



Partnerships for Forests

Replicating a sustainability
initiative across sectors and
geographies: HCSA's experience
in the West African cocoa sector

Case study
September 2020

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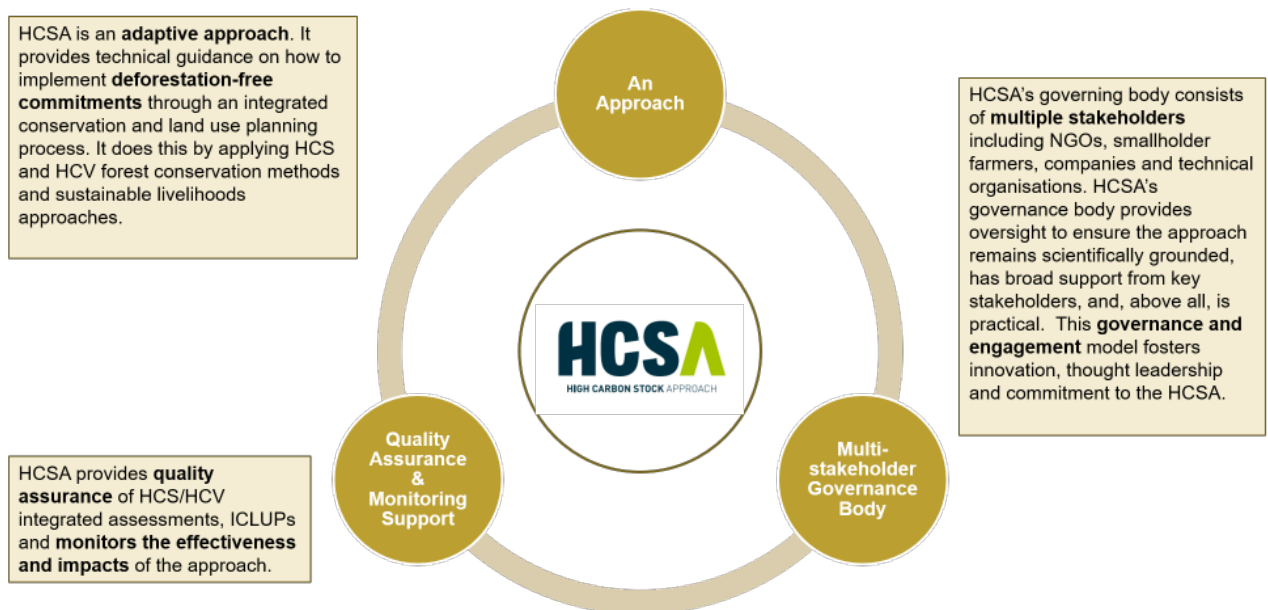
Companies and governments involved in the cocoa sector are urgently working to address deforestation and land use issues that have been prevalent in the sector for decades. Driven by mounting consumer pressures, key actors in the cocoa sector have joined forces to tackle the problems, adopting and developing international best practice, including the High Carbon Stock Approach (HCSA). HCSA offers a practical approach to support companies in reaching deforestation-free and land development targets across their operations and supply chains. This case study outlines the process and lessons from adapting the HCSA toolkit for use in the smallholder dominated sector of cocoa production in West Africa.

The 2014 New York Declaration on Forests was a non-binding political declaration to halve deforestation by 2020 and eliminate it entirely by 2030. In the run up, a wave of corporate commitments to address deforestation and climate change were set by governments, civil society organisations and companies to eliminate deforestation in their work and operations. While many major companies like Cargill, Unilever, L'Oréal and Nestlé made commitments, most, if not all, lacked a clear understanding of how it would be operationalised.

