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ANNEX

of the Commission Decision on the financing of a special measure in favour of the Republic of Côte d'Ivoire, the Republic of Ghana and the Republic of Cameroon

Action Document for the “Sustainable Cocoa initiative in Côte d'Ivoire, Ghana and Cameroon”

1. Title/basic act/ CRIS number	Sustainable Cocoa initiative in Côte d'Ivoire, Ghana and Cameroon CRIS number: RDV/EDF/042-928 (Global) CRIS number: CI/EDF/042-945 (Côte d'Ivoire) financed from the amount made available after the End-of-Term Review of the 11 th European Development Fund (EDF) National and Regional Indicative Programmes for 2014-2020 and, if needed, complemented by funds from the 11 th EDF general reserve.	
2. Zone benefiting from the action/location	Multi-country, Western Africa, Central Africa The action shall be carried out at the following location: Côte d'Ivoire, Ghana and Cameroon	
3. Programming document	N/A	
4. Sustainable Development Goals (SDGs)	Main SDGs: <ul style="list-style-type: none"> • SDG 8: Decent work and economic growth • SDG 15: Life on land Secondary SDGs: <ul style="list-style-type: none"> • SDG 1: No poverty • SDG 2: Zero hunger • SDG 5: Gender equality • SDG 10: Reduced inequalities • SDG 12: Responsible consumption and production • SDG 13: Climate action • SDG 17: Partnerships for the Goal 	
5. Sector of intervention/ thematic area	N/A	DEV. Assistance: YES ¹
6. Amounts concerned	Total estimated cost: EUR 25 000 000 Total amount of EDF contribution EUR 25 000 000 of which EUR 8 000 000 for budget support (Côte d'Ivoire) EUR 17 000 000 for project modality (Global)	

¹ Official Development Assistance is administered with the promotion of the economic development and welfare of developing countries as its main objective.

7. Aid modality and implementation modalities	Project Modality/Budget Support Direct management through: - Budget Support: Sector Reform Performance Contract (Côte d'Ivoire) - Administrative Arrangement with an EC institution (Joint Research Centre - JRC) Indirect management with: - Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) - The Investment Centre of the Food and Agriculture Organization (FAO) - The European Forest Institute (EFI)			
8 a) DAC code(s)	Main DAC code: 31110 - Agricultural policy and administrative management (80 %): 31161 - Food crop production (20 %)			
b) Main Delivery Channel	Channel 1: 1201: Central Government (Recipient) Channel 2: JRC Channel 3: GIZ Channel 4: 41301(FAO) Channel 5: EFI			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance		<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	X	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with disabilities	X	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input type="checkbox"/>	X	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	X	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
10. Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation		X	
	Migration	X		
11. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

Côte d'Ivoire and Ghana are the world's largest exporters of cocoa, and together with Cameroon their combined exports are equivalent to 63 % of global exports.² Cocoa is a major contributor to export earnings as well as the main source of livelihoods for six to seven million farmers in Côte d'Ivoire, Ghana and Cameroon; indirectly, it contributes to the livelihoods of a further 40 to 50 million people (United Nations Conference on Trade and Development).³

The European Union is the world's largest importer of cocoa, accounting for almost 60 % of world imports.⁴ Côte d'Ivoire, Ghana and Cameroon are major suppliers of cocoa into the EU market, to which they have duty-free and quota-free access under their respective Economic Partnership Agreements (EPAs).

There is ample evidence that important sustainability issues, namely deforestation, child labour and low revenues for local farmers, characterise cocoa value chains. Furthermore, women farmers and labourers make significant contributions to the cocoa value chain, but are often overlooked and unrecognised. A gender-sensitive approach is therefore needed for a stronger impact on the sustainability of the cocoa supply chain and cocoa-growing communities.

The proposed Action will capitalise on Côte d'Ivoire and Ghana's initiative on the 'Living Income Differential', and on the declarations of intent issued by Cameroon's Inter-Professional Council for Cocoa and Coffee (CICC), by promoting sustainable cocoa production that covers all three sustainable development pillars: economic, environmental and social. In this context, it will support different stakeholders to build on the consensus that is emerging between producing countries, industry representatives, cocoa smallholders and European consumers to link increases in cocoa farmers' revenues to a clear commitment to halt deforestation and eliminate child labour.

To do so, it will first enhance the dialogue between producing countries, industry representatives, cocoa smallholders and European consumers to strengthen this emerging consensus on sustainable cocoa production. The Action will support these consultations through the establishment or reinforcement of multi-stakeholder dialogue platforms at national/bilateral/regional/multilateral level and will further promote the participation of the private sector and build their capacity to contribute effectively to the discussion.

It will further support the government authorities of selected cocoa-producing countries (Côte d'Ivoire, Ghana, Cameroon) to carry out the necessary legal/regulatory reforms needed to promote sustainable cocoa production. The Action will also provide technical assistance and capacity-building for the private sector to ensure that they are able to comply with the new requirements. This parallel work-stream will be fully dedicated to ensuring that sustainable production criteria are fully applied in practice and adhered to by the relevant actors.

The overall objective is thus to achieve sustainable cocoa production that provides a 'living income' for farmers (women and men), contributes to national public revenues, ends environmental degradation / deforestation and labour rights abuses, including child labour and gender inequality, in Côte d'Ivoire, Ghana and Cameroon. The specific objectives are: 1. to strengthen the institutional, legal and regulatory frameworks for sustainable cocoa production

² <https://www.trademap.org/>

³ https://unctad.org/system/files/official-document/suc2015d4_en.pdf

⁴ <https://www.trademap.org/>

(public sector) and 2. to empower the private sector – including farmers and farmers’ cooperatives – to improve agricultural practices and comply with environmental and social sustainability standards (private sector).

1 CONTEXT DESCRIPTION

1.1 Context Description

Côte d’Ivoire and Ghana are the world’s two largest exporters of cocoa while Cameroon is in fourth position; the combined exports of these three countries amounted to USD 5 802 million in 2019, equivalent to 63 % of global exports.⁵ At the macroeconomic level, cocoa is a major contributor to export earnings and Gross Domestic Product in these countries. At the microeconomic level, cocoa farming is the main source of livelihoods for six to seven million farmers in Côte d’Ivoire, Ghana and Cameroon, and contributes indirectly to the livelihoods of a further 40 to 50 million people.⁶

The European Union is the world’s largest importer of cocoa accounting for imports worth about EUR 5,806 million in 2019, or almost 60 % of world imports. Côte d’Ivoire, Ghana and Cameroon are major suppliers of cocoa into the EU market (1 200 000 tonnes⁷), to which they have duty-free and quota-free access under their respective Economic Partnership Agreements (EPAs). In 2016, 81 % of the cocoa consumed in the EU came from West Africa. It is estimated that cocoa farmers receive on average only 5 % of the final price of the product.⁸

A large proportion of cocoa farmers lives below the poverty line. While poverty and other root causes are not unique to cocoa, the cocoa supply chain contributes and, in many cases, reinforces structural poverty, inequalities and exclusion. Gender inequality, social exclusion and environmental degradation are all underlying factors for children’s vulnerability and also perpetuate poverty.⁹

In Côte d’Ivoire, illegal cocoa plantations are found in twenty out of twenty-three of the country’s protected areas. This is notably connected to major land tenure issues and tensions at the community level. Up to 74 % of Côte d’Ivoire’s protected areas have been transformed into cocoa plantations, contributing significantly to the country’s estimated deforestation rate of 265 000 hectares per year (the highest in sub-Saharan Africa).¹⁰ In Ghana, 7 000 km² of forest were cleared between 2001 and 2014, approximately one quarter of which was connected to the expansion of cocoa plantations. In contrast to Côte d’Ivoire and Ghana, deforestation in Cameroon is not linked to cocoa to the same extent. Nevertheless, this may change as recent plans for the expansion of cocoa production increase the risk of encroachment and deforestation.

Child labour is another widespread problem across cocoa global value chains. In 2014, the International Labour Rights Forum estimated the number of child labourers in the cocoa sector in Côte d’Ivoire and Ghana to be somewhere between 500,000 and 1,500,000 children. Working on cocoa plantations exposes children to hazards - including dangerous tools, toxic chemicals and excessive physical strain from carrying heavy loads, extreme weather conditions, excessive long working hours, isolation - and prevents them from attending

⁵ www.trademap.org

⁶ https://unctad.org/system/files/official-document/suc2015d4_en.pdf

⁷ EUROSTAT 2016

⁸ https://lebasic.com/wp-content/uploads/2020/07/BASIC-DEVCO-FAO_Cocoa-Value-Chain-Exec-Summary_Advance-Copy_June-2020.pdf

⁹ UNICEF (2018), Children’s Rights in the Cocoa-Growing Communities of Côte d’Ivoire, Synthesis Report.

¹⁰ https://tropicalconservationscience.mongabay.com/content/v8/tcs_v8i1_95-113_Bitty.pdf

school. In Cameroon, although the Labour Code formally forbids employing children below the age of 15, almost 7 % of children in school age are working, 95 % of which in the agriculture sector.

Women farmers are central to the sustainability of the cocoa supply chain and cocoa-growing communities. Across cash crops, buyers have found that women often produce higher quality products than men when given the right support. When women have control over their own income or family earnings, they reinvest in their families, children and communities, increasing the wellbeing and the sustainability of cocoa-growing communities. In Côte d'Ivoire and in Ghana, women own respectively around 25% and 18 % of the cocoa plantations according to the African Development Bank¹¹. In Côte d'Ivoire, 68 % of the labour force is made up of women, but they only earn 21 % of the income generated. In Cameroon women are not recognised in the value chain other than for domestic labour. They practically never own a cocoa field, especially when the cocoa activity is profitable.¹²

In June 2019, Côte d'Ivoire and Ghana announced a joint initiative to boost the sustainability of the cocoa sector by supporting farmers' revenues. The policy introduces the 'Living Income Differential', a premium of USD 400/tonne on global market prices that applies to the purchase of cocoa from these two origin countries. The purpose of the measure is to guarantee that farmers will get a 70 % share of a USD 2 600 per tonne (FOB) target price. If global prices rise above USD 2 900, proceeds from the living income differential will be placed in a stabilisation fund, ensuring that farmers can still receive the fixed percentage of the target price when international prices fall. The measure is designed to soften the impact of sudden drops in international prices, like the one that occurred in 2016-2017.

In December 2019, the Inter-Professional Council for Cacao and Coffee (CICC) in Cameroon, signed two declarations of intent in support of the development of a "zero deforestation" and child labour free initiative. These respectively aim to: i) expand cocoa and coffee productions, while investing in action to prevent and fight against deforestation; ii) establish a road map to control the use of the child labour in the two value chains, including three components: capacity building, awareness and communication.

The price of cocoa has a major influence on farmers' livelihoods and on public finances in Côte d'Ivoire, Ghana and Cameroon. Increases in farm-gate prices are a necessary step towards more sustainable cocoa production, as they allow farmers to absorb the additional costs associated with sustainable cocoa production. Price increases are not, however, a sufficient step to guarantee the transition towards sustainable production. Further efforts are needed to link price increases in specific countries to a clear national commitment to avoid the extension of the land surface used for cocoa production and to end illegal cocoa production in protected areas. Further efforts will also be needed to link the increase in prices to a clear commitment to eliminate child labour in cocoa supply chains.

1.2 Policy Framework (Global, EU)

The issues of deforestation and child labour are very high on the political agenda of the European Commission.

¹¹ African Development Bank (2015), Economic Empowerment of African Women through Equitable Participation in Agricultural Value Chains.

