



Forum Nachhaltiger Kakao
German Initiative on Sustainable Cocoa

2022 General Meeting of the German Initiative on Sustainable Cocoa

**"Human rights due diligence in the cocoa sector: Together
for better living conditions for cocoa farmers"**



DOCUMENTATION

10th General Meeting of the
German Initiative on Sustainable Cocoa

4 May 2022 | Hybrid Event

10th General Meeting of the German Initiative on Sustainable Cocoa

Host: Prof. Dr Christian Thorun (ConPolicy Institute for Consumer Policy)

WELCOME ADDRESS



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Merit Buama, Chairwoman of the Board of Directors of the German Initiative on Sustainable Cocoa, welcomed the attendees, in particular Dr Bärbel Kofler, Parliamentary State Secretary at the Federal Ministry for Economic Cooperation and Development, and Mr Cem Özdemir, Federal Minister for Food and Agriculture, who joined the meeting via video. She also welcomed Mr Michel Arrion, Executive Director of the International Cocoa Organization (ICCO) and His Excellency Mr Aly Touré, permanent representative and speaker of the cocoa-producing nations at the ICCO.

Ms Buama introduced the topic "Human rights due diligence in the cocoa sector: Together for better living conditions for cocoa farmers", which is a continuation of the key topics of the General Meeting in 2020, and which, Buama stated, has become even more important in light of the proposed EU legislation for a guideline on corporate due diligence. The topic of human rights due diligence, she emphasised further, is an important aspect of the work of the German Initiative on Sustainable Cocoa. For instance, the cooperation of the Südwind Institute and the Human Rights working group, which began its work in 2020, has yielded the much-noted action plan for risk analysis, which is an aid for the small and mid-sized member companies of the Initiative. Currently, this working group is engaged in developing a cross-company complaint mechanism in the producing countries.

Corporate due diligence, Ms. Buama further explained, will not suffice if the necessary framework conditions are not established in the producing countries, which is why the many activities already being undertaken by the members of the Initiative must be integrated into national programmes. The EU and its member states are expected to support the partner countries in their efforts to establish framework conditions that contribute to the structural reduction of poverty.

Buama then presented some of the highlights of the past year for the German Initiative on Sustainable Cocoa. The joint monitoring process of the German Initiative on Sustainable Cocoa with Beyond Chocolate and, starting this year, also with DISCO, the Dutch Initiative on Sustainable Cocoa, is entering its second round. Another highlight, Buama stated, is the [GISCO roadmap](#), which bundles the various instruments of the German Initiative on Sustainable Cocoa and focuses on the key topics of "living income", "deforestation and agroforestry", "child labour", "traceability" and "certified / independently verified cocoa".

During the General Meeting, a resolution would be taken for all members to issue public voluntary commitments on those key topics. As in past years, the PRO-PLANTEURS project was a highlight this year as well. The Matching Fund conceived for the second project phase was successfully launched, and there are nine projects of members of the Initiative being implemented. Another call for proposals for the Matching Fund with additional funds provided by the German Federal Ministry for Economic Cooperation and Development (BMZ) through the GIZ instrument DeveloPPP will probably be issued shortly, Buama said. On the occasion of the ten-year anniversary of the Initiative, Ms Buama announced an anniversary event on 8 November, which is planned as a Parliamentary Evening. "We are

10th General meeting on 4 May 2022

proud of what we have achieved, but we mustn't rest on our laurels: The next ten years must be dedicated to achieving results in the producing countries. In this effort, working with the Federal government, who is a member of the Initiative, with our partners in the producing regions and our partners in Europe is a crucial element," she concluded.

The complete recording of the General Meeting is available to the members of the German Initiative on Sustainable Cocoa (speech Merit Buama from minute 57:25).