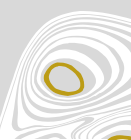
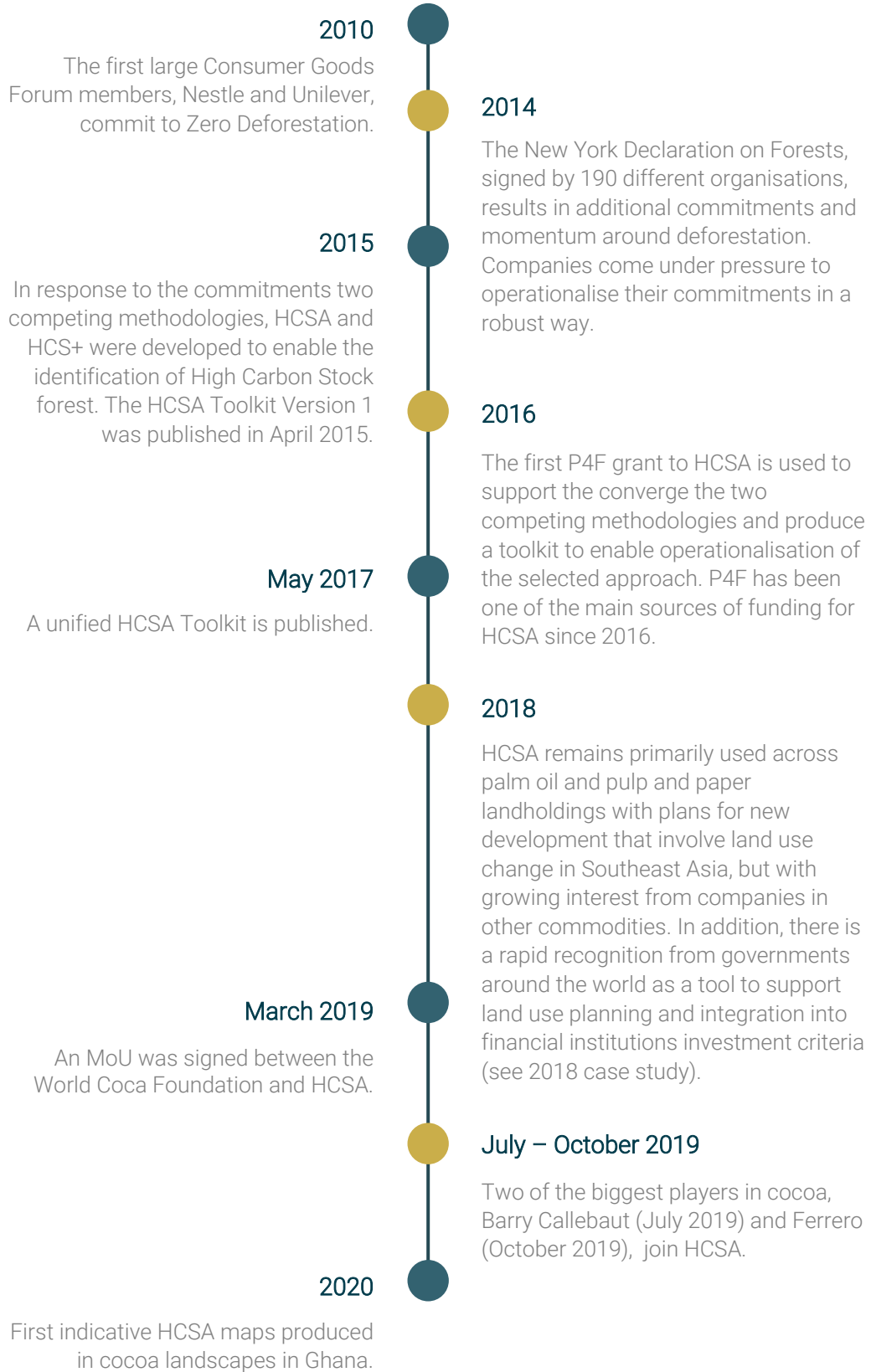
In response to the zero deforestation commitments, High Carbon Stock Approach was established with an ambition to provide companies with a practical toolkit for identifying and distinguishing High Carbon Stock (HCS) forest and High Conservation Value (HCV) areas from areas suitable for commodity production. Players from the palm oil and paper sectors were the first to engage with HCSA in co-developing and testing the toolkit, however developers of the approach always intended the methodology to be commodity and geography neutral: applicable in any landscape with fragmented tropical forests.

Recently there has been a rapid, organic expansion of HCSA into other geographies such as West and Central Africa and Latin America, and other commodities including rubber and cocoa. Between July and October 2019, two major cocoa companies, Barry Callebaut and Ferrero, joined HCSA. These two companies and others in the sector are currently working to adapt and use the methodology for their value chains in West Africa.

Figure 1.
What is
HCSA?