¹² Analysis of the cacao value chain of Cameroon, <https://europa.eu/capacity4dev/value-chain-analysis-for-development-vca4d-/documents/cocoa-cameroonstudy-brief-eng>

In July 2019, the Commission published a *Communication on Stepping up EU Action to Protect and Restore the World's Forests*¹³ which was endorsed in the European Council Conclusions of December 2019. In her political guidelines and the letter to the EU Commissioner for Trade in September 2019, the President of the European Commission, Ursula von der Leyen, announced a “zero-tolerance policy on child labour” to be “in every new trade agreement”. In December 2019, the Commission launched the European Green Deal initiative¹⁴, which aims to “encourage imports that do not create deforestation abroad to minimise the risk to forests around the world”. The EU Farm to Fork Strategy¹⁵ further states that: “The EU will support the global transition to sustainable agri-food systems, in line with the objectives of this strategy and the SDGs. Through its external policies, including international cooperation and trade policy, the EU will pursue the development of Green Alliances on sustainable food systems with all its partners in bilateral, regional and multilateral fora”. The Action is also consistent with the views of EU citizens – expressed in an EU-wide opinion poll in May 2019 – which found that 87 % agreed that ‘new laws are needed to ensure the products sold in European Union countries do not contribute to global deforestation’. Insofar as cocoa is concerned, on the 22nd of September 2020, the European Commission launched a multi-stakeholder dialogue that brings together representatives of Côte d'Ivoire and Ghana as well as representatives of the European Parliament, EU Member States, cocoa growers and civil society. The dialogue aims to deliver concrete recommendations to advance sustainability across the cocoa supply chain through collective action and partnerships.

This Action will ensure compatibility and compliance with existing and forthcoming legislative instruments on deforestation, environmental protection and human rights, including the Commission’s initiative on ‘Minimising the risk of deforestation and forest degradation associated with products placed on the EU market’.¹⁶ The Action will contribute with relevant input and advice to ongoing preparatory work on the delivery of a legislative proposal on minimizing the risk of deforestation. The cocoa dialogue will also work to ensure that cocoa production in target countries meets existing and forthcoming legislative requirements in the EU.

This Action is also consistent with the Paris Agreement on Climate Change and the Global Strategic Plan for Biodiversity 2011-2020 adopted under the UN Convention on Biological Diversity, and the Aichi Biodiversity Targets, which promote sustainable forest management, protection and restoration efforts. Strengthening efforts to manage forests sustainably is also central to the UN 2030 Agenda for Sustainable Development, which acknowledge that forests play a multifunctional role that supports the achievement of most Sustainable Development Goals.

Ghana, Côte d'Ivoire and Cameroon have ratified the eight fundamental conventions of the ILO that are relevant for this action including: C105 “Abolition of Forced Labour Convention”, C111 “Discrimination”, C138 “Minimum age” and C182 “Worst Forms of Child Labour”. Furthermore, ILO Convention No. 182 on the Worst Forms of Child Labour achieved universal ratification in August 2020 and the UN has declared 2021 as the International Year for the Elimination of Child Labour (unanimously adopted by the United Nations Assembly in June 2019). The EU fully backs this initiative and the Action will

¹³ COM(2019) 352, 23 July 2019.

¹⁴ COM(2019) 640, 11 December 2019.

¹⁵ COM(2020) 381, 20 May 2020.

¹⁶ <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12137-Minimising-the-risk-of-deforestation-and-forest-degradation-associated-with-products-placed-on-the-EU-market/public-consultation>

significantly contribute to the SDG target 8.7 of the 2030 Agenda aiming to eliminate all forms of child labour by 2025.

As mentioned in the EU Gender Action Plan II¹⁷ *“Increasing women’s ownership over resources and their participation in society and economy is a matter of social justice. It can also contribute to stronger and more inclusive economic growth that benefits society as a whole.”* This action contributes to the GAP II, in particular Objective 14 on “Access to decent work for women of all ages” as well as 15 “Equal access by women to financial services, productive resources including land, trade and entrepreneurship”. As from 2021, it will be aligned to the objectives of GAP III which is set to replace the ongoing plan covering the period 2016-2020.

The European Commission issued the Joint Communication *“Towards a comprehensive strategy with Africa.”* It was adopted on 9 March 2020 and states that decent work opportunities will be key to providing prospects to rapidly growing African youth. This goes hand in hand with a healthy workforce, environment and decent working conditions. In particular, this requires health and safety at work, inclusive social protection systems, universal health coverage, access to quality health services, including family planning, and fighting against inequality and, discrimination, child labour (especially in the agricultural sector) and forced labour. It also requires transitioning from the informal into the formal economy. In this respect, effective social dialogue with public authorities, workers’ and employers’ organisations will improve both the social and business climate.

1.3 Public Policy Analysis of the partner country/region

This Action is consistent with several recent policies issued by cocoa-producing countries at the national and multinational levels.

At the November 2017 UN Climate Change Conference (COP23), top cocoa-producing countries Côte d’Ivoire and Ghana, together with leading chocolate and cocoa companies, announced the Cocoa & Forests Initiative Frameworks for Action. Central to the Framework is a commitment translated into a March 2019 action plan, to stop all further conversion of forest land for cocoa production.

On the 26 March 2018, Ghana and Côte d’Ivoire signed the Abidjan Declaration on cocoa, undertaking to harmonise their sectoral policy on cocoa, including regulated farm-gate prices, policies on smuggling between the two countries and collaboration on research, pest and disease control.

In September 2019, the Cameroonian institutions in charge of cocoa production, under the leadership of the “Fonds de développement des filières cacao et café – FODECC”, expressed their interest in adhering to a zero-deforestation initiative. To this end, they proposed to adopt a hybrid form of governance for the sector, where the Government would continue to establish the basic rules (national rules to prevent deforestation), while the private sector would be responsible for the certification of cocoa.

In December 2019, the African Organisation for Standardisation (ARSO) launched the process of setting up an African Regional Standard for Sustainable cocoa (ARS 1001-Management systems and performance, ARS 1002 - Requirements for cocoa quality and traceability and ARS 1003 – Requirements for cocoa certification scheme).

In addition to the above, both Ghana and Côte d’Ivoire have announced comprehensive plans to eliminate child labour in their respective countries. In 2019, the Ivorian Government

¹⁷ Council Conclusions 13201/15, 26 October 2015.

presented the “Plan d’action national 2019-2021” (PAN) to combat child trafficking, exploitation and child labour.

In Ghana, the National Plan of Action for the Elimination of the Worst Forms of Child Labour (NPA) references Article 28(2) of the 1992 Constitution which provides “that every child has the right to be protected from engaging in work that constitutes a threat to his or her health education or development”. In 2018 the Government of Cameroon updated the National Action Plan to Combat Child Labour and Trafficking in Children as part of its commitment to the Sustainable Development Goals. Côte d’Ivoire, Ghana and Cameroon are partners of the Alliance 8.7, an inclusive global partnership committed to achieving the SDG target 8.7. to eliminate child labour by 2025. The three countries are Pathfinder Countries in the Alliance as they accelerate efforts to achieve the target.

To address the various issues linked to cocoa production in an integrated manner, The Ivorian government is currently working on a “White Paper” which sets out its policies to reform the value chain, including its governance issues, and ensure its sustainability in terms of poverty, deforestation and child labour. The document constitutes a global and coherent strategy document integrating all these dimensions and enabling them to be analysed as a system. So far, scattered initiatives and interventions failed to overcome these interlinked issues with satisfactory results. The draft document testifies to an understanding and recognition of this failure as well as of a political willingness to change the approach. It shall be developed substantially to include detailed reform measures with clear milestones and an efficient monitoring system. This Action intends to interact with this White Paper over the course of its implementation.

1.4 Stakeholder analysis

The Action will require the engagement of all key stakeholders along the cocoa supply chain, all of whom will benefit directly and/or indirectly from the intervention.

Governments of cocoa-producing countries: This group includes relevant ministries and the national and sub-national government agencies of Côte d’Ivoire, Ghana and Cameroon, including those responsible for economic affairs, labour, trade, forestry, the environment, social protection, gender, child protection and education. Relevant local government structures are included. The *Conseil café cacao* (CCC) in Côte d’Ivoire and the Ghana Cocoa Board (‘Cocobod’) are responsible for the regulation of the cocoa sector specifically, including the establishment of minimum farm-gate prices and the administration of the Living Income Differential. In Cameroon, two institutions were established after the 2002 liberalisation of the sector: the *Fonds de développement des filières cacao et café* (FODECC) and the *Conseil interprofessionnel cacao et café* (CICC), with a mandate to support the development of the sector.

Cocoa farmers, farmers’ cooperatives and rural communities: This group includes cocoa farmers themselves (women and men) and their families, as well as the broader communities located in cocoa-growing areas. Groups living in vulnerable situations, such as children, youth and migrants within these communities will require particular attention from this Action since they are more exposed to labour rights violations. The action must take into account vulnerable positions of women in the cocoa supply chain, with respect to access to resources, and how their tenuous land rights may impact their ability to be fully and equally involved.

Cocoa traders, processors and other economic actors in producing countries: In addition to farmers, there is a significant number of other actors that collect and transport raw cocoa from the farm-gate to the point of export (e.g. the port of Abidjan), while the initial stages of cocoa processing (i.e. grinding) is increasingly conducted in producing countries. These

stakeholders are also concerned by increases in the farm-gate price and international sales price of cocoa, since these are the two main elements that determine their margins.

International chocolate and cocoa industry: This group includes multinational trading companies, food manufacturing and distribution companies engaged in the growing of cocoa, processing of cocoa, and/or production and sale of its derivative products. The industry is represented by the European Cocoa Association (ECA), Association of Chocolate, Biscuits and Confectionery (CAOBISCO) and the World Cocoa Foundation (WCF).

European consumers: Discussions about the ‘Living Income Differential’ (and other mechanisms that seek to ensure the transmission of price increases to smallholders) raise questions about the impact on consumer prices. In fact, the impact of cocoa price increases on consumer is limited to only a few cents.¹⁸ Misconceptions about the impact on prices could nevertheless impede progress on the transition towards more sustainable cocoa production systems. Therefore European consumers should remain a key player, particularly as they are becoming increasingly concerned about transparency of, and respect for, sustainability standards of the products they are buying.

Social Partners and Civil Society: This non exhaustive group includes employer and worker organisations, non-governmental organisations (NGOs), and community-based organisations in the partner countries, as well the international counterparts of these groups.

National initiatives/platforms: This includes the Belgian Partnership for sustainable Belgian chocolate (Beyond Chocolate), the Dutch Initiative on Sustainable Cocoa (DISCO), the German Initiative on Sustainable Cocoa (GISCO) as well as the Swiss Platform for Sustainable Cocoa (SWISSCO) which bring together government authorities, cocoa and chocolate industry and retailers and civil society organisations to accelerate efforts towards achieving sustainability in the cocoa sector in its three dimensions¹⁹.

Other cocoa-producing countries: Given the outsized impact of Côte d’Ivoire, Ghana and to a lesser extent Cameroon on international cocoa markets, due to their share of global production, any initiative to improve the sustainability of cocoa production practices in these two countries could have an impact on other cocoa-producing countries in Africa, Asia (e.g. Indonesia) and Latin America (e.g. Brazil, Ecuador, Peru).

The International Cocoa Organisation (ICCO) – within which the European Union plays a prominent role – is the appropriate forum for negotiations between the governments of cocoa-producing countries, as well as for consultations with large consuming countries.