OPENING



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Dr Bärbel Kofler, Parliamentary State Secretary at the German Federal Ministry for Economic Cooperation and Development (BMZ), opened the event and welcomed all attendees. Human rights are the core of development cooperation, said Kofler, which is why it is a central responsibility of policy makers, business and civil society to apply human rights principles in our daily lives and to create the framework conditions for their consistent implementation. The Initiative, Kofler continued, together with its European partners has established an ambitious

monitoring system that creates more transparency and makes successes and the need for action visible, and has thus taken on a pioneering role for more sustainability.

Kofler also emphasised central challenges like the fight against child labour, achieving living incomes and the right to natural resources as a livelihood. Recently, she added, some important milestones have been reached on the long road to more sustainability, such as the proposed EU legislation on human rights and environmental due diligence and the German Act on Corporate Due Diligence Obligations in Supply Chains. These must be complemented by "accompanying measures in the producing countries". It is crucial, Kofler continued, that the additional costs associated with the implementation of these laws are not heaped upon the supplying companies and smallholding communities in the producing nations. In conclusion, Kofler pointed out the significance of effective complaint mechanisms and appealed to the participants: "Let us all pull together to make the processes for cocoa farmers more accessible and manageable!"



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The Federal Minister for Food and Agriculture **Cem Özdemir** explained in his video message that behind the product chocolate there lies the responsibility to make sure that those who take care of the cocoa tree and harvest the beans can make a reasonable living with their work and feed their families. Since its founding in 2012, Özdemir stated, the German Initiative on Sustainable Cocoa has been working to link social and ecological responsibility with economic interests, protect the environment and climate and make sustainable business possible. He

emphasised: "Germany must set a good example if we want to be credible." He pointed out that all actors have to pull together to create more awareness of fairness among the consumers who enjoy the fruits of the labours of cocoa farmers.

The complete recording of the General Meeting is available to the members of the German Initiative on Sustainable Cocoa (speech Dr Bärbel Kofler from minute 1:12:20, video message Cem Özdemir from minute 01:27:25).

INTRODUCTORY SPEECH “The new EU regulation on due diligence – opportunities and challenges for the cocoa sector”



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Zoé Druilhe, Desk Officer for agricultural raw materials at the Directorate-General for International Partnerships of the EU Commission (**INTPA**), explained the two proposals for legislation, the directive on deforestation-free products and the guideline on human rights due diligence.

Druilhe pointed out that these regulations would have far-reaching effects on trade on the one hand and on economic development in the Global South on the other hand.

Furthermore, they could revolutionise the way international

value chains are controlled. She stated that the EU Commission does advocate improving the sustainability of cocoa value chains, stopping deforestation and putting an end to the violation of labour rights in the producing countries. However, she is convinced that the long-standing cocoa trade between the EU and West Africa must be continued because this sector gives farmers their livelihood, provides tax income to the governments of the producing countries and is a source of income for millions of people working in trade, logistics, processing and marketing.

Druilhe pointed out that in the future the producing countries and importers will be required to prove the conformity of their products with the EU regulations on child labour and deforestation in order to continue selling their goods on the EU market. She also asserted that farmers should be paid a better price for better, more sustainable products. The goal of the EU Commission, she continued, is to ensure that the cocoa-producing countries can satisfy the requirements while at the same time their farmers earn a living income. But sustainable cocoa production comes at a price. To cover these costs, Druilhe concludes, the producers – many of whom are already living at or below the poverty line – must earn higher prices for their cocoa.

The complete recording of the General Meeting is available to the members of the German Initiative on Sustainable Cocoa (speech Zoé Druilhe from minute 01:35:00).

INTRODUCTORY SPEECH "Potentials and risks of the EU regulations from the perspective of cocoa-producing countries"



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HE Mr Aly Touré, permanent representative and speaker of the cocoa-producing countries in the **ICCO**, emphasised in his address the potentials and risks of the proposed EU regulations on corporate due diligence and on deforestation-free supply chains. The analysis by the cocoa-producing countries of the ICCO is still ongoing, he stated, and will be part of the coming ICCO meetings in September of this year. There are contradictions with current legislation in the cocoa-producing countries. Touré pointed out that, in addition to the regulations, massive support of cocoa farmers will also be needed to implement the regulations in the producing regions. In this context, the national system for tracing raw materials must be supported as well. He appealed to all to have the courage to talk about higher prices for producers, as they are one of the prerequisites for a sustainable cocoa marketing system.

