

PROPOSAL FOR THE ENGAGEMENT PHASE FOR A SUSTAINABLE BELGIAN COCOA PROGRAM

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The Belgian Government has requested IDH the Sustainable Trade Initiative (IDH) to engage the Belgian cocoa sector with and coordinate a Belgian Cocoa Origin Program. This document briefly describes the overall ambition of this program and how the engagement phase (phase I) of this industry-wide sustainability program will be set up and implemented. At the end of the engagement phase the objectives and approach of the program will have been specified in the form of a three-year implementation plan (phase II) and major Belgian players (businesses and not-for-profit support organizations) in the cocoa and chocolate industry will be mobilized. The first phase will start with an opening session in which the Minister of Development Cooperation invites and mobilizes the main stakeholders in the Belgian cocoa sector.

Belgium calls for sustainable chocolate

Belgium is recognized worldwide for its chocolates, pralines and award-winning chocolatiers. As a major importer of cocoa beans and internationally renowned exporter of chocolate products, Belgium owns the world's largest processing factory, the second-largest cocoa port on the European continent and has more than 400 companies (both large multinationals and SME's) involved in chocolate production and exports. The total annual turnover of the chocolate and praline industry in Belgium amounts to Euro 4 billion. The total annual production is around 650 thousand ton of which nearly 90% is exported. The sector's export value represents more than 10% of the country's total food export value.

In recent years the sustainability of cocoa and Belgian chocolate has become topic of public debate. Triggered by concerns over farmer income and labor issues, NGOs campaigned for increased transparency in cocoa supply chains. Several concerned companies have started the roll-out of farmer support programs in their value chains, aiming to improve cocoa farmer livelihoods and to secure long-term supply.

Given the leading role of Belgium in the sector and recognizing the importance of sustainable cocoa production and supplies for the future of Belgium's chocolate sector, the Belgian government is looking to support a sector-wide approach and program that brings together companies, civil society and government around a joint agenda for integrating sustainability in the operations of the Belgium industry and to deliver results on the 2030 Sustainable Development Goals in the cocoa value chains.

Ten years of IDH experience in cocoa sustainability

IDH companies, Civil Society Organizations and governments in public-private partnerships. With these partnerships IDH jointly designs, co-funds and pilots new economically viable business models to deliver large scale impact on the SDGs. IDH works together with more than 500 companies, CSOs and local governments and is supported by a number of institutional and other donors. IDH bundles their power and knowledge to orchestrate impactful change in 12 commodity sectors and landscapes in over 50 countries and has gathered valuable knowledge and lessons over the last 10 years.

IDH has been active in the international cocoa sector for a decade and has gained a wealth of knowledge and experience on sustainability in cocoa. Funded by the Dutch, Swiss, British and Danish governments, it works with the cocoa industry (both multinationals and SMEs), civil society and governments of producing governments (mostly in West-Africa, Indonesia and a few Latin American countries) to drive the SDG's in the cocoa value chains. Key areas of focus are certification, farmer livelihoods and productivity, gender, farming systems and nutrition, cooperative empowerment, farm finance, digitalization, combatting deforestation and climate-smart agriculture.

The essence of the IDH cocoa programs has always been to ensure that cocoa farmers and their organizations are adequately supported through a package of services that is accessible, affordable, and attractive to current and future generations of cocoa producers. IDH started working with the cocoa sector back in 2008 with a program focused on supporting cocoa farmers in the implementation of Good Agricultural Practices (GAP) through certification-led training. A key lesson learnt was that apart from capacity building centered on GAP, farmers also need access to finance, fertilizer, and crop protection. The sector needed to organize around an agenda that went well beyond certification-led training. Innovation was needed to improve the quality of cocoa, heighten productivity, and drive the professionalization of farmers and their cooperatives.

In response, innovative Service Delivery Models were analyzed and piloted to cost-efficiently distribute inputs to tens of thousands of small-scale farmers in remote areas. Tailored finance solutions for smallholders were developed that helped transform them into entrepreneurs. Through the commitment of public and private partners, the program succeeded in convincing the private sector to go beyond a one-size-fits-all certification approach. The sector matured into a farmer-centric approach in which farmer profitability is a pillar on which a sustainable cocoa sector may be built.

The Shift, Belgium's leading sustainability network



The Shift is a network organization for companies, NGO's and other partners that promotes partnerships and cooperation leading to sustainable business models. The organization currently has more than 350 members, including the Belgian branches of multinationals, small and medium sized companies, civil society organizations, educational institutes, employers' federations, etc.