1.5 Problem analysis/priority areas for support

International trading/processing companies dominate the market for cocoa: according to UNCTAD, “the three biggest cocoa trading and processing companies traded roughly 50 to 60 % of the world’s cocoa production in 2013”, whereas “four transnational corporations control [...] more than 60 % of world cocoa grindings”.²⁰ International price volatility is built into these companies’ business models.

¹⁸ https://lebasic.com/wp-content/uploads/2020/07/BASIC-DEVCO-FAO_Cocoa-Value-Chain-Exec-Summary_Advance-Copy_June-2020.pdf

¹⁹ European platforms for sustainable cocoa sign MoU:

<https://www.idhsustainabletrade.com/news/european-platforms-for-sustainable-cocoa-sign-mou/>

²⁰ https://unctad.org/system/files/official-document/suc2015d4_en.pdf

Sellers of cocoa from producing countries, by contrast, are ‘price takers’. They have typically been unable to develop coordinated negotiating strategies, due to their vast number and the fact that they are ‘scattered’ across various geographies.

Across cocoa supply chains, farmers do not have the means to protect themselves from the vagaries of international price movements, boost their own incomes and diversify their livelihood strategies. Information about supply and demand conditions is not widely available at the farm level, preventing farmers from planning appropriately. Mechanisms to manage price risk – such as mass storage facilities, forward sales or derivatives markets (futures, options) – are beyond the reach of smallholders. Farmers are generally not covered by social security or other insurance mechanisms to protect them in case of a bad harvest or a decrease in prices. Finance for cocoa smallholders is also limited or unavailable, due to their lack of collateral and highly irregular income streams.

In the absence of such facilities, one of the only strategies available to non-certified farmers or farmers’ groups is to increase production volumes, which is often counterproductive. In the aggregate, increased production volumes can lead to oversupply and push down cocoa prices.

Farmers’ incomes are further constrained by the following factors: (i) there is no land available to expand cocoa plantations, (ii) pests and diseases are restricting yield increases, (iii) trees are ageing and in poor condition and (iv) farmers are ageing and younger workers abandoning cocoa farmers. Low farm-gate prices and disappointing yields translate into meagre farm profits which, in turn, is likely to drive some of the most harmful social and environmental impacts within cocoa global value chains. Farmers with unproductive and unprofitable farms are often tempted to expand into protected areas as a mean to boost cocoa yields at limited cost to themselves, but at considerable cost to the environment. Similarly, farmers that are under financial pressure might value the immediate returns on child labour above the long-term benefits of education for their children. Slender farm profits also drive under-investment in practices and technologies that could render cocoa plantations more sustainable.

The ‘Living Income Differential’ aims to support farm-gate prices and farmer incomes, and thus addresses some of the economic drivers of unsustainable cocoa production that have been described above. However, higher farm-gate prices might actually incentivise overproduction and unsustainable yield-boosting strategies unless they are accompanied by policies and a legal/regulatory framework that incentivises sustainable production systems and penalises illegal deforestation and child labour.

1.6 Other areas of assessment (budget support component for Côte d’Ivoire)

Fundamental values

Nine years after the post-electoral crisis that followed nearly ten years of partition of the country and until the tensions in the run up to the upcoming October 2020 presidential elections, Côte d’Ivoire showed renewed stability, driven by high growth rates (7% average), a strong appeal to international partners, and a will to reinvest the international arena.

The functioning of judicial and penitentiary institutions has been seriously affected by the crisis. The sector suffers from a significant lack of financial and human resources to ensure the effective functioning of the judicial and penitentiary system. The expected progress in terms of improving access to justice, impartiality and independence of the judiciary, particularly with regard to crimes committed by the *ex-Forces Armées des Forces Nouvelles* and associates (pro-Ouattara) during the post-electoral crisis, but also economic affairs and the fight against corruption, has not yet materialised despite the establishment of the appropriate competent institutions (Special Investigation and Investigation Unit, Court of

Auditors, High Authority for Good Governance, etc.). The structural treatment of the many problems of the security Institutions (material difficulties, uncontrolled circulation of weapons, and quality of recruitment) remains a challenge. Nevertheless, progress has been observed with the first deflationary operations of military personnel, which should be reduced from 22 500 at present to 20 000 by the end of 2020.

Although there is room for improvement, the constitutional and legal framework in Côte d'Ivoire is relatively developed and enshrine respect for human rights and individual freedoms. However, violence against women remains high, and the situation of children remains worrying, with high rate of children deprived of education, many of them engaged in child labour, despite the launch, with the support of donors, of reintegration programmes for vulnerable young people. In view of the reforms carried out in recent years, the Ivorian authorities' political will to commit to improving governance, democracy and human rights gave some results, despite the many obstacles mentioned above. Since 2012, this progress has been reflected in the main international governance indicators. Côte d'Ivoire is the country that has made the most significant progress in the Mo Ibrahim Index of African governance (although in 35th position, it remains far from the leading pack). In Transparency International's corruption index, Côte d'Ivoire had progressed from 154th position in 2011 to 115th position in 2014, 103rd position in 2017 and finally 106th position in 2019. This is not the case concerning most of social and human development indicators (UNDP 2018 HDI 165/189).

Macroeconomic policy

The macroeconomic analysis carried out by the International Monetary Fund (IMF) in December 2019 highlighted the Ivorian government's progress in public finance management, particularly in its ambition to maintain the budget deficit within the West African Economic and Monetary Union (WAEMU) rule of 3 % for the years 2019 and 2020. Similarly, the analysis commends the sustained growth of the economy, projected at 7.2 % for the year 2019-2020. With regard to its debt, Côte d'Ivoire maintains a moderate risk of over-indebtedness, with the liquidity and solvency indicators for external debt and total public debt below the high risk threshold. However, Côte d'Ivoire remains vulnerable to adverse shocks to exports and growth. It is therefore essential to strike a good balance between development and debt by relying on the mobilisation of domestic resources in order to maintain debt sustainability in the medium term.

The Ivorian economy, like the global economy, is now facing new challenges and new priorities to mitigate the negative effects of the COVID-19 crisis. In this context, the Government's objectives must be reviewed to ensure that economic activity is maintained and that support is provided to the populations most affected by the situation. The state will not be able to meet the 3 % budget deficit standard and will be forced to slightly deteriorate its debt position. To deal with the economic shock, the Ivorian government has drawn up a plan to support the continuity of economic activity (short-term) and post-pandemic economic recovery measures (long-term) aimed at maintaining macroeconomic stability. As regards short-term measures, the government supports businesses to meet immediate cash flow needs, for example by deferring the declaration and payment of VAT to the end of the crisis. To ensure the recovery of the economy, the Government is preparing fiscal (tax exemptions) and financial (direct support to small and medium enterprises (SMEs) and very small enterprises (VSEs) measures. Although the details of these stimulus measures are not precisely known at present and although the decisions on debt have not been disseminated, it is clear that the government has been responsive to the coronavirus crisis and is proposing credible measures to revive the economy and counter the economic slowdown.

Debt sustainability was also recently confirmed as a condition for the IMF's USD 886 000 000 aid package of 17 April. All aid disbursements are accompanied by a macroeconomic study justifying the debt sustainability.

On the basis of the analysis, it is concluded that the Ivorian authorities are pursuing a stability-oriented macroeconomic policy.

Public Financial Management (PFM)

The transposition of WAEMU directives on public finance management is effective. Institutional reforms and capacity building are underway. Côte d'Ivoire switched to a programme budget in 2019. The state budget for 2020 is realistic. Overall, the budget strategy and budget are drawn up in accordance with the state's budgetary policies and strategic plans, and on the basis of adequate macroeconomic and budgetary forecasts.

The detailed budget by ministry was published in November 2019 for the year 2020. The Ivorian state details all the underlying assumptions and a detailed analysis of debt sustainability. In practical terms, 2020 is the year of the switch to programme budget mode, initiated by the WAEMU. The objective is to increase the transparency and efficiency of public spending.

A Public Finance Reform Master Plan (SDRFP), together with a three-year action plan, have guided the Government's public finance actions for 2014-2016. Although progress has been slow, due in particular to the late allocation of all expenses to the various bodies responsible for allocating them, significant progress has been made in the area of public finance management and transparency. Satisfactory progress is noted overall in the implementation of the new Master Plan 2018-2020. In order to strengthen the coordination of partners around the efficient implementation of the Master Plan, a round table of donors was organised in January 2020.

The authorities are expected to speed up the implementation of the Master Plan and, in the immediate term, to ensure the effectiveness of the budget reform from 1 January 2020, with the changeover to a programme budget. The operationalisation of the Single Treasury Account is also expected, as is the finalisation of the implementation of the budgetary and accounting information system.

The coronavirus crisis is having a direct impact on Côte d'Ivoire's public finances. Door revenue is expected to fall by CFAF 141.6 billion (or 0.26 % of GDP). Domestic revenue, affected in particular by the fiscal and financial measures to support the economic fabric put forward by the government, is expected to fall by CFAF 269.6 billion (or 0.75 % of GDP) compared with forecasts. The budget deficit would be CFAF 236.8 billion, or 0.66 % of GDP. However, considering the satisfactory progress noted in the implementation of public finance reform before the COVID-19 crisis, the government having in fact demonstrated its willingness to strengthen economic governance, it is reasonable to rule on the sound management of public finances. A slowdown in the implementation of reforms can be expected but should not be stopped. On the contrary, it is an opportunity to make an effective transition to a multi-annual budget process. The European Delegation also hopes to organise a budget orientation debate in 2020, as well as an effective strengthening of internal and external control. The latter is of particular importance in the context of the coronavirus because of the increased flow of donor funds to help combat the pandemic and its negative socio-economic effects.

In conclusion, it is considered that the Public Financial Management (PFM) eligibility criterion is met.

Transparency and oversight of the budget

The draft budget and the initial finance act for each year are online. As far as the 2020 budget is concerned, the draft was adopted in October 2019 by the Council of Ministers. As a guarantee of transparency, it was put online very quickly, before it was adopted by the National Assembly.

In addition, the tax appendices are posted online on the website of the Secretary of State for the Budget and the State Portfolio to the Prime Minister and on the DGBF website. Quarterly budget execution reports are normally put online 45 days after the end of the quarter, sometimes with a small delay. Other key documents (e.g. the Government Financial Operations Table) are put online, but not always regularly.

Even if the presentation is scattered over several sites, it is worth highlighting the very large amount of online budget information. The challenges concern the introduction of budget orientation debates with the Parliament, and the more in-depth monitoring of the budget by civil society, in particular through the provision of a citizens' budget.

The government of Côte d'Ivoire is preparing an amending finance law to adapt the budget to the various measures to combat the effects of COVID-19. It is expected that the State's contribution to the various economic support funds will be included in this finance law. Updating the Ivorian State budget will however not solve the recurrent problem of budgeted projects not always materialising. This regular issue will be the subject of particular attention during the political dialogue.

On 7 May 2020, President Ouattara also pledged to ensure full transparency of extra-budgetary expenditure and of all the funds exceptionally paid to the Ivorian government in support of the COVID-19 crisis.