HCSA: a timeline



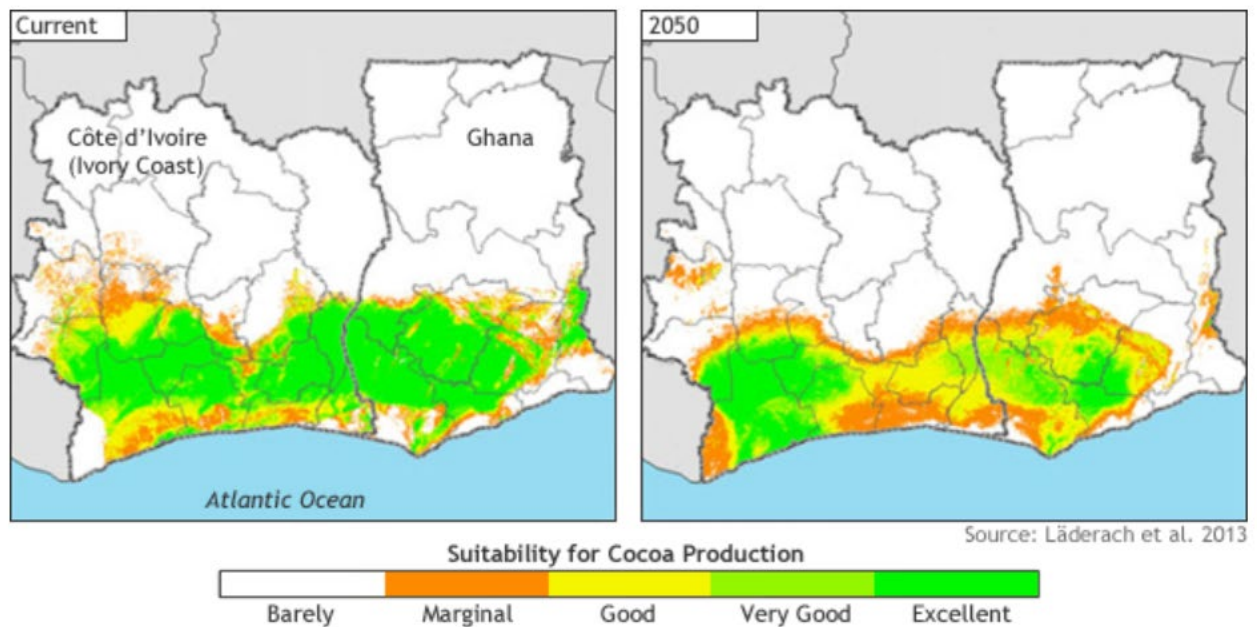
Cocoa and deforestation

Governments in much of West Africa see cocoa production as a necessity for economic development but over the past half-century this has come at a huge expense to the regions' forests. Côte d'Ivoire and Ghana are the world's top cocoa producing countries and produce approximately 2 and 1 million tons per annum, respectively. Over the past two decades however both countries have seen some of the highest deforestation rates in the world with a combined loss of 4.2 million hectares of forest. Deforestation is an ongoing problem in both countries with Ghana and Côte d'Ivoire experiencing the greatest increases in primary forest loss between 2017 and 2018 of all tropical countries (a 60 percent increase in Ghana and 26 percent increase in Côte d'Ivoire during this period), which analysis partly attributed to expansion of cocoa farms¹.

Economic development and zero deforestation targets are not necessarily a contradiction. From a company perspective, there are two main incentives to address deforestation in cocoa. Firstly, companies are under pressure to address deforestation due to rising global emissions from land use change. Supported by global evidence, climate-conscious consumers have placed pressure on companies to start monitoring and reporting on their forest impacts and, as a result, many companies have made commitments to reduce their impacts. Secondly, evidence suggests that cocoa producing companies and countries will be directly impacted by climate change and, in West Africa, cocoa production areas are forecasted to change drastically over the next 30 years due to variable rainfall. (See Figure 2). Without interventions, this has the potential to render cocoa production unviable.

In 2000, the World Cocoa Foundation (WCF) was established to support the development of a sustainable future for the cocoa sector. To date, WCF has gained over 100 members, representing the majority of international players in the cocoa sector including Mars, Barry Callebaut, Hershey's, and Ferrero. In 2017, WCF set up the Cocoa and Forests Initiative (CFI), a public-private initiative, to end deforestation and restore forests in Côte d'Ivoire and Ghana.

Figure 2. The projected decline of suitability for cocoa production in Ghana and Côte d'Ivoire



¹ <https://www.wri.org/blog/2019/04/world-lost-belgium-sized-area-primary-rainforests-last-year>

HCSA and the cocoa sector

In March 2019, a Memorandum of Understanding (MoU) was signed between WCF and HCSA in recognition of the role HCSA could play in enabling CFI to reach its zero deforestation goals (see infographic of relationship between the initiatives on the next page).

