



Accra, 11th of March 2021

## **SUSTAINABLE COCOA DIALOGUE - GHANA**

### **SUBJECT: MEETING 1 OF THE GHANAIAN NATIONAL DIALOGUE ON SUSTAINABLE COCOA.**

On the 11<sup>th</sup> of March 2021, the first meeting of the Ghanaian dialogue on sustainable cocoa was held via Zoom. One hundred and eighty-five people (185) participated in the event, which lasted for three (03) hours.

The moderator, Mr **Viwanou Gnassounou, Former Assistant Secretary-General at the ACP Secretariat**, introduced the meeting by reminding the participants that the EU's initiative on sustainable cocoa was launched in Brussels in September 2020 and that multi-stakeholder dialogue processes have been initiated at both the EU level and the national level in Ghana and Côte d'Ivoire.

The meeting was opened by the **Minister of Food and Agriculture of Ghana, Dr Owusu Afriyie Akoto**. The Minister welcomed the meeting as an essential platform for the EU, Ghana and other stakeholders to explore their joint interests, based on the principles of sustainability. The Ghanaian government is aware, he explained, that the EU intends to use the dialogue process to fashion out new legislation which will influence trade in cocoa between Ghana and Côte d'Ivoire one hand and the EU bloc on the other hand. He reaffirmed Ghana's commitment to support the sustainable cocoa initiative and to work towards an agreement that meets the needs of both European consumers and Ghanaian producers. The Minister recognised the significant threat that climate change and other environmental threats pose to cocoa production in Ghana, emphasizing the devastation caused by the Swollen Shoot Virus. He called on the EU to take the time to understand the details of Ghana's ongoing work programmes and to consider the Ghanaian people's cultural practices and belief systems in its upcoming legislation. He then went on to discuss the issue of child labour in the cocoa sector. He announced the government's objections to the recent report by NORC at the University of Chicago, which found a high prevalence of child labour in the Ghanaian cocoa sector. He reassured participants that the government is working with its partner to remove any trace of these unworthy practices. He specifically mentioned the Cocoa Board's campaign to register and track the progress of children in cocoa households, helping stakeholders to identify the risks of child labour and to trigger preventive actions and/or remediation efforts.

**Honourable Joseph Aidoo, Chief Executive of the Ghana Cocoa Board**, began by stating that small-hold producers must produce cocoa responsibly, but that in return they should be entitled to remunerative prices. Insofar as environmental sustainability is concerned, he estimated that cocoa cultivation occupies 1.9 million hectares of land, primarily in the middle forest belts – equivalent to about 12.6% of the total land area of Ghana (23.85 million hectares) – and compared this to forest reserves, which occupy about 2.6 million hectares of land. He further explained that Ghanaian cocoa

is produced on non-reserved lands under a “forest regime”, characterized by intercropping of cocoa trees and other forest trees. He claimed that these intercropping practices have helped to sustain forests in the Ghanaian “middle forest belt”. He went on to observe that Ghanaian laws and institutions forbid any attempts to cultivate cocoa in reserved forests, noting that these areas include several watersheds and that their removal could be seriously detrimental to the flow of fresh water through Ghana’s major rivers. He underlined that cocoa cultivation is also an effective means of carbon sequestration, particularly within the framework of intercropping regimes. The Living Income Differential was introduced, he explained, to create the conditions for responsible cocoa farming and to remove the incentive for land expansion. Insofar as child labour is concerned, Mr Aidoo highlighted the role of government programmes – such as the ‘capitation grant’, the ‘school feeding programme’ and the ‘free senior high school’ programme – in enhancing enrolment and retention of children in schools. He objected to the findings of the study conducted by NORC at the University of Chicago, which was commissioned by the US Department of Labour, due to flaws in its methodology. He summarised the Ghanaian position on child labour and deforestation by categorically affirming that child labour is no longer an issue in Ghanaian cocoa value chains and that cocoa is no longer a driver of deforestation in Ghana. He ended by mentioning the Ghana Cocoa Management System (CMS), a farmer database that seeks to capture household and farm information using GPS polygon mapping, requesting EU support to further develop this system.