On the basis of the analysis, it is concluded that the eligibility criterion relating to budget transparency is met.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L²¹)	Mitigating measures
Evolving political situation in the run up to elections in Côte d'Ivoire (and possible unrest) and Ghana	H/M	Maintain dialogue with political representatives at the national level and strive to ensure buy-in from emerging political players.
Possible increase of tension in the South West, North West regions, and in the North of Cameroon.	M	Maintain dialogue with the authorities, and, if and when the political conditions are conducive, seek for economic opportunities.
'Living Income Differential' causes international buyers to switch to other origins (i.e. 'leakage' of negative environmental and social impacts).	L	Strive to maintain the consensus on higher prices within the cocoa industry and secure buy-in from other cocoa-producing countries.
Consensus is not reached on cocoa	M	Adopt a gradual approach to increased

²¹ High (H), medium (M), low (L).

sustainability standards and legal/regulatory frameworks for sustainable cocoa production.		sustainability of cocoa production systems and minimise the costs associated with the transition. Propose 'win-win' solutions wherever possible.
Lack of private sector input due to commercial pressures and time constraints.	M	Limit demands on time of private sector representatives by keeping meetings short and using information technology to avoid unnecessary travel.
Insufficient capacity of local institutions to implement proposed activities and strengthen the legal and regulatory framework.	H	Introduce strong capacity-building elements into the Action and provide technical assistance where necessary as well as maintain high-level and regular political dialogue.

Major effects of the COVID-19 crisis on health, social and economic systems of Ghana, Côte d'Ivoire and Cameroon.	M	Secure close cooperation with other initiatives that support the COVID-19 response in West Africa. Integrate COVID-19 response measures into the proposed activities.
Lack of coordination among donors, stakeholders, implementing partners, central and local government.	L	Develop partnerships with other existing actors that are compatible with and complement the Action. A proper governance structure can be set up to facilitate coordination among partners, anchored in existing government structures.
Assumptions		
<ul style="list-style-type: none"> • Stakeholders are able to reach consensus on the emerging framework for sustainable cocoa production. • Sufficient political will is there to ensure 'buy-in' from government authorities. • Private sector representatives recognise that there are commercial opportunities in the development of sustainable cocoa production systems and agree to contribute to the emerging framework. • COVID-19 pandemic fades out in 2021 or alternative ways are found to move forward with the project which do not require human contact/travel. 		

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

There have been a multitude of initiatives over past decades seeking to improve the sustainability of cocoa supply chains, including certification schemes and voluntary corporate sourcing initiatives. In general, these initiatives have failed to adequately involve all actors in the supply chain, including producer and consumer-country governments, or the full array of companies in consumer countries, many of which are SMEs. Private standards are also failing to generate the desired impact: research by BASIC (2020) has shown that the share of value accruing to actors in cocoa-producing countries only varies moderately (for example between 10.2 % and 11.6 % for certified dark 'Premium tablets', compared to 8.2 % for conventional tablets) [...] except in certain cases where multiple certification schemes are attained (in particular the combination of organic and fair trade)".²² Multiple and overlapping voluntary standards also fail to create the 'level playing field' that has been called for by the international cocoa industry.

This Action will seek to address these issues by promoting dialogue for sustainable cocoa production with a view to improving coherence between standards and certification systems, simplifying the administrative burden for farmers, farmers' cooperatives and companies in cocoa-producing companies and creating the desired 'level playing field' for the industry.

²² https://lebasic.com/wp-content/uploads/2020/07/BASIC-DEVCO-FAO_Cocoa-Value-Chain-Exec-Summary_Advance-Copy_June-2020.pdf

The Action will also build on lessons learnt from past initiatives. For example:

- A White Paper on Sustainable Commodity Production²³ criticises interventions that are “technocratic” and do not consider “farmers’ aspirations, needs and opportunities” or how these “personal factors [...] determine the motivation to adopt new farming practices”. This Action will place farmer and farmers’ cooperatives at the centre of the intervention.
- The Cocoa Barometer²⁴ highlights that farmers fail to attend trainings and do not undergo the transition to more sustainable production systems because they do not have the investment capital required to complete the transition: in one study, 85 % of cocoa farmers in eastern parts of Côte d’Ivoire declared no need for further trainings; they had learned enough already, what they needed was investment capital to implement what they had learned. This Action will address this gap by attracting private investment into sustainable production systems.
- Experience presented by UTZ/Rainforest Alliance offers lessons on how to protect farmers from market developments such as the 2016-2017 price crash, suggesting that pricing mechanisms should be modelled on the fixed premiums and minimum prices adopted by Fair Trade²⁵. The intervention will take this recommendation into account when supporting the design/revision of regulations and policies.
- International Labour Organization-International Programme on the Elimination of Child Labour (ILO-IPEC) experience to combat child labour in Africa²⁶ further emphasises the importance of “strengthening partnerships between NGOs with different expertise, trade unions and government as well as contributing to policy dialogue and legislation on children’s rights”. This Action will work in close partnership with NGO networks on the ground and seek to involve all stakeholders within the framework of multi-stakeholder dialogue platforms.
- A previous GIZ intervention entitled “Cocoa-Food Link Programme in West and Central Africa” (CFLP) co-funded by the EU in agreement with the ACP secretariat and the German Federal Ministry for Economic Cooperation and Development (BMZ)²⁷ offers additional lessons in terms of support for intensification, diversification and market access. Implemented in Ghana, Nigeria, Cameroon, Côte d’Ivoire and Togo, it helped cocoa smallholders to increase their income from cocoa and quality nutritional products while improving their resilience to risks and the nutritional status of their families.
- Cocoa stakeholders (Oxfam, Cocoa Life Program from Mondelez International) are aware of the importance of bringing the gender dimension of production into focus. It means looking at the social dimension of production and companies’ interactions with communities and other important actors from a gender perspective. The Action will support gender mainstreaming from data collection and gender mapping to gender awareness in policy orientations and trainings.

²³ Wageningen Economic Research | White paper on sustainable commodity production
<https://edepot.wur.nl/507120>

²⁴ Voice - Cocoa Barometer 2018 <https://www.voicenetwork.eu/wp-content/uploads/2019/07/2018-Cocoa-Barometer.pdf>

²⁵ VOICE Network - Cocoa barometer 2018 <https://www.voicenetwork.eu/wp-content/uploads/2019/07/2018-Cocoa-Barometer.pdf>

²⁶ Emerging Good Practices on Actions to Combat Child Domestic Labour in Kenya, Tanzania, Uganda and Zambia <http://www.ilo.org/ipeinfo/product/download.do?type=document&id=2979>

²⁷ DEC: 024-734 - CTR: 349-955.

Regarding the proposed budget support in Côte d'Ivoire, it is based first of all on the experience of the various budget support operations that the European Union is conducting in the country, whether general budget support of the Good Governance and Development Contract type or Sector Reform Contract on rural land tenure. These different operations are already being dealt with in a coordinated manner, particularly in terms of the analysis of the general conditions. The analysis of fundamental values, the macro-economic framework, the conditions for budget transparency and good public finance management are also being carried out in coordination with the donor community and in particular the Member States of the European Union represented in Côte d'Ivoire.

With regard to the sectoral policy, the proposed budget support is based on previous research and evaluation carried out or currently being undertaken under various initiatives as mentioned above and in sections 1.3 and 3.2 with respect to the three sustainability dimensions of the sector. The logic of intervention and the indicators will be further defined on the basis of the "White Paper" that is currently under development. The current draft is such as to allow a sectoral dialogue as well as a high-level political dialogue. The findings presented in the document will facilitate a consensus between the European side and the Ivorian side on the current situation and the priority actions to address it.

3.2 Complementarity, synergy and donor coordination

This Action is complementary to recent and current initiatives funded by the EU and other donors²⁸.

- *The Cocoa4Future research project* (EUR 6 000 000 – 2020-2024 – Centre de Coopération Internationale en Recherche Agronomique pour le Développement – CIRAD) in the framework of the DeSIRA research programme which pursues the objective to promote efficient and resilient cocoa agroforestry systems and socio-economically sustainable cocoa farms in Côte d'Ivoire and Ghana.
- The envisaged legislative proposal on minimising the risk that products linked to deforestation and forest degradation be sold in the EU, planned for Q2 2021. This initiative should provide EU criteria to assess deforestation-free commodities such as cocoa. The cocoa initiative should provide inputs and recommendations to this ongoing legislative initiative and should also help authorities and stakeholders in third countries comply with the criteria set out in the new legislation once adopted.
- The *EU Forest Law Enforcement, Governance and Trade (FLEGT) initiative*. Côte d'Ivoire, Ghana and Cameroon participate in this initiative. Ghana and Cameroon ratified a Voluntary Partnership Agreement in 2009 and 2010. The VPA with Côte d'Ivoire is under negotiation since 2013. Support is being provided in this framework under the FAO-EU FLEGT programme.
- In Cameroon, the *Sector Reform Contract "Rural Development"* (2019-2021) is working to facilitate the sustainable development of several value chains. In the case of the cocoa, the programme supports the zero-deforestation cocoa approach and traceability of the value chain.
- *Accelerating action for the elimination of child labour in supply chains in Africa*²⁹ (*ACCEL Africa – 2018-2022*), implemented by the International Labour Organization (ILO), covering cocoa and gold in Côte d'Ivoire, and funded by the Netherlands.

²⁸ Non-exhaustive list of projects: Quick scan Sustainable cocoa production in Ghana related to forests - <https://www.tropenbos.org/file.php/1750/report-sustainable-cocoa-production-ghana.pdf>

- *Targeted income support to vulnerable households to reduce child labour in Ghana 2019-2021* implemented by the International Cocoa Initiative and funded by the Swiss State Secretariat for Economic Affairs (SECO).
- *Trade for Decent Work*, implemented by the International Labour Organisation (ILO), aimed at improving the enforcement of fundamental labour conventions, in particular the conventions on child labour in the cocoa sectors in Côte d’Ivoire and Ghana, funded by the European Commission.

The activities carried out under this Action will furthermore be closely coordinated with the platforms created by EU Member States, namely Beyond Chocolate (Belgian Partnership for a sustainable Belgian chocolate), DISCO, (Dutch Initiative on Sustainable Cocoa), GISCO (German Initiative on Sustainable Cocoa) as well as SWISSCO (The Swiss Platform for Sustainable Cocoa). Establishing links with these initiatives will help to avoid overlap and will leverage already active local networks. The Action will also build upon complementary work done by international and local NGOs like VOICE Network, FERN, EcoCare Ghana, Rainforest Alliance, SEND Ghana, and INKOTA- INADES as well as certification mechanisms.

This action will also seek coordination with credit operations prepared or agreed with international financial institutions (IFIs) such as:

- The World Bank, which is preparing a USD 300 000 000 cocoa intervention covering the issues of sustainability (environmental and social) and traceability.
- The European Development Bank (EIB) which received a request for a EUR 800 000 000 loan by Côte d’Ivoire on the cocoa value chain.
- The African Development Bank (AfDB), which has agreed a USD 600 000 000 loan to the Ghana Cocoa Board (COCOBOD) in Ghana. The USD 600 000 000 Long-Term Facility is meant to allow it to undertake a “Productivity Enhancement Programmes (PEPs)”, aiming at hand pollination and irrigation of cocoa farms, the rehabilitation of some of them, the promotion of local consumption, and USD 200 000 000 for the promotion of domestic processing.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), outputs and indicative activities

Overall objective:

Building on the initiative of Côte d’Ivoire and Ghana to ensure a minimum price for cocoa on the world market, the overall objective is to achieve sustainable cocoa production that provides a ‘living income’ for farmers (women and men), contributes to national public revenues, ends deforestation / forest degradation and labour rights abuses including child labour and gender inequality in Côte d’Ivoire, Ghana and Cameroon.

Specific objectives:

Public sector focus

1. Strengthen or reform the institutional, legal and regulatory frameworks for sustainable cocoa production.

²⁹ “Accelerating action for the elimination of child labour in supply chains in Africa” (ACCEL Africa) is a regional project with a particular focus on specific supply chains, namely Cocoa, Coffee, Cotton, Gold and Tea.