The complete recording of the General Meeting is available to the members of the German Initiative on Sustainable Cocoa (speech HE Mr Aly Touré from minute 01:40:00).

INTRODUCTORY SPEECH "How can the ICCO help support the implementation of human rights due diligence obligations?"



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Michel Arrion, Executive Director of the **ICCO**, explained what challenges the ICCO will face with regard to implementing the human rights due diligence obligations and deforestation-free supply chains and what solution approaches he sees. Arrion summarised that there is much still to be achieved – the voluntary approach has not yielded the desired results in the past. In that light, Arrion explicitly stated that he would welcome a regulation imposing responsibility on the private sector. One risk of the proposed EU regulations, he said, would be the emergence of a two-level market: one market for cocoa that satisfies the European requirements and one for cocoa that can no longer be exported to the EU. The non-conforming cocoa would probably have to be sold at very low prices. This low-priced cocoa in turn could lead to further reductions in farm gate prices for the cocoa farmers. But even the cocoa that would comply with EU regulations and could be sold at significantly higher prices would not necessarily improve the situations of cocoa farmers. Higher costs for monitoring compliance with the regulations would be expected. Higher costs do not necessarily mean higher producer prices, Arrion concluded. The higher costs incurred due to the EU regulations could also lead to lower producer prices to offset the new costs. This possible unintended effect of the proposed EU legislation, Arrion advised, must be considered important particularly in the cocoa sector, where more than 90 per cent of farmers live below the poverty line. Regulations could exacerbate the current problems further, he said, if they are not sufficiently thought-out and implemented. The ICCO, as an international organisation working in a sector where 95 per cent of farmers live in poverty and 50 per cent in extreme poverty, an

organisation with 52 members of which 32 are cocoa-exporting countries, and which covers 95 per cent of worldwide cocoa production and 79 per cent of worldwide cocoa imports, can make a significant contribution to the discussion of EU regulations, Arrion stated. For example, the ICCO could involve relevant actors in the global cocoa sector, in particular governments, in the political dialogue. Arrion emphasised that the ICCO has made the issue of living incomes a central aspect of its strategic planning and can contribute to the discussion by way of establishing the connection between price and sustainability as well as price and due diligence. In conclusion, Arrion demanded that the distribution of costs along the cocoa supply chain be made more transparent, referring in this context to two important studies, one for the French and another for the German market, which deal with the distribution of costs and added value along the value chain.

The complete recording of the General Meeting is available to the members of the German Initiative on Sustainable Cocoa (speech Michel Arrion from minute 01:56:20).

KICK-OFF SPEECHES: Framework conditions for imposing a due diligence law for companies

In five kick-off speeches, different strategies were introduced for increasing the incomes of small-holders in the cocoa sector. As a follow-up, the participants reconvened in five thematically corresponding working groups to discuss the different approaches in detail.

Kick-off 1: What framework conditions are needed in the producing regions to ensure that a due diligence law actually does improve the situation of farmers on the ground?



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Pauline Zéi, Director of **Inades-Formation**, gave a presentation to the members of the German Initiative on Sustainable Cocoa showing which framework conditions are needed in order for a due diligence law to improve the living conditions of farmers.

Zéi emphasised the importance of regulations for compliance with due diligence and the protection of human rights and the environment in global supply chains. The necessary conditions in the producing regions include living incomes, adherence to agreed prices for cocoa and diversification of incomes of cocoa-farming families. The government must also establish the framework conditions for professionalising the cocoa cooperatives, Zéi stated.

The complete recording of the General Meeting is available to the members of the German Initiative on Sustainable Cocoa (speech Pauline Zéi from minute 02:17:46).