**H.E. Diana Acconcia, the European Union Ambassador to Ghana**, used her speaking time to frame the Ghana national dialogue on sustainable cocoa within a broader framework, including the ongoing multi-stakeholder dialogue and the legislative processes that are taking place at the EU level. She noted that the national dialogue in Ghana will provide an opportunity to convey additional insights to those discussions and processes, particularly those that are specific to Ghana. The ambassador then took some time to explain why the EU places such importance on the sustainability of the cocoa sector specifically. She identified European consumers as key drivers, observing that these stakeholders increasingly want to ensure that the products they eat do not harm people or the environment. She then discussed the root causes of the challenges within the cocoa sector, identifying farmer poverty as the most important of these. She expressed regret that farmers remain at the mercy of international price fluctuations and only capture a small share of profits along the value chain, most of which accrue to downstream actors. In this regard, she praised the joint efforts by Côte d’Ivoire and Ghana for establishing the Living Income Differential, since addressing the basic economic injustices in the value chain is a key prerequisite to resolving other sustainability issues. On the issues of child labour and deforestation, she called on all stakeholders to have an open conversation, in good faith, to better understand how to define, trace, and certify cocoa so that consumers can be confident that their chocolate is not “bitter” with human misery and environmental damage. In an aside, she sought to reassure her interlocutors that cocoa is not being singled out, but that the EU is examining its consumption footprint across all sectors and commodities. The ambassador then proceeded to offer a short explanation of the legislative process that are taking place in the EU. She noted a political convergence between EU Member States, the European Parliament, European consumers, Civil Society Organizations, and the private sector, which have led to two legislative proposals. The first, on deforestation and forest degradation, aims to reduce the environmental impact of products placed on the EU market, to minimise the EU’s contribution to global deforestation and to promote the consumption of products from deforestation-free supply chains. The second, on sustainable corporate governance (the “Due Diligence Directive”) could lead to mandatory due diligence obligations on EU companies, to ensure better management of sustainability-related issues in these companies’ own supply chain operations. The adoption of both legislative proposals is planned for the end of June. The ambassador concluded with some remarks on EU development cooperation. She announced that

sustainable cocoa will feature as one intervention area under the EU cooperation programme for 2021-2027, the details of which are still under discussion, and called on the audience to take advantage of the national dialogue as a channel to inform the design of this programme. While this programming phase is underway, she added, a recently approved cooperation programme of €25 million has been made available to provide technical assistance towards sustainable cocoa production in Côte d'Ivoire, Ghana (€8 million) and Cameroon.

During the *tour de table*, the audience was addressed by seven high level speakers.

**H.E. Ron Strikker, Ambassador of the Netherlands to Ghana**, celebrated the EU Sustainable Cocoa Initiative as a whole, but highlighted the importance of the national dialogue on sustainable cocoa in Ghana in particular. He expressed a wish that upcoming legislation on due diligence will not hamper trade flows between West Africa and Europe. If the European Union imposes stringent market access requirements on imported products, for instance, he would expect the EU to provide technical assistance to producing-country partners, including Ghana, to help them to meet these conditions and enjoy continued access to the European market. By way of explanation, he informed the audience that the Netherlands is the world's biggest importer of cocoa beans. Given its role as a "cocoa hub" processing about 75% of cocoa beans and distributing about 25% of processed products, the Netherlands feels a particular responsibility towards the sector, and the ambassador mentioned a couple of important programmes that the country has supported in this regard. These include the Cocoa Intensification and Rehabilitation Programme and the "Set for Farming" programme. He called for proper alignment of projects and programmes to ensure good outcomes. The ambassador concluded by conveying the support of the Dutch government for the Living Income Differential, which allowed the Ghanaian government to raise average cocoa prices by twenty-eight per cent (28%) for the 2020/21 crop year.

**H.E. Sena Siaw-Boateng, Ambassador of Ghana to the Kingdom of Belgium**, the Grand-Duchy of Luxembourg, and the European Union, began her speech by describing the special interest accorded to the topic of sustainable cocoa by President Nana Akufo-Addo of Ghana. Based on the high-level communication between the President of the Republic of Ghana and the President of the European Commission, the Ghanaian Embassy has been actively engaging relevant stakeholders within the EU institutions, organizing meetings between the EU and Ghanaian officials, and updating the Secretariat of the Organization of African, Caribbean and Pacific States (OACPS) and Member States on the concrete measures being taken to promote sustainable cocoa production in Ghana. This includes ongoing efforts to offer pension plans to cocoa farmers. The ambassador then announced that the Ghanaian mission in Brussels is consulting with the Ghana Cocoa Board on the possibility of inviting the EU team working on sustainable cocoa to visit Ghana on an industry familiarization mission. The mission would include visits to cocoa farms and cocoa farming communities. The ambassador concluded on an optimistic note, identifying the dialogue on sustainable cocoa as an important building block in the quest to harmonize and consolidate all efforts towards the elimination of child labour and deforestation in cocoa supply chains and to guarantee a living income for farmers.

