

# Deforestation and Cocoa – Filling the gaps

Summary report

14 June 2019

Utrecht, The Netherlands



the sustainable  
trade initiative



*On June 14<sup>th</sup> 2019, the Rainforest Alliance, Tropenbos International, and IDH - The Sustainable Trade Initiative – hosted a multi-stakeholder meeting in Utrecht. The event gathered over 50 participants representing producing and consuming country governments, the private sector and NGOs. It was organized in the International Sustainability Week, which was convened by the Amsterdam Declaration Partnership.*

*The goal was to facilitate a discussion between participants on the issue of cocoa production as a driver of deforestation in West Africa, focusing on how to best capitalize on the cocoa sector's commitment to halt cocoa-related deforestation and ensure that existing efforts are not duplicating, but instead mutually reinforcing.*

*Participants were asked to join 3 separate roundtables where the following topics were discussed: accelerated action, coordinated monitoring of progress and opportunities for public policy. The key takeaways from each roundtable are summarized below.*

## **Accelerated Action**

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The discussions focused on what is feasible to achieve in the short term – concrete actions and not theories – and the following actions were proposed as a way to accelerate action:

### **Enforcing regulations**

We should work together on the **enforcement of regulations** regarding deforestation, both in the EU but also in producing countries – for example, by supporting the sound implementation of the new Forest Code in Côte d'Ivoire. This includes identifying the relevant incentives and disincentives for effective enforcement for farmers as well as for companies and government. In order to do that, we **need to openly share data**; industry, government, civil society and NGOs are collecting data on cocoa and deforestation. Sharing that data will however require alignment and trust and we need to find a trusted place to share it. This will facilitate decision-making and hence accelerated action.

### **Build confidence and trust**

To get things done, we have to rethink our priorities and work together. For collaboration there needs to be trust, and we concluded that **CFI has a role to play in building that trust**. Trusting each other will allow data to be shared more openly. On the other hand, governments need to facilitate the open **sharing of data by preventing direct punishment** on anti-trust or illegal cocoa in companies' supply chains.

### **Defining incentive structures**

Farmer incentives shouldn't be only focused on increasing production; they should also be about getting the preconditions for sustainable farming right. This means that **farmers need to own their data** and receive value from it. Incentives should also include better land- and tree tenure, which should return value back to the farmer. In addition, more attention should be given to **diversification** and other markets for farmers. Governments can play an essential role in this. Lastly, **rewarding**

**environmental stewardship and reforestation**, through e.g. carbon credits, REDD+, or blended finance, can be an important incentive for farmers, companies and governments.

## Coordinated Monitoring of Progress

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### Alignment of monitoring frameworks

A quick win is to **align initiatives at EU level**, but also link discussions on monitoring in country (e.g. CFI M&E working group) to discussions at international level. Mapping of farmers in supply chains should also be coordinated. This requires creating a **pre-competitive platform**, which is trusted, **for all stakeholders to share data** in an anonymized way and for sensitive data to be “neutralized”. We can learn from previous attempts of coordinating data collection in the cocoa sector (e.g. CocoaAction), and from other commodities, namely the work that has been done on mapping palm oil mills. Part of these efforts is also to engage with farmers – they are providing the data and they need to understand why and how they can use it.

### Data quality

**Data quality is essential** for success. When collecting data at farm level, we need to motivate farmers to provide quality data, by providing some kind of incentive. It is also important to maintain transparency to farmers and create data loops so **data and information flow back to farmers** and help them in the future. This could be linked to land titling processes.

Other discussions around data included (1) the debate on what kind of incentives can be given to companies to share data, (2) the realization that good quality data is expensive and (3) the importance of data verification and assurance.

### Transparency

There is a need for more data sharing and transparency. All organizations collecting data could **commit to sharing it to a third party**, for that third party to build on it and be able to publish an analysis. For example, data that is being collected by Rainforest Alliance and Cocoa Barometer cannot currently be shared externally, but it would be good to have stakeholders to commit to sharing it further in an aggregated manner, to increase transparency and accountability.