The MoU included the following activities:

1. Identifying and assisting WCF members to trial HCSA and propose candidates for the expert team that will co-develop country-level action plans.
2. Identifying cocoa frontiers and stakeholders in those landscapes where cocoa production is expanding and HCSA implementation will be most needed.
3. Establishing a trial monitoring team with key experts to monitor results and provide guidance on best practice.
4. Supporting scalable implementation projects with a special focus on smallholder farmers, including landscape-level mapping of indicative HCS forests and forest corridors for restoration.
5. Identifying the most effective areas for restoration and creation of forest corridors.

While CFI is committed to halting deforestation, WCF currently does not include zero deforestation in its agenda. However, companies such as Barry Callebaut and Ferrero have taken the initiative and committed their

businesses to zero deforestation targets. As part of their commitments the two companies joined HCSA in 2019. Cargill also became a member in 2019 and, like many of HCSA's members, works in both cocoa and palm oil.

Partnerships for Forests and the cocoa sector

Partnerships for Forests is supporting multiple players in the cocoa sector – P4F provides support to HCSA, CFI and multiple cocoa projects on the ground. The problems driving deforestation in the cocoa sector are systemic and require both frameworks and new approaches (CFI and HCSA) and proof of concept on the ground in the form of new models. P4F provides grant support to two projects in Ghana and is in the process of approving support to a new project in Côte d'Ivoire. Based on recent trends, these are the two countries with the greatest need for forest protection in West Africa. All three projects are trialling forest friendly cocoa models that align with the CFI framework (see *Figure 3* overleaf). One of the key challenges is the identification of forest that requires protection. The partnership between HCSA and WCF (which hosts CFI) and the testing of HCSA approaches by companies in these cocoa landscapes will enable the robust implementation of HCSA and CFI land use management requirements.



Our collaboration with HCSA will generate synergy and collaborative actions in key cocoa sector tropical forest growing regions, in alignment with the interest and scope of each organization. The collaboration will generate a series of results that will benefit the cocoa sector in its ability to achieve its no-deforestation commitment and responsible land use management in tropical forest regions, with a particular focus on West Africa.”

- Ethan Budiansky, WCF's Director of Environment

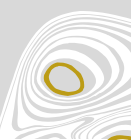
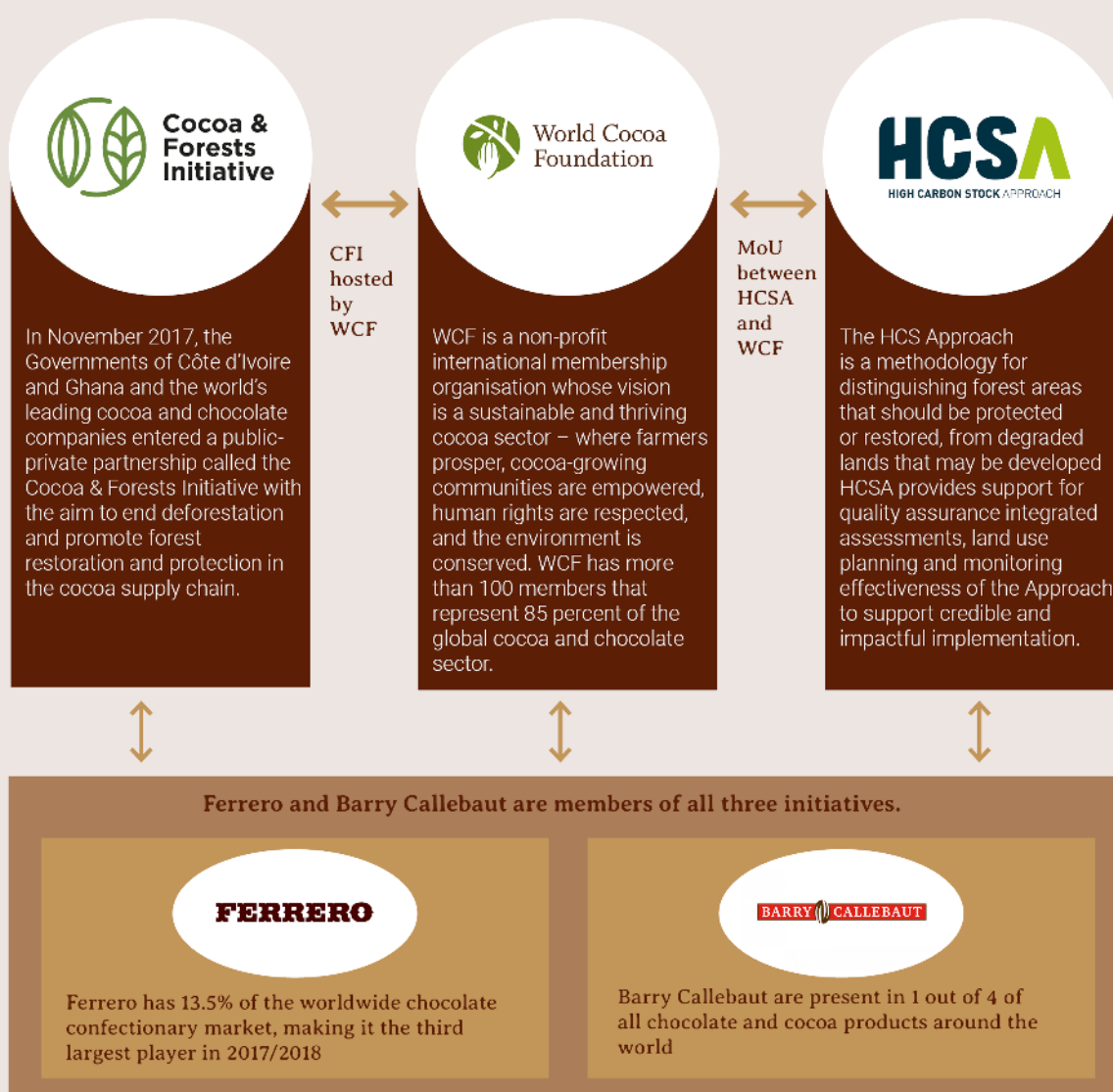