**Michel Arrion, Executive Director of the International Cocoa Organization (ICCO)**, offered a perspective on the global cocoa economy. He presented a graph comparing the production of cocoa and the industrial demand for the same (known as "grindings") over the past two decades. He noted consistent growth in both figures; however, production figures are more volatile from year to year, and frequently overshoot the figures for demand (or "grindings"), generating a surplus in the market. Cumulatively, the compound annual growth rate (CAGR) of cocoa production over the past twenty years has amounted to 2.7 per cent, compared to a CAGR for industrial demand of 2.2 per cent, and this difference has had a structural impact on world prices. To support this point, Mr Arrion showed a

graph displaying a steady decrease in international cocoa prices (in constant US\$) since 1980. Mr Arrion then displayed some more recent figures to demonstrate the short-term impact of COVID-19, which has further dampened industrial demand and pulled down prices. Having completed his analysis of the data, Mr Arrion went on to deliver his key messages. He concurred with Mr. Aidoo that farmers must receive remunerative cocoa prices to produce cocoa in a more responsible manner, identifying farmer poverty as the root cause of deforestation and child labour. He thus echoed recent statements from the European Commission that “price and sustainability are two sides of the same coin”. He also referred to recent calls for a fairer distribution of value along the cocoa value chain, expressing his belief that these calls for a “bigger share of the cake” are in fact less important than the need for a “bigger cake”. He concluded with a recommendation to work on both sides of the supply-demand equation simultaneously, to achieve higher prices. On the supply side, he urged producing countries to address structural surpluses through supply management. On the demand side, he noted that the European and North American markets for cocoa and chocolate products are saturated but pointed out the significant potential that lies in the development of new markets in Asia and in Origin countries themselves, as well as in the promotion of alternative products such as cosmetics.

**Pierre Laporte, Country Director of the World Bank**, began by congratulating the Government of Ghana for its efforts to promote a more sustainable approach towards cocoa production. However, he noted, much remains to be done. For example, cocoa yields in Ghana remain at about 500 kilograms per hectare, compare to potential yields of over one thousand kilograms per hectare that have been achieved by other producing countries such as the Dominican Republic. This yield gap is attributable to poor soil management, high incidence of disease and ageing plantations. Furthermore, Mr Laporte stressed that the expansion of cocoa production in Ghana, from 239.000 metric tonnes in 1995 to 850.000 metric tonnes in 2017, has been driven by expansion into forested areas, to take advantage of “forest rents” (i.e. better soil fertility in recently deforested lands. Citing NORC at the University of Chicago, Mr Laporte also called attention to a worsening situation with regards to child labour and the worst forms of child labour in Ghana, noting that the percentage of children exposed to pesticides has recently increased from 15 per cent to 50 per cent. In addition to these problems, he noted the impact of climate change on the sector and urged stakeholders to consider replanting old and diseased trees with other tree crops that are more resistance to climate change. He then listed some of the World Bank’s ongoing initiatives in the field of sustainable cocoa, including their support to the Government of Ghana in the preparation of an investment project of up to \$200 million to promote the transition towards sustainable cocoa production.

**Mr Obed Owusu-Addai, Managing Campaigner, EcoCare Ghana**, on behalf of Ghanaian Civil Society Organizations, commended both the EU delegation and the Government of Ghana for initiating these ‘localized’ cocoa talks. He cautioned that different stakeholder groups might have different definitions and expectations when it comes to such “vague and broad concepts” like sustainability. For example, to the chocolate manufacturer, sustainability might mean continuous availability of cheap cocoa beans, butter and related raw materials. To producing countries like Ghana, sustainability might refer to the steady flow of production and foreign exchange earnings from trade in cocoa beans. For the EU, sustainability might mean the elimination of deforestation and child labour. For the farmers themselves, sustainability might refer primarily to their own ability to take care of their families and to provide healthcare, education and other social amenities for their children and their communities. From a pragmatic perspective, the Ghana Civil Society Cocoa Platform believes that farmers should be the starting point for the whole initiative on sustainable cocoa since they suffer the worst impacts. According to Owusu-Addai, Deforestation and Child Labour are only visible symptoms of the underlying issue of farmer poverty. Having made that point, he acknowledged that price increases are not sufficient to ensure sustainable cocoa production, and called for accompanying measures,

including the enactment of effective laws and their enforcement, and for governance reform. He outlined some problems related to conflicting policies and laws as well as agencies, providing a few examples to illustrate his point, and deplored the lack of transparency and access to information in the cocoa sector. In conclusion, he encouraged participants to work together to develop concrete plans to solve the real issues in the sector, citing multi-stakeholder dialogue approach used in the FLEGT-VPA process as an example of best practice in this regard.