Private sector focus

2. Empower the private sector – including farmers and farmers’ cooperatives – to improve agricultural practices, to comply with environmental and social sustainability standards and adopt responsible business practices.

In light of the joint nature of the Living Income Differential (LID) initiative and similar challenges faced by the three countries in their cocoa supply chains, support will be provided through a single action that will promote cooperation and coordination as well as build synergies and complementarities. Specific activities will be tailored to national contexts based on the outcomes of the multi-stakeholder dialogue.

Expected results (outputs):

Public sector focus

- 1.1. Multi-stakeholder dialogues have been launched at the regional level (within and between Côte d’Ivoire, Ghana and Cameroon) and the multilateral level (at the ICCO) to explore means of promoting sustainable cocoa production worldwide, addressing deforestation and labour rights violations, in particular child labour, through better regulation and price increases that are passed on to farmers and farmers’ cooperatives and improving gender equality in the cocoa sector. These would complement the multi-stakeholder dialogue launched at the EU level on sustainable cocoa.
- 1.2. Bilateral policy dialogue has been initiated between cocoa-producing countries (Côte d’Ivoire, Ghana and possibly Cameroon) and the European Union on a joint approach to ensuring the sustainability of cocoa production.
- 1.3. Côte d’Ivoire, Ghana and possibly Cameroon have developed a joint plan, to be presented at the ICCO, to perpetuate the ‘Living Income Differential’ and increase the disposable incomes of farmers. The plan is WTO compliant, resilient to future market developments and financially sustainable over the long-term.
- 1.4. Côte d’Ivoire, Ghana and Cameroon have received support towards the development of a common approach towards ‘sustainable cocoa’ agreed upon through inclusive, multi-stakeholder dialogue process, building on the standards and tools developed by private standard-setting bodies and others. EU support will seek to ensure that this approach is compliant with existing and incoming EU legislation on the matter.
- 1.5. Regulatory capacities of national governments and regional bodies have been strengthened to improve gender equality, combat deforestation and child labour in cocoa supply chains in areas prioritised by the multi-stakeholder dialogue platforms.
- 1.6. Côte d’Ivoire, Ghana and Cameroon have received support to attract investment in the public goods that reinforce sustainable cocoa production systems.

Private sector focus

- 2.1. The private sector – including but not limited to farmers, farmers’ cooperatives, traders and processors – is better organised and empowered into representative bodies that can develop policy positions and engage in public-private dialogue.
- 2.2. Private sector representative bodies in cocoa-producing countries have opportunities to participate in multi-stakeholder dialogue platforms.
- 2.3. Farmers and farmers’ cooperatives demonstrate improved agricultural practices.
- 2.4. Farmers and farmers’ cooperatives have received support and are aware of criteria for compliance with regional and international sustainability standards.

- 2.5. The private sector in cocoa-producing countries has received support to attract investment in sustainable cocoa production systems, such as tree replacement and rehabilitation, reforestation, green technologies (renewable energy, energy efficiency) and price risk management products/services (storage facilities, crop insurance).
- 2.6. The private sector involved in cocoa supply chains has received support to better integrate sustainability risks in their supply chains management, for example, through additional guidance or encouragement to undergo alignment assessment with existing international guidelines on responsible business conduct (the OECD MNE Guidelines, the ILO MNE Declaration)

Indicative activities:

Output 1.1.: At each level of the multi-stakeholder dialogue process (national/regional/bilateral/multilateral), *indicative activities* may include: (i) identify relevant stakeholders and support a formal framework for meetings, by establishing a secretariat, setting the goals of the dialogue process, establishing a monitoring and evaluation framework to track progress towards the goals, fixing a schedule of meetings and developing supporting material (e.g. discussion points, presentations) to structure the meetings; and (ii) establish formal links and communication channels between the different multi-stakeholder dialogue platforms - at national, regional and multilateral level (ICCO).

Output 1.2.: Discussions are currently ongoing at the EU level on the development of potential measures, regulatory and/or non-regulatory, that will seek to ensure that commodities and products sold in the EU do not contribute to deforestation. Discussions are also ongoing at the EU level on potential due diligence and corporate governance legislation to address human rights, environmental and social issues (such as child labour) in corporate supply chains, in accordance with international sustainability standards. These discussions are all relevant to cocoa and cocoa-based products. The purpose of bilateral policy dialogue between cocoa-producing countries and the European Union will be to facilitate compliance with these EU measures. *Indicative activities* would include all the necessary logistical, administrative and secretarial support needed to run the bilateral discussions.

Output 1.3.: *Indicative activities* may include: (i) conduct an extensive review of the ‘Living Income Differential’ and its implementation modalities (ii) assess the compliance of the LID initiative with limits on Amber Box trade distorting support set out in the WTO Agreement on Agriculture and explore ways of ‘de-coupling’ support so that they can classify under the category of non-trade distorting Green Box measures (listed in Annex 2 of the Agreement of Agriculture) (iii) develop a plan to ensure the plan’s resilience to future market development / financially sustainability (iv) secure buy-in from partner and other producing and consuming countries (including producing and consuming countries) within the framework for multilateral discussions at the International Cocoa Organisation.

Output 1.4.: *Indicative activities* may include: (i) raise awareness on existing sustainability approaches, standards and the differences between them, (ii) discuss potential definitions of ‘sustainable cocoa’, building upon existing standards developed by the African Organisation for Standardisation, the International Standards Organisation and other public and private standard-setting bodies, which complement international conventions on labour rights; and (iii) foster dialogue between national stakeholders and standard-setting bodies, international organisations or non-governmental organisations on the issue of coherence of standards. These activities will aim for alignment with relevant EU legislative developments in particular by (1) submitting inputs via the multi-stakeholder dialogues for the Commission to take into consideration as part of its work on 'minimising the risk of deforestation and forest degradation associated with products placed on the EU market' (2) helping stakeholders and

national authorities adapt to deforestation-free and sustainability criteria adopted by the EU in its forthcoming legislation.

Output 1.5.: Depending on the outcome of multi-stakeholder dialogue process under Output 1.1, technical assistance will be provided to support improvements in the policy framework. *Indicative activities* may include: (i) encourage finalisation of an African Regional Standard for Sustainable cocoa (ARSS), in line with relevant existing and upcoming EU legislation and with international conventions, and encourage compliance with the same; (ii) introduce or improve a national traceability system for cocoa beans from all origins; (iii) introduce monitoring systems to track the impacts of cocoa production on deforestation, gender equality and working conditions for groups living in vulnerable situations (migrants, women farmers) as well as living conditions for farmers' communities, indigenous people and minorities; (iv) develop and/or implement national land-use planning systems and improve forest governance mechanisms through transparent and participatory decision-making processes; (v) empower farmers and farmers' cooperatives to assume more responsibility over landscapes and to design/implement landscape management plans; (vi) define and clarify the land and tree tenure rights of cocoa farmers, including women farmers, and conduct awareness campaigns on equality between men and women regarding access to land and tree tenure rights; (vii) ensure legal protection for trees and forests outside protected areas; (viii) develop mechanisms to reward reforestation and conservation activities and promote economic diversification and women's economic empowerment in rural communities; (ix) strengthen the ability of central and local government to protect children and improve their access to good-quality education, health care, clean water and better nutrition through participatory plans developed in conjunction with local communities; (x) strengthen the capacity of central and local government to enforce child labour legislation and support their implementation, remediation mechanisms for child labour victims and reintegration into education and training systems; (xi) set up remediation mechanisms allowing the victims of human rights violations, in particular the worst forms of child labour, to seek redress through a variety of non-judicial and judicial mechanisms; (xii) develop a national definition of agroforestry and design incentive systems to encourage the uptake of agroforestry techniques; (xiii) support cocoa farmers to improve productivity on existing farmland and diversify their farms, offering farmers opportunities other than cocoa production; (xiv) improve the capacity of enforcement agencies and the judicial system to enforce existing laws, in particular to integrate specific behavioural attitudes towards children.

Output 1.6.: *Indicative activities* may include: (i) identify priority areas for public investment that will contribute to more sustainable cocoa production, greater value addition and economic diversification in Côte d'Ivoire, Ghana and Cameroon³⁰ and (ii) use the budget support instruments available through this Action or mobilise private sector investments in the priority areas that have been identified above.

Output 2.1. and 2.2.: In order to ensure effective private sector participation in the multi-stakeholder dialogue platforms that will be organised under Output 1.1., there is a need to increase the capacity of private sector representative bodies (e.g. sectoral associations, cooperatives) to consult their members on policy developments and build consensus within the industry. *Indicative activities* may include: (i) reinforce private sector representative bodies, through targeted activities to increase their membership base, effectively set and

³⁰ Relevant areas for investment might include, among others: logistics infrastructure (storage facilities, roads and other transport infrastructure), systems to monitor deforestation and/or labour rights violations, public funds to leverage private sector finance (e.g. a guarantee fund for cocoa-related investments).

collect membership fees, and provide value-added services to members; (ii) raise private sector awareness on the multi-stakeholder dialogue process using outreach mechanisms, including awareness on deforestation and child labour (e.g. radio, social media); (iii) build the capacity of private sector representative bodies to consult their members through the design of survey tools, the collection of data, and the organisation of consultation meetings; (iv) deliver training on advocacy, including the elaboration and publication of position papers on cocoa sector reform.

Output 2.3.: Farmers need technical assistance to maintain reasonable yields and to add value to the cocoa that they produced. Technical assistance can be delivered directly to farmers or through extension services provided by cooperatives or the government. *Indicative activities* could include: (i) provide advisory services to farmers and farmers' cooperatives on how to optimise input use, assess investment options, switch from 'full sun' monocropping to agroforestry or organic production methods, as well as diversify their risks and their income streams and reduce their vulnerability to cocoa price fluctuations; and (ii) support to raise awareness and build the capacity to comply with child labour regulations and put in place compliance mechanisms to monitor the use of child-labour.

Output 2.4.: One way for farmers and farmers' cooperatives to add value to the cocoa that is produced on their farms is to comply with voluntary standards (sometimes imposed as a buying condition by large buyers) and obtain the corresponding third-party certification. This Action furthermore foresees that new national/regional/international standard (e.g. the African Regional Standard for Sustainable cocoa or ISO 34101) could be introduced in the near future, in an effort to harmonize the existing patchwork of voluntary standards. To prepare for these developments, farmers and farmers' cooperatives need to be trained on how to comply with sustainability standards. *Indicative activities* could include: (i) awareness-raising on standards; (ii) training on the technical criteria for compliance with the aforementioned standards; (iii) support to assess the costs and benefits associated with each of the different standards/certifications; (iv) awareness-raising on how future requirements for sustainable cocoa production (to be developed with the support of this Action) could build on existing standards and how farmers/farmers' cooperatives can prepare for the implementation of these requirements.

Output 2.5.: *Indicative activities* may include: (i) identify priority areas for private sector investment that will contribute to more sustainable cocoa production, greater value addition and economic diversification in Côte d'Ivoire, Ghana and Cameroon³¹; (ii) use the budget support available through this Action or mobilise private sector investments in the priority areas that have been identified above.

Regarding the budget support component in Côte d'Ivoire, the general objective is to create the conditions for a transformation of cocoa production towards greater sustainability. The specific objective is to support the Ivorian government in its ongoing effort to develop and implement its integrated and comprehensive policy and legal framework for reform of the cocoa sector.

The expected result of this budget support is the structuring of a reform framework for the Ivorian cocoa sector complementary to the EU global initiative and in dialogue with the multi-stakeholder platforms.