Figure 3.
Cocoa sector
initiatives

Cocoa sector initiatives

The HCS Approach is a proven methodology to identify forest areas that should be a priority for protection as part of a broader landscape-level approach. The partnership will be integral to supporting the implementation of the Cocoa & Forests Initiative in Côte d'Ivoire and Ghana and advancing the cocoa sector's commitments to no-deforestation, responsible land use management and conservation."

- Ethan Budiansky, WCF's Director of Environment



Making HCSA work for cocoa and smallholders

HCSA was originally developed for plantation companies, however it was always intended for broad implementation across commodities, regions and landscapes. One of the greatest challenges to this end was the application of the methodology to smallholder production. For major commodities such as palm oil and cocoa, smallholder production is a major part of the supply chains, respectively accounting for 40% and 90% of total production internationally. The methodology therefore needed to be adapted in order to be applied in non-plantation scenarios.

There are two challenges of addressing deforestation in smallholder landscapes: 1) identification of forest and conservation areas and 2) expertise, incentives and resources needed to support smallholders/cooperatives to manage forests and conservation areas themselves. HCSA assessments are highly technical and relatively expensive and therefore most smallholders would not be able to bear the costs. Unlike plantations – which are typically managed by larger companies and have adequate resources and incentives to carry out HCSA assessments – many smallholders lack the means to pay for the assessments and, unless they are part of a sustainability programme, will not benefit from implementing management approaches identified in the assessment.

HCSA responded to these challenges by collaborating with WCF and working with its members to gather and share learnings across commodities and countries. HCSA took a two-pronged approach to adapting the toolkit:

1. Making HCSA accessible to smallholders

HCSA is working with cocoa companies in Ghana to trial an approach that will create indicative forest maps. These maps are produced using remotely sensed data and machine learning techniques. The use of innovative technology reduces the need for costly on-the-ground surveys that require specially trained experts. Lindt & Sprüngli (a WCF and CFI member) has been working with the Earthworm Foundation, an HCSA technical support organisation, to produce maps across cocoa producing landscapes in Western Ghana.

The result of this work will be maps that identify areas likely to be HCS and HCV forests. The results will be shared with local communities and Lindt & Sprüngli suppliers to incorporate into further work with farmers in the landscape. Earthworm Foundation will work on identifying suitable incentive mechanisms to adapt to the local context with farmers and traditional landowners that enhance the conservation of the identified HCS and HCV areas.

Many smallholder communities depend on the forest for a variety of reasons including additional sources of revenue or cultural wellbeing. Through HCV and Social Requirements, HCSA process incorporates community's livelihood needs beyond just commercial crop production by conducting participatory mapping and community consultations.

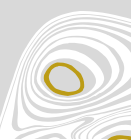
This process of using indicative maps is also underway in other landscapes.