**Dr Hervé Bisseleua, Acting Country Director of the World Cocoa Foundation**, communicated the support of the global cocoa and chocolate industry to the dialogue on sustainable cocoa. He restated the industry position, structured around three “critical building blocks” for sustainability in the cocoa sector. The first is about the establishment of efficient and effective regulatory frameworks to govern the sector, with clear standards and due diligence requirements that create a level playing field for businesses. The second is the continued development of strong public-private partnerships. The third is increased aid flows that promote an enabling policy and business environment. Dr Bisseleua then reiterated the industry’s commitment to address the pressing development challenges of poverty reduction, child labour and deforestation, through specific company programmes and public-private partnerships. He emphasized ‘living income’ as a critical area of action, outlining the industry’s commitment to pay the Living Income Differential over and above voluntary premiums for sustainable cocoa. He also mentioned parallel work in the areas of farmer professionalization, productivity and quality improvement, crop and income diversification, capacity-building for farmers’ organizations, and access to finance. On the issue of deforestation, Dr Bisseleua provided some background on the Cocoa and Forest Initiative and its framework for action, which has been signed by thirty-six leading cocoa and chocolate companies, as well as the Governments of Côte d’Ivoire and Ghana. He celebrated the tangible results of this programme that, according to the most recent Global Biodiversity Report, has contributed to a fifty per cent reduction in the rate of forest loss in Ghana between 2018-2019. On the issue of child labour, Dr Hervé reported industry investments in 2019 of over \$22 million, directed towards social development activities to address child labour in Ghana. He described ongoing efforts to increase the coverage of Child Labour Monitoring and Remediation Systems, from 20% in 2019 to 100% by 2025. He concluded by welcoming EU leadership on the topic of sustainable cocoa and called on all stakeholders to contribute to the process and the development of clear standards that are internationally credible, coherent, and are supported by needed capacity building.

**Kwadwo Solomon Kusi, winner of the 2020 National Best Farmer award**, presented the point of view of cocoa farmers. He claimed that cocoa farmers do not cause deforestation but are rather bringing forests “back into the system”. Cocoa is a forest plant and cannot survive without the presence of other trees, so farmers are replanting forest trees in their farms. On the issue of child labour, he emphasized that Ghanaian farmers want the best for their children and applauded the support systems, including scholarships and free secondary education that have been put in place by the government. He explained that business skills acquired through the formal education system can better prepare future generations to take over their parents’ cocoa farms. He informed the participants that farmers’ associations are therefore putting in place their own task forces to campaign against child labour. He then outlined some of the challenges that cocoa farmers face, including climate change and water scarcity. He called for greater mechanization and investment in irrigation systems, to allow farmers to benefit from high yields year-round. He also called for a better road network to connect farming communities to market centres.

The **Q&A session** was cut short due to time constraints. However, **Honourable Joseph Aidoo, Chief Executive of the Ghana Cocoa Board**, responded to a query about the Living Income Differential and

its impact on farmers' livelihoods. He clarified that the LID is less than one year old, and that it is therefore difficult to assess the impacts at this stage. He also reiterated the Ghanaian governments objections to the statistics in the report published by NORC at the University of Chicago, insisting that the spraying of pesticides has been carried out by hired adult labourers of about 48.000 to 51.000 annually since inception in 2001. He therefore rejected claims that there has been an increase in the number of children exposed to pesticides. **Ambassador Acconcia** responded to some queries on the European Union's position *vis-à-vis* the Living Income Differential. She acknowledged the central issue of supply and demand that was raised by the ICCO Executive Director, lending her support to the view that the Living Income Differential cannot become sustainable over the long term without working on market fundamentals. The **Ambassador of Italy to Ghana, H.E. Daniela d'Orlandi**, highlighted that Italy, through Cassa Depositi e Prestiti (CDP) Group, supports Ghana's efforts aimed at promoting the growth of local cocoa sector, its productivity and sustainability. CDP, indeed, joined a loan operation in favour of COCOBOD with a 44 million USD within a total loan of approximately 600 million USD, together with other development and commercial banks. She finally expressed the availability in sharing the Italian technical expertise in the agribusiness sector. In a final intervention, **Michel Arrion** repeated his call for higher international prices that reflect the "true" cost of cocoa production, including social and environmental externalities.