³¹ Relevant areas for investment might include, among others: private warehouses, tree replacement and rehabilitation, reforestation (with a view to receiving payments for ecosystem services), green technologies (e.g. biofuel- or biogas-powered machinery or renewable energy systems), smart or 'precision agriculture' technologies (e.g. drip irrigation systems).

The induced outputs of the policy to be supported, hence the direct outputs of this support are the design and implementation of laws, regulations and systems to ensure a better remuneration for farmers and a reduction of, if not a complete halt to, deforestation/forest degradation and child labour.

In an indicative manner, the priority subjects that could be the focus of political dialogue and to which performance indicators and targets should be attached will be (i) the establishment of a cocoa traceability system, (ii) the constitution of a platform on sustainable cocoa bringing together all stakeholders in Côte d'Ivoire, (iii) the mobilisation of domestic resources in the framework of cocoa taxation/parafiscality, (iv) coordination mechanisms with Ghana, particularly on price, but also on production management, (v) support for Research & Development programmes on agro-forestry, the development of new products and markets, (vi) the implementation of Protected Geographical Indication, etc.

4.2 Intervention Logic

This Action seeks to build on the joint initiative of Côte d'Ivoire and Ghana introducing the "Living Income Differential" by linking price increases to a clear commitment to halt deforestation and eliminate child labour in cocoa supply chains. It will support the efforts of the producer countries to increase world prices, on condition that this increase in prices also entails a clear commitment to stop the process of deforestation, for example by developing significant production based on agroforestry systems.

The particularities of the cocoa market suggest there are good prospects of linking an increase in cocoa prices to improved protection of the rainforest and enhanced fight against child labour; production is located only in developing countries and carried out by millions of small producers; a small number of traders dominate trade; a small number of buyers dominate the final market; there are no obvious substitutes in the developed world; it is non-competitive with products from developed countries; consumption is almost exclusively in developed countries. The action of the EU, the world's largest consumer of chocolate and global leader in the fight against global warming and child labour, can therefore be a real "game changer".

Internationally, there is also a growing consensus among the different actors that action is needed. The European Parliament and NGOs are demanding enhanced traceability of cocoa products and more responsible business conduct from companies supplying the European market with cocoa. Large international food companies have signalled that a better policy and regulatory environment in both producing and consuming countries could facilitate the transition towards more sustainable cocoa production. In a recent position paper, the European Cocoa Association calls for more robust traceability systems and farmer registration systems in producing countries, as well as a Due Diligence Regulation at the EU level, in order to create a 'level playing field' for companies importing into the European market. EU Member States involved in chocolate production and distribution (France, Netherlands, Belgium, Germany) and Switzerland are also promoting national due diligence requirements or multi-stakeholder actions, while France and the Netherlands have already introduced legislation on due diligence in international supply chains. There is a need to foster coherence between these efforts and combine them with structural reforms of the cocoa sector in origin countries.

The Action will take a two-pronged approach to achieving its objectives. First, in order to account for divergent interests and ensure buy-in from all stakeholders across the cocoa supply chain, the initiative towards greater sustainable cocoa production must be developed through extensive and inclusive consultations with both public and private sector actors in producing and consuming countries and provide recommendations and inputs to related

legislative developments in the EU, among others the legislative proposal to minimise the risk that product linked to deforestation be sold in the EU. Second, in parallel and subsequent to the dialogue process, the Action will support the government authorities of selected cocoa-producing countries (Côte d’Ivoire, Ghana, Cameroon) to carry out the legal/regulatory reforms necessary to implement the decisions taken and comply with relevant existing and upcoming EU legislation and will provide technical assistance and capacity-building for the private sector to ensure that they are able to comply with any new requirements. In other words, this parallel work-stream will be fully dedicated to ensuring that sustainable cocoa production criteria and EU legislative framework are applied in practice and adhered to by the

	<i>Public sector focus</i>	<i>Private sector focus</i>
<i>Developing the framework through extensive and inclusive consultations</i>	Establish or strengthen inclusive multi-stakeholder dialogue on sustainable cocoa at national/bilateral/regional/multilateral level aligned with EU relevant existing and upcoming legislation	Facilitate private sector participation in the multi-stakeholder dialogue.
<i>Implementing the framework through legal/regulatory reforms and improved private sector compliance</i>	Support the transition towards sustainable cocoa production through the provision of technical assistance for the reform of institutional, legal and regulatory frameworks in selected cocoa-producing countries (Côte d’Ivoire, Ghana, Cameroon).	Empower the private sector – including farmers and farmers’ cooperatives – to benefit from sustainable cocoa production, by improving agricultural practices and complying with sustainability standards.

relevant actors.

Its implementation will be tailored to the specific state of play of the current policy dialogue and partnership between the EU and each national authority. Budget support will be the main financial instrument mobilised in Côte d’Ivoire (there is already an ongoing sector budget support in Cameroon), while accompanying measures like technical assistance, support to specific stakeholders (civil society organisations (CSOs), farmers organisations, research entities, etc.) and best-practice projects, will be mobilised interventions delivered by experienced partners (i.e. FAO Investment Centre - International Labour Organization, JRC, GIZ, European Forest Institute) according to the needs identified at national level. This first action foreseen for a period of four years will lay the ground for further intervention under the multiannual financial framework (MFF) 2021-27, accompanying a progressive shift towards sustainable cocoa in producing countries and the enactment of a set of EU regulatory and non-regulatory measures.

Regarding the budget support component in Côte d’Ivoire, the specific intention is to develop an in-depth policy dialogue based on the forthcoming “White Paper” that provides the first ever comprehensive and integrated approach to this multidimensional issue and exert leverage for its efficient implementation.

4.3 Mainstreaming

The Action is designed to contribute to sustainable cocoa production, including the environmental, social and gender components of the sustainable development framework.

The Action aligns with the provisions of the Green Deal. By supporting farmers to transition to agroforestry production methods, it will complement reforestation targets in the beneficiary

countries. Cocoa farmers will be trained to grow seedlings and take care of trees. Nurseries will be set up to provide the seedlings.

The Action is aligned to the political guidelines of President von der Leyen's commitment to zero-tolerance on child labour in EU Trade and with the European Union's Gender Action Plan II, promoting Economic and Social Rights and Empowerment of Girls and Women. It will encourage women and girls' access to quality education and training, including entrepreneurship training, and will facilitate access to financial services. It will also provide specific and actionable solutions to the constraints that prevent women from becoming direct cocoa suppliers in their supply chain and will address the issue of unpaid work. As part of the activities, it will also address difficulties women face to obtain production inputs, land tenure access, as well as discriminatory employment practices. Promoting gender equality and women's empowerment - and creating specific opportunities for young women and men - are central to the achievement of the Sustainable Development Agenda 2030. The future productivity and sustainability of the agricultural sector and associated value chains is dependent on women and youth having the ability and motivation to engage as smallholder producers and value chain actors. This is most urgent in contexts where there has been significant adult male outmigration, resulting in the 'feminisation of agriculture', and where the 'youth' cohort is multiplying. This Action will also aim to strengthen voice and participation by, for instance, supporting women's increased involvement in local cocoa associations and increasing women's participation in decision-making at all levels, enhancing their role as entrepreneurs, and supporting them in changing social and cultural norms through grassroots organisations.

The action follows a rights-based approach and working principles (participation, non-discrimination, respect to all rights, transparency and accountability) addressing the right to decent conditions of work, right to decent living conditions, right of the child and right to equality between men and women. This approach applies specifically to vulnerable groups, including migrant workers who must be empowered and protected against labour rights violations such as forced labour, child labour and human trafficking.

4.4 Contribution to Sustainable Development Goals (SDGs)

This Action is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes simultaneously to the progressive achievement of SDG 8 'Decent Work and Economic Growth' in particular target 8.7 aiming to reduce and prevent child labour, and SDG 13 'Climate Action', especially because it is based on the Green Deal and no deforestation, no child labour principle. It also contributes to SDG 2 'Zero hunger', SDG 5 'Gender equality' while attempting to reduce inequalities - SDG 10. SDG 12: Responsible consumption and production is also tackled in the initiative, as well as SDG 15 'life on land', SDG 16 'Peace, justice and strong institutions' and SDG 17 - 'Partnerships for the Goal'. This does not imply a commitment by the countries benefiting from this programme.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement that will only cover the budget support component with the Government of Côte d'Ivoire (EUR 8 000 000). For Ghana and Cameroon, it is not foreseen to sign a Financing Agreement with the partner countries.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the adoption by the Commission of the Financing Decision for Ghana and Cameroon and from the signature of the Financing Agreement for Côte d'Ivoire.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for the budget support component is EUR 8 000 000. This amount is based on the consideration that this action intervenes in the interim of a larger initiative in the framework of the next programming. It is a first intervention aimed at enhancing and assessing the quality, effectiveness and efficiency of the policy dialogue on a limited number of reform priorities.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Adoption and satisfactory progress in the implementation of the country specific sector policy (White Paper for Sustainable Cocoa) which includes governance and regulatory reforms relevant to the implementation of the Cocoa Initiative and continued credibility and relevance thereof;
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances;
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information.

b) The performance indicators for disbursement that may be used for variable tranches will be aimed at assessing progress towards the achievements of the following results:

- Effective and sustained implementation of the "White Paper" as an integrated and comprehensive policy towards sustainable cocoa production:
 - Progress in the implementation of an action plan with time-bound milestones is regularly and publicly reported upon on the basis of a monitoring and evaluation mechanism with set performance indicators;
 - Specific policy, legal and regulatory frameworks are improved/developed and executed to address governance issues and increase cocoa farmer's revenues, combat deforestation/carry out forest restauration and address child labour;
 - Adequate financial and institutional resources are allocated for endorsed reforms.
- Private sector participation to the initiative and capacity to achieve its objectives:
 - Private sector is better organised to participate effectively in the multi-stakeholder dialogue;

- Business environment framework reformed to facilitate investment in sustainable cocoa value chains as well as responsible business practices;
- Farmers and farmers' cooperative demonstrate improved agriculture practices, leading to higher revenue and sustainable cocoa production, and have the capacity to comply with child labour, environmental as well as occupational safety and health requirements.

The specific performance indicators will be tailored to the local circumstance, with a view to ensure they are sufficiently strong to operate as an incentive to the implementation of the Cocoa Initiative.

The chosen performance indicators and targets to be used for disbursements will apply for the duration of the action. However, in duly justified circumstances, the National Authorising Officer may submit a request to the Commission for the targets and indicators to be changed.

Note that any change to the targets should be agreed ex-ante at the latest by the end of the first quarter of the assessed year. The agreed changes to the targets and indicators shall be agreed in advance and may be authorised in writing (either through a formal amendment to the financing agreement or an exchange of letters).

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

The budget support will consist of two variable tranches of EUR 4 000 000 in the first year and EUR 4 000 000 in the second year with the objective to support the launch of the implementation of the White Paper to be validated by the Ivorian Government. The budgetary support will help prepare and scale the “Sustainable Cocoa Team Europe Initiative” in the next programming exercise.

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Franc CFA (XOF) will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

5.4 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³².

Implementing partners identified hereunder will be mobilised according to their specific country and thematic comparative-advantages, experiences, and current technical and institutional partnership with the Republic of Côte d'Ivoire, Ghana, Cameroon and EU main stakeholders.

5.4.1 Procurement (direct management) – Administrative Arrangement with JRC

An administrative arrangement will be amended between DG DEVCO and the **EU Joint Research Centre (JRC)** to implement part of this action. The implementation will include

³² www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

staff recruitment, procurement (incl. services), and logistical expenditures in support of the action.

