Offer risk mitigation tools with DFIs or local financial providers <input type="checkbox"/> Offer / utilize technical assistance facility <input type="checkbox"/> Train smallholders in financial management to increase their financial stability
Enhancing the Enabling Environment		
<p>PRIORITY ACTION 7: Monitor Impact and Link to Zero-Deforestation Commitments</p> <ul style="list-style-type: none"> <input type="checkbox"/> Develop strong monitoring and evaluation frameworks to improve partner coordination, identify and eliminate inefficiencies, and improve outcomes <input type="checkbox"/> Link cocoa programs to zero-deforestation commitments to support company supply-chain commitments and national climate change plans 		<p>PRIORITY ACTION 8: Strengthen Governance</p> <ul style="list-style-type: none"> <input type="checkbox"/> Identify policy priorities for addressing land and tree tenure <input type="checkbox"/> Strengthen forest protection <input type="checkbox"/> Explore climate finance and REDD+ opportunities <input type="checkbox"/> Strengthen law enforcement and legal frameworks <input type="checkbox"/> Identify other cocoa market inefficiencies

PRIORITY ACTION 1:

Operationalize cocoa sector action plans

The Frameworks for Action for Côte d'Ivoire and Ghana should be operationalized through practical action plans. The frameworks formulate a series of core commitments and comprehensive follow-up actions that could serve as a basis for cocoa actors and other landscape-level stakeholders to coordinate their activities. Governments and private companies are preparing to develop their own action plans and partnerships in line with national government strategies and the frameworks' goals. To meet the threefold objective of protecting forests, increasing productivity, and improving smallholders' livelihoods, CSC activities will be a critical part of the action plans and a foundation to further define target activities.

PRIORITY ACTION 2:

Agree on common operational principles and definitions

A common set of operational definitions, principles, and guidelines is the first step to align interests and interventions. A shared understanding of key concepts can form the basis for focused discussion, prioritized action, and effective collaboration between partners. Stakeholders may streamline their coordination efforts by developing a common understanding of the concepts of "deforestation-free" and "climate-smart" cocoa and the role of agroforestry. In addition, operational principles such as defining common goals, setting timelines to achieve them, and allocating roles and responsibilities would support accelerated implementation.

PRIORITY ACTION 3:

Establish multistakeholder engagement and action platforms

Institutional partnerships are essential to coordinate smallholder support. Engagement and action platforms can bring together government agencies and supply-chain companies, as well as other actors, particularly local communities. These platforms may build on the experiences of existing dialogue platforms in Côte d'Ivoire and Ghana but move beyond them by incorporating agreed definitions and operational principles and defining a time-bound, location-specific, and prioritized CSC agenda that includes R&R. These platforms would facilitate discussion about critical issues facing smallholders, including access to seedlings and input delivery systems, pricing and premiums, productivity goals, and land titles.

PRIORITY ACTION 4:

Develop integrated smallholder support packages

The engagement and action platforms could facilitate location-specific smallholder support packages across the five areas summarized in Figure 1. Regional CSC and R&R programs would include an initial climate-suitability assessment, identification of climate-smart interventions at the farm level, determination of suitable R&R techniques, selection of pest and disease control measures, and support in accessing and managing finance. While some of these actions have occurred in the past, developing a standardized approach through a common platform could galvanize broader and more systematic action. The support packages would cover all necessary steps and activities that lead to a transition to CSC and assign clear roles and responsibilities among governments, supply-chain companies, and CSOs on how to deliver the agreed-upon services.

PRIORITY ACTION 5:

Develop a financing strategy

A financing strategy would specify the funding vehicle—individual partnerships, a dedicated R&R fund (see Figure 2), or a hybrid approach—and secure commitments from funders. The strategy could include a short-term approach that relies on existing structures and the mid-term development of a blended R&R fund. In the short term, partnerships between individual companies, cooperatives, and investors backed by risk-mitigation instruments could deploy funds without significant delay. These efforts could also inform the ongoing dialogue among cocoa-sector actors about a dedicated R&R fund. Operationalizing the Frameworks of Action can facilitate discussions about such a fund.

PRIORITY ACTION 6:

Deliver finance and support to smallholders

Companies and cooperatives with strong links to smallholders are well positioned to initiate early R&R programs. Partners are tasked with accelerating existing efforts to ensure that CSC and R&R programs move toward implementation. Pilot programs could pioneer action while longer-term structures are put in place. After training is initiated, early programs could rely on in-kind support to smallholders and management of the supply of seedlings and inputs via cooperatives. In the medium and long terms, local financial institutions would be best placed to offer credit and financial services to smallholders. This includes using technology, including mobile money, value-transfer services, mobile banking, and financial literacy training. The latter would enable smallholders to apply directly for credit and manage farm finances independently.

PRIORITY ACTION 7:

Monitor impact and link to zero-deforestation agenda

Monitoring and evaluation systems are important tools for programs to grow stronger over time and to eliminate inefficiencies. It will be important to monitor progress on government-led enforcement of the commitments and actions for forest protection and restoration agreed upon in Côte d'Ivoire's and Ghana's Frameworks for Action, such as ending forest land conversion for cocoa production and eliminating all cocoa production and sourcing from national parks and reserves. Linking cocoa programs to impacts on forests would allow programs to contribute to zero-deforestation supply-chain commitments and government climate plans including emissions reduction programs.

PRIORITY ACTION 8:

Strengthen governance

Efforts to reduce deforestation in cocoa supply chains must be supported by strengthening forest governance. Strengthened policy, robust legal frameworks, and effective law enforcement are essential to achieve long-term CSC. It is important that governments designate and classify cocoa production areas as well as protection areas, and step up institutional capacities and law enforcement. Clarifying land tenure and land titles is essential to motivate farm investments. While these measures are ultimately the responsibility of governments, companies can help by committing to ensure legal compliance in their supply chains.

Strengthened policy, robust legal frameworks, and effective law enforcement are essential to achieve long-term CSC.