Results from working group 1:

What framework conditions are needed in the producing regions to ensure that a due diligence law actually does improve the situation of farmers on the ground?

The participants of working group 1 discussed the necessary framework conditions and determined that it must be ensured at the EU level that complying with the obligations of the proposed EU legislation will **not have any negative effects on smallholders**. It is important to guarantee,

the group states, that cooperatives have the necessary resources to comply with these obligations. Since poor prices for cocoa are considered one of the main causes for many other problems along the cocoa supply chain, the price question is the "elephant in the room". Discourse on this issue must be intensified. Companies should pay higher prices, in particular a reference price for a living income, and commit to long-term contracts. The German Initiative on Sustainable Cocoa should include prices and living incomes in the roadmaps to be prepared by the companies. The working group also concluded that transparent, interoperable/integrated systems for tracing raw materials are needed and that public and private systems should be coordinated with one another. In the producing countries, complaint mechanisms should be implemented and the earning activities of farmers should be diversified.

Kick-off 2: What framework conditions are necessary for companies to fulfil their human rights due diligence obligations in the long term and achieve positive effects for the cocoa farmers?



© German Initiative on Sustainable Cocoa regulations, and non-compliance with the due diligence obligations should result in appropriate and reasonable sanctions.

The goal, Roth further explained, is to raise corporate awareness of human rights issues in order to jointly achieve effective measures. In order to have greater impact on the protection of human rights and to be well prepared for the coming legislation, Nestlé has decided to make human rights along the raw materials supply chain a higher priority. By 2025, the company intends to have developed action plans on the ten most pressing human rights issues, which are to show the goals and concrete strategies of the company and increase transparency.

The complete recording of the General Meeting is available to the members of the German Initiative on Sustainable Cocoa (speech Simone Roth from minute 02:26:02).

Results from working group 2:

What framework conditions are necessary for companies to fulfil their human rights due diligence obligations in the long term and achieve positive effects for the cocoa farmers?

Working group 2 made the point that to ensure long-term compliance with human rights due diligence, living prices are an important step toward ensuring living incomes and that the **additional costs** created by the regulations **must not be imposed on the producers**. Further, the roles of the governments, the European cocoa platforms and companies were discussed.

The role of governments:

The governments of producing countries must create more **transparency** on the implementation and effects of the living income differential. The producing countries must show greater willingness to cooperate, e.g. by participating in a joint study to determine the incomes of cocoa

farmers, which could serve as a baseline for periodic impact studies. There should be a systematic “benchmarking of living incomes” in all cocoa-producing countries, which could possibly be done by the ICCO. It must be ensured that prices cover production costs. Unfair trade practices and regulations in the producing regions could be included in the EU regulation.

The role of ISCOs and companies:

The European cocoa platforms should establish a Memorandum of Understanding with the ICCO to prepare a living income benchmark for all cocoa-producing countries. The ISCOs should cooperate closely with the governments of cocoa-producing countries to carry out and publish income studies. **More members of the Initiative should pay the living income reference price**, which will be monitored starting this year.

The working group also concluded that framework conditions must be created for households which have to give up cocoa farming in the medium term, e.g. by creating alternative earning opportunities. Further, the traceability and **interoperability** of the national system for tracing raw materials with the systems used in private business must be ensured.

Kick-off 3: Paradigm shift: from voluntary sustainability commitment to corporate due diligence – how companies can build on certification.



Dr Bettina von Reden, Team Leader Policy & Development at Fairtrade, and **Christian Hohlfeld**, Public Affairs Manager at the Rainforest Alliance, spoke about the role of standards and certification systems regarding compliance with corporate due diligence. Von Reden emphasised that a paradigm shift for standards and seals is being observed. While in the past certifications were a voluntary commitment for companies to show their willingness to take more responsibility for their supply chains, the standards today are confronted with demands from companies to support them with satisfying their due diligence obligations in order to achieve legal compliance. However, certification must not be seen as a “guarantee” for the implementation of human rights due diligence, rather it is a starting point. Hohlfeld added that standards and seals make an important contribution and do provide assistance through their mechanisms and expertise but cannot in principle release companies from their responsibility to implement due diligence obligations or fulfil them on behalf of the companies. Thus, companies should integrate effective due diligence methods in all their corporate processes and not limit themselves to procuring certified goods.