This implementation entails a contribution to achieving, among other but not limited to, outputs 1.3 and 1.5. The part of the action to be implemented by the entity will consist of specific studies in the field of sustainable agriculture related to the cocoa value chains including technical support to DEVCO and EU Delegations in the use of Earth Observation and development of related methodology and tools for monitoring expansion of existing cocoa plantations and related forestation degradation and biodiversity loss, in particular within protected areas. Concurrently, it will develop institutional contacts, transfer knowledge and build the capacity of relevant entities in the countries concerned in deforestation monitoring. JRC will assess the need for training and capacity building and will support DEVCO (and possibly other services) and EU Delegations with technical/methodological support for the development of the training tools and material. This action will complement and/or reinforce the existing Directorate-General for International Cooperation and Development (DG DEVCO) C1 – JRC partnership on Agriculture and Food & Nutrition Security³³.

5.4.2 Indirect management

5.4.2.1 with a Member State Organisation (GIZ)

A part of this action may be implemented in indirect management with **Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)**.

This implementation entails a contribution to achieving, among other but not limited to, outputs 1.1, 1.2, 1.3, 1.5, 1.6 and 2.1, 2.2, 2.3, 2.4, 2.5., 2.6. The part of the action to be implemented by the entity is related to a regional approach (anchored in the cocoa producing countries) bringing together public and private stakeholders, promoting learning experiences, sharing of information and knowledge. In this regard GIZ can support the national governments of the cocoa producing countries in the creation of a new legal framework for cocoa production and trade. GIZ can offer policy advice, also to the European Commission in their negotiation with the concerned countries. Based on this legal framework and in order to accompany reform efforts in the cocoa sector and related sector policies such as forest, environment, agriculture and trade, GIZ can address, among others, the following aspects: promoting a living income, reducing child labour, fighting deforestation and forest loss. In these fields of intervention and upon request from the European Commission, GIZ will design and implement specific projects to support the policy dialogue with the producer countries. This will allow to test concrete solutions to identified problems on the ground. This action will build on previous EU-BMZ-GIZ intervention on the sector, among others³⁴.

The envisaged entity has been selected on the basis of GIZ's global reputation for transparency and accountability and supporting stakeholders to effectively translate policy reform commitments and national programmes into practice, GIZ's unique and extensive experience with regard to (i) sustainable cocoa in West Africa and (ii) sustainable agri-value chains more broadly, as well as GIZ's partnership with the German Federal Ministry for Economic Cooperation and Development (BMZ) on these topics. BMZ, beyond the current German Council Presidency, supports EU efforts in promoting sustainable cocoa supply chains in West Africa and is willing to cooperate in its implementation with GIZ through a joint European approach. Furthermore, GIZ is currently scaling-up the Agri-Business Facility

³³ DEC: 042-295 – CTR: 413-092.

³⁴ DEC: 024-734 – CTR: 349-955.

for Africa (ABF) based on the successful “Cocoa-Food Link Programme 2015-19”³⁵ co-financed by the EU and BMZ, as well as range of other cocoa-related projects. These projects already implemented by GIZ constitute an invaluable basis to develop accompanying interventions swiftly and with flexibility when needed.

In case the envisaged entity would need to be replaced, the Commission’s services may select another replacement entity using the same criteria. If the entity is replaced the decision to replace it needs to be justified.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.4.3.

5.4.2.2 with an international organisation (FAO Investment centre)

A part of this action may be implemented in indirect management with the **Food and Agriculture Organisation (FAO) Investment Centre** of the United Nations (UN) in consortium with the **International Labour Organisation (ILO)**.

This implementation entails a contribution to achieving among other but not limited to, outputs 1.1, 1.2, 1.3, 1.4, 1.5, 1.6 and 2.1, 2.2, 2.3, 2.4, 2.5. The part of the action to be implemented by the entity is related to provision of analytical and advisory services, policy facilitation, specific interventions along the value chain and investment support. It will deliver: (i) analytical services to generate evidence, develop policy options for conducive policy dialogue, and elaborate specific methodologies and approaches that enable the development of a sustainable cocoa sector. These services would be delivered in collaboration with FAO technical units and relevant national and international research institutions; (ii) policy facilitation at global and country level between governments, farmer organisations and the private sector, NGOs and CSOs contributing to the development of enabling policies that support sustainable cocoa production; (iii) design and implementation of specific interventions along the cocoa value chain covering economic, social and environmental aspects. These interventions will accompany the outcomes of the policy dialogue with the partner countries when and where necessary. They will be designed and implemented upon the request of DG DEVCO, EU delegations and country partners; and (iv) coordinated investment support services to facilitate development of public and private investments in sustainable cocoa by the EU, European Development Financial Institutions and other international or national financial institutions³⁶.

The envisaged entity has been selected on the basis of its mandate and experience to improve decision-making capacity of DG DEVCO in relation with the economic, social and environmental sustainability of European Union (co)-financed agrifood investment operations and EU-led policy dialogue on agrifood systems through the ongoing EU-funded AgrIntel intervention³⁷. It has also been instrumental in supporting EU blended finance operations through collaboration with EDFIs. Through the AgrIntel facility, FAO investment centre’s offers very agile tool that allows to mobilise expertise from FAO technical Divisions, many research and knowledge institutions such as e.g. CIRAD, AgriNatura, Le Basic, etc., and world-renown technical consultants. The FAO Investment Centre will use innovative

³⁵ DEC: 024-734 – CTR: 349-955.

³⁶ This intervention area will be modelled and delivered along the lines of the EU-financed, Uganda AgrInvest project, which the FAO Investment Centre implements in support of the Uganda Development Bank’s efforts to enhance their portfolio of private investments.

³⁷ DEC 038-326 CTR 399-486.

institutional models and well-established flexible contractual arrangements with governments, research institutions, think tanks, farmer organisations, NGOs and other CSOs, the private sector and other UN Organisations (e.g. ILO for activities related to child labour) to design and implement collaborative country interventions that draw on the respective strengths and comparative advantage of each actor. The use of the AgrIntel facility in support of the EU cocoa initiative would generate important scale economies and time and energy efficiencies.

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the same criteria. If the entity is replaced the decision to replace it needs to be justified.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.4.3.

5.4.2.3 with an international organisation (EFI)

A part of this action may be implemented in indirect management with the **European Forest Institute (EFI)**.

This implementation entails a contribution to achieving among other but not limited to, outputs 1.1, 1.2, 1.4, 1.5 and 2.1. The part of the action to be implemented by the entity is related to provision of expertise to the EU-Côte d'Ivoire, EU-Ghana and EU-Cameroon partnerships by supporting national and subnational processes and efforts on sustainable cocoa production and forest restoration. More specifically, EFI will contribute to enhancing a shared understanding between key public and private stakeholders about defining and measuring progress towards cocoa sustainability, in support of the EU policy dialogue with Côte d'Ivoire, Ghana and Cameroon, and to demonstrate the feasibility and potential of cocoa supply-chain transparency to incentivise progress and market confidence. It will deliver on: (i) a consensus between public and private producing country stakeholders and the EU on the definition and criteria for cocoa sustainability that complies with relevant EU legislation. To that end, EFI may contribute to the multi-stakeholder processes by developing a consensual and operational definition of cocoa sustainability, aligned with EU legislation and grounded in the SDGs and national laws and circumstances, and that can be used as a basis to build reliable and evidence-based cocoa sustainability monitoring systems; (ii) transparency of cocoa supply chains is piloted at national and sub-national level. To that end, EFI may contribute to concrete pilot activities aiming at demonstrating the feasibility of tracing cocoa production from the production territory to the export market in a systematic and transparent manner, and at assessing and managing sustainably risks relevant to a specific sourcing area. Insights from these pilot activities will feed into the development of a national/regional level system at later stage. The piloting approach will also allow producing countries and the EU to identify most resource-efficient approaches to achieve a relevant and informative level of transparency about cocoa supply and related sustainability risks; (iii) effective communication supporting the priorities of the bilateral policy dialogues and informing producing countries and the EU about options and progress towards sustainability of cocoa production and trade. To that end EFI may contribute to strategic communication, through a series of policy briefs targeting national, regional and EU stakeholders, highlighting insights and lessons on sustainable cocoa. Specific communication outputs may also inform EU policy development about lessons learnt from strategic partnerships with forest-risk commodities countries.

The envisaged entity has been selected on the basis of its experience working with the EU, through its EU Reducing Emissions from Deforestation and forest Degradation (REDD) and EU FLEGT Facilities, helping producer and consumer governments in using transparency as an opportunity for better law enforcement, improved land-use governance and informed trade

dialogues. EFI is working, among other, on increasing transparency in the non-certified, mainstream markets of the global agricultural commodities that drive tropical deforestation.

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the same criteria. If the entity is replaced the decision to replace it needs to be justified.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.4.3.

5.4.3 Changes from indirect to direct management mode due to exceptional circumstances

Implementation in direct management through grants (calls for proposals) might replace the implementation in indirect management when negotiations with EU Member States agency (5.4.2.1) and/or with International organisations (5.4.2.2 & 5.4.2.3) fail or due to circumstances outside of the Commission's control.

(a) Purpose of the grant(s)

The grants will contribute to (i) strengthen the institutional, legal and regulatory frameworks for sustainable cocoa production and; (ii) empower the private sector – including farmers and farmers' cooperatives – to improve agricultural practices and comply with sustainability standards.

(b) Type of applicants targeted

Type of applicants includes: public bodies, international organisations, NGOs.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

The amount allocated for the budget support is EUR 8 000 000 for the budget support component and EUR 17 000 000 for the project component.

	EU contribution (amount in EUR)
5.3 Budget support	8 000 000
5.4.1 Direct management - Administrative Arrangement with JRC out of which indicatively: Côte d'Ivoire EUR 400 000; Ghana EUR 400 000; Cameroon EUR 300 000	1 100 000
5.4.2.1 Indirect management with GIZ out of which, indicatively: Côte d'Ivoire EUR 1 000 000; Ghana EUR 3 500 000; Cameroon EUR 2 300 000	6 800 000
5.4.2.2 Indirect management with the FAO Investment Centre in consortium with ILO out of which, indicatively: Côte d'Ivoire EUR 2 100 000; Ghana EUR 3 600 000; Cameroon EUR 2 100 000	7 800 000
5.4.2.3 Indirect management with the European Forest Institute (EFI) out of which, indicatively: Côte d'Ivoire EUR 500 000; Ghana EUR 500 000; Cameroon EUR 300 000	1 300 000
5.9 Evaluation & 5.10 Audit	to be covered by another measure
5.11 Communication and visibility	Budget included under direct and indirect management modalities ³⁸
Totals	25 000 000

5.7 Organisational set-up and responsibilities

The Action will be led by a dedicated Steering Committee (SC), including representatives of the relevant services of the European Commission the relevant services of the European Commission and representatives from each of the implementing partners (FAO investment Center/ILO, JRC, EFI, GIZ). FAO Investment Centre (Secretariat) will ensure the strategic direction and oversight of the committee.

Membership of the cocoa-producing countries will be defined prior to commencement of activities. At the regional level, a newly established regional organisation (“Initiative Cacao Côte d'Ivoire Ghana”) is responsible for coordination between the cocoa sector governance bodies of Côte d'Ivoire and Ghana and to defend their collective interest on international markets and in international organisations. This organisation is therefore well suited to

³⁸ Indicative and at least EUR 500 000.

represent two of the three participating countries. Participating countries may also wish to ensure participation of individual cocoa sector governance bodies (*Conseil Café Cacao* in Côte d'Ivoire, Cocobod in Ghana, *Conseil Interprofessionnel du café et du cacao* in Cameroon) and relevant ministries (agriculture, environment, economy).