Ferrero is committed to working on the challenges to end deforestation in the cocoa sector, as well as implement key principles and strategies that underpin socially and environmentally sustainable cocoa production.

Ferrero signed the New York Declaration on Forests by the United Nations and endorsed the HCS Approach (HCSA), a methodology enabling companies to understand forest areas to be protected for their high carbon and biodiversity values.

Taken from a statement on Ferrero's website (September 2020)



2. Making the HCSA work for smallholders

The second step in adapting the approach is making the conservation of HCSA forests accessible and attractive to smallholders. Companies with commitments on sustainability are increasingly cascading requirements downstream to suppliers as well as in their own plantations. Third party suppliers are often the ones to aggregate produce grown by smallholders. The commodity supply chains are notoriously complex.

Across cocoa supply chains, getting smallholder farmers on board is the only way to ensure the chains are deforestation-free. HCSA is working with Serikat Petani Kelapa Sawit (SPKS), a smallholder oil palm farmers union in Indonesia, to develop a simplified approach to support smallholders in the implementation of deforestation-free commitments. Lessons from this context will be shared within HCSA and stakeholders working in cocoa to expedite work with smallholders in taking up HCSA good practice in cocoa.

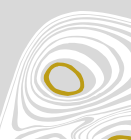
In addition to awareness building and training, the HCSA Smallholder Working Group will also trial on the incentives and benefits elements to support uptake of HCSA by smallholders such as:

- Guaranteed access to market with fair price including transport support

- Productivity support (e.g. seeds and fertilisers) and best agriculture practice training
- Conservation area management and monitoring support (e.g. forest guardians)
- Land rights and legal forest protection support
- Strengthening of community, village, and independent smallholder institutional structure

The main takeaway for HCSA has been that smallholders are willing to help conserve forests and accept the opportunity costs if there are incentives and benefits to be received. For example, options for economic diversification, reinvestment opportunities for their community, market access, and payments for ecosystem services, etc.

Developments in the cocoa sector and working with smallholders will further improve HCSA's impact on sustainable land use by enabling the methodology to reach more stakeholders involved in directly managing land and forests in the tropics. These developments will enable companies to achieve their commitments and further secure investment from environmentally conscious investors (for more information, see P4F's 2018 case study: 'Forests and big business: A practical approach to tackling deforestation on the front line of commodity production').



Lessons

There are some general learnings from expanding and adapting the HCSA toolkit that are echoed in other P4F-supported projects. These learnings are transferable and could support other multi-stakeholder initiatives and actors working with smallholders:

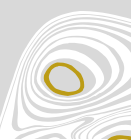
1. Have a core but adaptable methodology or framework when trying to tackle a complex problem that is shared across countries and stakeholders.
2. Be inclusive as well as adaptable: the HCSA methodology recommends making HCS forest classes identifiable using simple observable characteristics based on local knowledge.
3. Ensure smallholders representatives' voices are heard and incorporated into activities. For example, ensure smallholder representatives have a seat at the decision-making level and efforts are made to ensure and support their on-going engagement.
4. Incentives need to be in place to enable smallholders to take up forest-friendly practices. This includes providing them with training that is tailored and culturally appropriate. Any new governance process should be participatory and allow for changes.

Looking forward

HCSA has seen rapid expansion through market demand because it addresses a key business need that cuts across multiple commodities and geographies. The expansion into the cocoa industry is a good example of this. As a relatively new organisation, they have needed to manage the growth and development of the technical methodology as well as the operational side that comes with setting-up an organisation.

Looking forward, HCSA will continue to work on technical and organisational developments to accommodate its growing membership – particularly as they expand to more industries. In cocoa, HCSA's technical developments will include additional research on how to identify and manage degradation of natural forest – a key problem in the cocoa sector where conversion from natural forests into cocoa forest is a gradual process. Given that cocoa landscapes in Ghana and Côte d'Ivoire are severely degraded from decades of deforestation and conversion of natural forest to cocoa forest, HCSA will review opportunities for incorporating restoration into their methodology.

In addition to technical developments of the toolkit, HCSA will undergo further organisational developments in the coming year. HCSA is a relatively young organisation that has experienced rapid growth. HCSA is in the process of establishing a foundation in the Netherlands and has successfully established an entity in Malaysia. These entities will strengthen the stability of HCSA as an organisation and enable it to provide improved services to its members and stakeholders. Over the past year HCSA has also been developing its governance and management systems, the developments in these areas will be solidified over the next year.



Acknowledgements

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