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The complete recording of the General Meeting is available to the members of the German Initiative on Sustainable Cocoa (speech Dr Bettina von Reden & Christian Hohlfeld from minute 02:32:20).

Results from working group 3:

From voluntary sustainability commitment to corporate due diligence – how companies can build on certification.

Working group 2 dealt more deeply with the question of the possible role of **certification** in fulfilling corporate due diligence obligations. Companies and standard-setting organisations

agreed that ambitious and trustworthy standards and certifications can and should make an important contribution to the support and implementation of corporate due diligence, as mid-sized companies in particular find themselves depending on them. However, standards cannot release companies from their obligation to endeavour/apply due diligence or satisfy those obligations on their behalf, as every supply chain is different and the question of adequacy must be evaluated case by case. What is needed is a kit with different tools. Standard-setting companies already have some tools such as risk cards, which they can make available. Also, the standards would continue to develop so they could be a good supporting partner for companies. There are still uncertainties regarding the imminent legislation on corporate due diligence and its implementation, which is why companies, civil society and standard-setters must cooperate and maintain continuous exchange, so they can fulfil their respective shared responsibility and define the different roles in the regulation process.

PRO-PLANTEURS MATCHING FUND: INTRODUCTION OF INNOVATIVE PROJECTS FOR INCREASING INCOMES



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Sonia Lehmann, Project Manager at PRO-PLANTEURS, presented the PRO-PLANTEURS project concept phase II to the participants. The aim of the project activities, she explained, is to improve the living conditions of cocoa farming families toward living incomes in the project region while preserving the natural resources. Lehmann illustrated the four components of the project designed to achieve this goal.

Project phase II includes: component 1 *Strengthening of cooperatives*, component 2 *Optimisation of agricultural operations*, component 3 *Matching Fund* and component 4 *Learning and innovation*. 47 cooperatives

are involved in the cooperation with PRO-PLANTEURS, 35 of them from phase I. Twelve more cooperatives with a total of 13,500 members are currently being added as part of phase II. Lehmann presented several trainings, workshops and other activities of component 1, which deal with topics like gender strategies, digitalisation, digital payment tools, land rights, access to financing for women, access to financing for cooperatives and the use of locating devices (GPS) and mapping. These are adapted to the specific needs of the individual cooperatives, which were most recently assessed in an evaluation mission in cooperation with the Conseil du Café-Cacao (CCC) 2021. Component 2 encompasses diversification measures such as refresher training on diversification and distribution of seed materials, coaching in the field, improvement of nutrition and earning activities. An important area of activity during the reporting period was the implementation of the second round of the Matching Fund as part of component 3. During the second call for proposals, five new projects were established by Olam, Fairtrade, Ferrero, Mondelez/Olam and Schokinag. Component 4 contains the building of a multimedia website of GIZ cocoa projects in Côte d'Ivoire, associated research for the project by the Leibniz Centre for Agricultural Landscape Research (ZALF) as well as monitoring, studies and field work.

The complete recording of the General Meeting is available to the members of the German Initiative on Sustainable Cocoa (speech Sonia Lehmann from minute 03:36:00).

CLOSING REMARKS



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Merit Buama,

To conclude the public portion of the General Meeting, Merit Buama thanked all participants, and in particular all those involved in organising and implementing this successful event, and invited the members of the Initiative to take part in the upcoming internal portion of the General Meeting dealing with the business aspect of the Initiative.

Please note: The minutes of the business portion of the General Meeting were prepared separately and sent to the members.

10th General meeting on 4 May 2022



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