The Steering Committee will meet twice a year to review the Annual Programme of Work and monitor the implementation progress.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5.8 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partners shall establish, in close coordination with beneficiary authorities and entities a joint and permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final report. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix (for project modality) or the partner's strategy, policy or reform action related to progress of policy dialogue under the overarching "EU sustainable cocoa initiative" (for budget support).

Reports shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components through a joint mission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the action accompanies the high-level policy dialogue between cocoa-producers countries (established with but not limited to the Republic of Côte d'Ivoire, Ghana and Cameroon) and the EU on the LID initiative as well as on the Green Deal flagship/Team Europe "sustainable cocoa initiative".

For the budget support component, the evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract for the budget support component covered by a financing agreement.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The indicative logframe matrix will evolve during the lifetime of the Intervention. The activities, the expected outputs and related indicators are indicative and may be updated during the implementation of the Intervention as agreed by the parties (the European Commission and the implementing partner/s).

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Impact (Overall Objective)	Sustainable cocoa production that provides a 'living income' for farmers (women and men), contributes to national public revenues, ends deforestation / forest degradation and labour rights abuses including child labour and gender inequality in Côte d'Ivoire, Ghana and Cameroon.	Farmer revenues (in FCFA per annum), disaggregated by gender Government revenue Deforestation rate (in hectares per annum) Number of children working on cocoa farms, disaggregated by sex Number of labour rights violations reported on cocoa plantations per annum	Official statistics from producing beneficiary governments, if available. Relevant data collected by third parties (e.g. EU Agencies, Scientifics, development partners, NGOs), if available and subject to the agreement of beneficiary governments. Baseline and end-line study to be conducted by the project (as a last resort).	<i>Côte d'Ivoire and Ghana will continue to implement the Living Income Differential</i>
Specific Objectives	1. The institutional, legal and regulatory frameworks for sustainable cocoa production is reformed / strengthened	Number of reforms to the existing legal/regulatory framework governing cocoa production, deforestation and child labour.	Government documents: Official gazette published by national governments, administrative instructions, circulars, policy white papers, etc. Decisions issued by the ICCO.	Stakeholders are able to reach consensus on sustainable cocoa production. There is sufficient political will to ensure 'buy-in' from government authorities. Joint plans and agreements are transposed into national policies and budgeted.
	2. The private sector – including farmers and farmers' cooperatives – is empowered to improve agricultural practices, comply with sustainability standards and adopt responsible business practices.	Number of private sector actors (including but not limited to farmers, farmers' cooperatives, processors, traders) reporting more sustainable practices	Private sector surveys to be conducted by the project	Private sector representatives recognise that there are commercial opportunities in the development of sustainable cocoa production systems and agree to contribute to the multi-stakeholder dialogues and adapt their practices.

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Outputs	<i>As per section 4 of the Action Document</i>			
	1.1. Multi-stakeholder dialogues have been launched at the regional level (within and between Côte d'Ivoire, Ghana and Cameroon) and the multilateral level (at the ICCO) to explore means of promoting sustainable cocoa production worldwide, addressing deforestation and labour rights violations, in particular child labour, through better regulation and price increases that are passed on to farmers and farmers' cooperatives and improving gender equality in the cocoa sector	No. of institutions, organisations and private sector companies participating in multi-stakeholder dialogue events, disaggregated by event level (national, regional, multilateral), country and sector (government, civil society, private sector)	Database of participants	COVID-19 travel restrictions expire or alternative arrangements are made (e.g. videoconference) Economic competition between countries and companies does not get in the way of cooperation aiming to promote sustainable production.
	1.2 Bilateral policy dialogue has been initiated between cocoa-producing countries (Côte d'Ivoire, Ghana and possibly Cameroon) and the European Union on a joint approach to ensuring the sustainability of cocoa production.	No. of bilateral meetings held. Status of policy dialogue between producing countries and the European Union.	Meeting reports Database of participants	Stakeholders are able to reach consensus on sustainable cocoa production. There is sufficient political will to ensure 'buy-in' from government authorities.
	1.3. Côte d'Ivoire, Ghana and possibly Cameroon have developed a joint plan, to be presented at the ICCO, to perpetuate the 'Living Income Differential' and increase the disposable incomes of farmers. The plan is WTO compliant, resilient to future market developments and financially sustainable over the long-term.	Status of the Joint plan for perpetuating the 'Living Income Differential' and increase the disposable incomes of farmers. Extent to which the joint plan is WTO compliant, resilient to future market developments and financially sustainable over the long-term.	Joint plan Assessment of the joint plan to be conducted by the project	
	1.4. Côte d'Ivoire, Ghana and Cameroon have received support towards the development of a common approach towards 'sustainable cocoa' agreed upon through inclusive, multi-stakeholder	One common approach OR a harmonised set of national approaches towards "sustainable cocoa" has/have been agreed upon by national stakeholders in Côte d'Ivoire, Ghana	Meeting reports Other project reports	Economic competition between countries and companies does not get in the way of cooperation aiming to promote sustainable production. Stakeholders are able to reach

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
	dialogue process, building on the standards and tools developed by private standard-setting bodies and others. EU support will seek to ensure that this approach is compliant with existing and incoming EU legislation on the matter	and Cameroon		consensus on sustainable cocoa production.
	1.5. Regulatory capacities of national governments and regional bodies have been strengthened to improve gender equality, combat deforestation and child labour in cocoa supply chains in areas prioritised by the multi-stakeholder dialogue platforms.	Number of national and regional government officials receiving support and training on sustainable cocoa regulatory, monitoring and enforcement tools. One deforestation observatory is set up	Reports from workshops, training sessions, etc. Other project reports	There is sufficient political will to ensure 'buy-in' from government authorities.
	1.6. Côte d'Ivoire, Ghana and Cameroon have received support to attract investment in the public goods that reinforce sustainable cocoa production systems.	Franc CFA/EUR/USD investment mobilised	Declaration of intent to invest, feasibility studies, etc.	Investors are willing to mobilise funds towards cocoa infrastructure despite current economic downturn (due to COVID-19)
	2.1. The private sector – including but not limited to farmers, farmers' cooperatives, traders and processors – is better organised and empowered into representative bodies that can develop policy positions and engage in public-private dialogue	Number of consultations of the private sector conducted by representative bodies (e.g. farmers' cooperatives, industry bodies, etc.) Number of position papers developed by the private sector and presented at the multi-stakeholder dialogue meetings	Private sector responses to outreach activities (i.e. consultations) carried out by private sector representative bodies. Position papers issued by private sector representative bodies	Private sector representatives recognise that there are commercial opportunities in the development of sustainable cocoa production systems and agree to contribute to multi-stakeholder dialogue and adapt their practices.
	2.2. Private sector representative bodies in cocoa-producing countries have opportunities to participate in multi-stakeholder dialogue platforms.	No. of private sector participants to multi-stakeholder dialogue meetings, disaggregated by gender	Database of participants	Private sector representatives recognise that there are commercial opportunities in the development of sustainable cocoa production systems and agree to contribute to the emerging framework / adapt their practices.
	2.3. Farmers and farmers' cooperatives	No. of farms demonstrating improved	Baseline and end-line assessments	Farmers recognise that there are

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
	demonstrate improved agricultural practices.	<p>scores in key indicators of sustainability</p> <p>No. of farmers aware and compliant on child labour regulation</p> <p>No. children removed from child labour and reintegrating education/training systems</p>	(already available through existing initiatives or conducted by the project)	<p>commercial opportunities in the development of sustainable cocoa production systems and agree to adopt more sustainable agricultural practices</p> <p>Farmers recognise that there are social opportunities in investing in the education of children and in the development of sustainable cocoa production systems and agree to adopt more sustainable agricultural practices</p>
	2.4. Farmers and farmers' cooperatives have received support and are aware of criteria for compliance with regional and international sustainability standards.	No. of farmers / cooperative representatives trained on sustainability standards, disaggregated by gender	Workshop reports	Farmers recognise that there are commercial opportunities in the development of sustainable cocoa production systems and agree to adopt more sustainable agricultural practices
	2.5. The private sector in cocoa-producing countries has received support to attract investment in sustainable cocoa production systems, such as tree replacement and rehabilitation, reforestation, green technologies (renewable energy, energy efficiency) and price risk management products/services (storage facilities, crop insurance)..	Franc CFA/EUR/USD investment mobilised	Declaration of intent to invest, feasibility studies, etc.	Investors are willing to mobilise funds towards cocoa infrastructure despite current economic downturn (due to COVID-19)
	2.6. The private sector involved in cocoa supply chains has received support to better integrate sustainability risks in their supply chains management, for example, through additional guidance or encouragement to undergo alignment assessment with existing international	No. of private sector individuals trained on how to better integrate sustainability risks in their supply chains management	<p>Workshop reports</p> <p>Trainee database</p>	Private sector representatives recognise that there are commercial opportunities in the development of sustainable cocoa production systems and agree to undergo training.

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
	guidelines on responsible business conduct (the OECD MNE Guidelines, the ILO MNE Declaration)			

APPENDIX – INTERVENTION LOGIC TABLE (FOR BUDGET SUPPORT)

	Results chain	Indicators (max. 15)	Baselines (year)	Targets by the end of the budget support contract (year)	Sources of data
Expected impact of the policy (Overall objective)	Sustainable cocoa production that provides a ‘living income’ for farmers (women and men), contributes to national public revenues, ends deforestation / forest degradation and labour rights abuses including child labour and gender inequality in Côte d’Ivoire, Ghana and Cameroon.	Number of cocoa farmers living under the poverty threshold Deforestation rate Number of children employed in the value chain	To be agreed based on current estimates (2020)	To be agreed (2022)	Report on the sustainability of the sector. Regional standards on sustainable cocoa. Independent observation of deforestation, child labour, living conditions of farmers.
Expected outcomes of the policy (Specific objective(s))	Strengthen the institutional, legal and regulatory frameworks for sustainable cocoa production.	The “White Paper” on sustainable cocoa production in Côte d’Ivoire is adopted by the Ivorian Government and implemented by the administration in coordination with the private sector and civil society.	Not yet adopted (2020)	Execution rate to be agreed (2022)	To be determined
Induced outputs	(i) Implementation of national strategy against child trafficking, exploitation and labour in relation to cocoa production. (ii) Implementation of national strategy against deforestation in relation to cocoa production. (iii) Implementation of national strategy to increase cocoa farmers’ revenues.	Execution rate	To be determined (2020)	Execution rate to be agreed (2022)	To be determined

	Results chain	Indicators (max. 15)	Baselines (year)	Targets by the end of the budget support contract (year)	Sources of data
Direct outputs	<p>Based on financial input, policy dialogue and capacity development through the multi-country measures in project modality, direct outputs could include:</p> <ul style="list-style-type: none"> (i) establishment of a cocoa traceability system; (ii) establishment of a deforestation observatory; (iii) constitution of a platform on sustainable cocoa bringing together all stakeholders in Côte d'Ivoire; (iv) mobilisation of domestic resources in the framework of cocoa taxation/parafiscality; (v) establishment of coordination mechanisms with Ghana, ; (vi) development of Research & Development programmes on agro-forestry, the development of new products and markets; (vii) implementation of Protected Geographical Indication, etc. 	To be determined	2020	To be determined	To be determined