### Joint research

Participants consider that there is a lack of an objective party documenting and reporting on progress, which leaves the sector to react ad-hoc to any new reports featuring data that is not considered as robust or verified by some stakeholders. To overcome this, there was the suggestion of doing a **joint research on deforestation**. This would mean having regular high-level studies (such as the ones done for child labor and living income) on deforestation.

### Keeping it simple

We do need to keep monitoring of cocoa-related deforestation simple. We may not need a comprehensive list of all indicators that can be monitored, but just an **overview of some key simple**



indicators that provide enough information to make strategic decisions. We don't need to be aligned on all indicators, but only on key ones that have to be tracked across countries.

## Opportunities for Public Policy

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Participants agreed that although the various voluntary initiatives have impact, they are not enough to solve cocoa-related deforestation, which is why there is a **strong case for regulation**. Based on a summary of a recent [study](#) looking into the regulatory options for the EU, participants concluded that all 4 options that were presented were viable paths to consider, and that a combination of several of those would be necessary.

### (1) Bilateral Agreements between the EU and governments of cocoa-producing countries

This option can trigger genuine policy change in the producing countries, open up the sector to a multi-stakeholder discussion on challenges, and create a more stable environment for long-term sustainable management of the sector. However, this should be truly mutual, placing obligations on consumer countries and leading to flows of capacity-building and investment into producer countries. These agreements could possibly cover other commodities beyond cocoa. It would be good if they could be integrated with other initiatives such as REDD+ or World Bank programs.

### (2 & 3) Due Diligence: cocoa-specific or cross-commodities

The working groups concluded that due diligence is useful, whether applied just to cocoa, to a wider range of commodities, or as a general corporate obligation. It can't, however, work in isolation. It would be perhaps good to combine it with a bilateral agreement. Reporting on and independent audits of company due diligence systems would be valuable.

What should this cover? Options discussed include legality of production, wider human rights obligations, environmental criteria such as no deforestation, among others.

An EU regulation could cover a wider range of commodities, perhaps with a phased implementation, starting with cocoa. A broader approach is desirable but in practice probably much slower to legislate for and implement.

The wider the coverage in terms of companies, the better (i.e. no threshold by company size, or a low threshold; and not restricted to first placers only). There is a tendency to believe that small and medium size companies may find it more difficult to comply, but this is not necessarily true: they tend to have simpler supply chains and fewer suppliers.

### (4) Review of the Competition Law

This option would be helpful to facilitate company collaboration on prices, operations on the ground in producer countries, circular-economy approaches, etc.

### Conclusions from the roundtables on public policy

There was general agreement that efficient **national traceability systems are needed**, to monitor the entire cocoa supply chain. Moreover, a **system for dealing with complaints and remedies**, in line with the UN Guiding Principles, is also needed.

Regulation must not be seen as an end in itself. **Resources to ensure compliance** with regulation throughout the supply chain are needed, especially to help support production countries.

Commitments to deforestation-free cocoa should not lead companies to move away from high-risk areas; they need to engage with their suppliers to address the problem. We want to **encourage continuous engagement** in addressing cocoa-related deforestation. Every option needs good monitoring on what is actually impact on the ground.

We need **change in producing countries** in terms of legislation, governance, implementation and enforcement; we also need **change in consumer countries** – a system where companies can compete on the basis of efficiency, quality, brand etc., on a **level playing field**, without the fear of undercutting by competitors sourcing illegally or unsustainably. Cocoa is not the only driver of deforestation but approaches to address cocoa-related deforestation can help address broader issues.

Development of these approaches should be done in close collaboration with production countries – they should not be imposed on them.

## Conclusions and way forward

The concluding discussion underlined the urgency of action, considering the EU and many other actors have committed to ending deforestation by 2020, which is next year. Suggestions were made for future discussions, or actions respectively, on transparency of investments (for example, publish all reports of projects (co-)funded by public money, as in Switzerland), on linking deforestation to the topic of living income, and on addressing the elephants in the room – corruption and migration. The question on whether we should indeed have further workshops in this setting or rather meet in smaller groups was also raised.

In order to build on these discussions this summary is being shared with all participants, the Amsterdam Declaration Partnership governments and the World Cocoa Foundation. As organizers, Rainforest Alliance, IDH and Tropenbos will take these conclusions and recommendations as input for our further activities in the cocoa sector and will stimulate others to do the same.