KAURI and UN Global Compact Network Belgium are two of the sustainability networks that merged into The Shift in 2015. Both networks have drawn attention in the past to the sustainability challenges in the Belgian cocoa and chocolate sector, but so far this has not lead to a sector-wide drive towards sustainable sourcing, processing and trade of cocoa and cocoa products. On the 7th of December 2017 The Shift organized a round table on the SDGs at the Belgian chocolate factory Belvas, in the presence of Her Royal Highness Queen Mathilde and Vice Prime Minister and Minister for Development Cooperation Alexander De Croo. As an outcome of this round table, The Shift engaged in discussions with Belvas, Cargill,

Choprabisco, Fairtrade Belgium, Oxfam, Rikolto, retailers and DGD on the topic of sustainable Belgian chocolate.

The Shift wishes to capitalize on the rising momentum in the cocoa sector. Combining its strong network and neutral position within the cocoa sector, The Shift is committed to work with IDH on the establishment and implementation of a Belgian Sustainable Cocoa Program. This program will have to be based on a clear commitment by the private sector towards achieving sustainable cocoa sourcing and consumption targets and delivering impact at cocoa producer level in important sourcing countries.

The Cocoa Origins Program

Past experiences of IDH and its partners in the international cocoa sector have led to the development of the current Cocoa Learning and Innovation Program which pilots and supports projects to create scalable impact in the following three areas:

- enabling farmers and cooperatives to grow as professional service providers and entrepreneurs,
- improving cocoa farmer food security and nutrition, and
- mitigating deforestation and forest degradation.

Blended finance solutions have allowed for de-risking investments in cocoa smallholder agriculture, leveraging investments from development banks and multinational cocoa companies.

A key component of this current program is the Cocoa Origins Program. The aim of the Program is to establish stable commercial relations between cocoa producers and the SME chocolate industry to improve sustainability at the farm and community level. IDH and its cocoa partners assist cocoa farmers to transform their farming activities into a profitable business, generate more income from diverse sources to meet up their income needs and to make them more resilient. IDH has initiated models through which financiers have started to support the cocoa sector financially and by doing so, that farmers and their cooperatives have access to finance. This

enables cocoa farmers to investment in the necessary inputs and support services for making the conversion towards sustainable production and supply models.

Supporting sustainability in value chains of Belgian players

The Belgian government aims to support a program that brings together key industry players, civil society organizations and government and supports the Belgian cocoa and chocolate industry in taking the next step in integrating sustainability into its operations. This will directly contribute towards delivering results on the 2030 SDG agenda. On request of the Belgian government, IDH with support from The Shift will scope the possibilities for such a program which is envisioned to consist of two core elements:

Main benefits for participating companies in the Cocoa Origins Programme

For SME cocoa processing companies and chocolatiers:

- low entry barrier in terms of finances and operations;
- possibility of direct and long-term linkages with cocoa producers;
- verifiable compliance with comprehensive sustainability standards.

For smallholder cocoa producers:

- Improved income and working conditions;
- Access to local support services and funding;
- More resilient farming systems.

- I. Alignment and commitment of the key stakeholders in the Belgian cocoa and chocolate sector (cocoa importers and processing companies, chocolatiers, retailers, support organizations, government) towards making sustainability the norm in the Belgian cocoa and chocolate sector.
- II. Supporting the sustainability commitments of the Belgian stakeholders, particularly the hundreds of SME's in the Belgian cocoa and chocolate sector, through the implementation of a Belgian Cocoa Origins Program.

The combination of these two components will support the Belgian stakeholders to translate their commitments into real action and impact in the cocoa supplying countries. This will develop the Belgian sustainability story and showcase concrete results in the cocoa sector against SDG targets related to poverty reduction, gender equality, decent work and economic growth.

The program will cover capacity building of cocoa farmers and their organizations in selected production countries, digitalization (monitoring, traceability, etc.) of cocoa production and supply systems, climate-smart agriculture, living wage introduction, gender equality and entrepreneurship development of farmers and SME's in the selected sourcing countries. The focus areas will be aligned to match the interests of key stakeholders in the sector and the Belgian government.

Engagement of the Belgian cocoa sector

The proposed Belgian Cocoa Sustainability Program will comprise two-phases: an engagement phase followed by the implementation phase. During the first phase the views and opinions of the sector stakeholders will be mapped and the need and opportunities for an industry-wide sustainability program will be analyzed. Based on this the implementation details of the program will be formulated and the organizational and financial preconditions for the overall program will be created. At the end of the engagement phase there will be (i) a detailed outline of a Belgian Cocoa Origins Program that will assist cocoa companies and other stakeholders in the sector to achieve the sustainable cocoa objectives; and (ii) confirmed engagement by a group of frontrunner companies, civil society organizations and the Government to support the implementation of the Program.

Below the main activities, timeline and cost estimate of the for the engagement phase are presented.

phase I - main activities

The first phase in this process is to scope a concrete multi-year program that has the support of the industry, civil society and the government. IDH with support from The Shift will mobilize key cocoa stakeholders from their respective networks and secure their engagement for the implementation phase of Belgian Cocoa Origins Program.

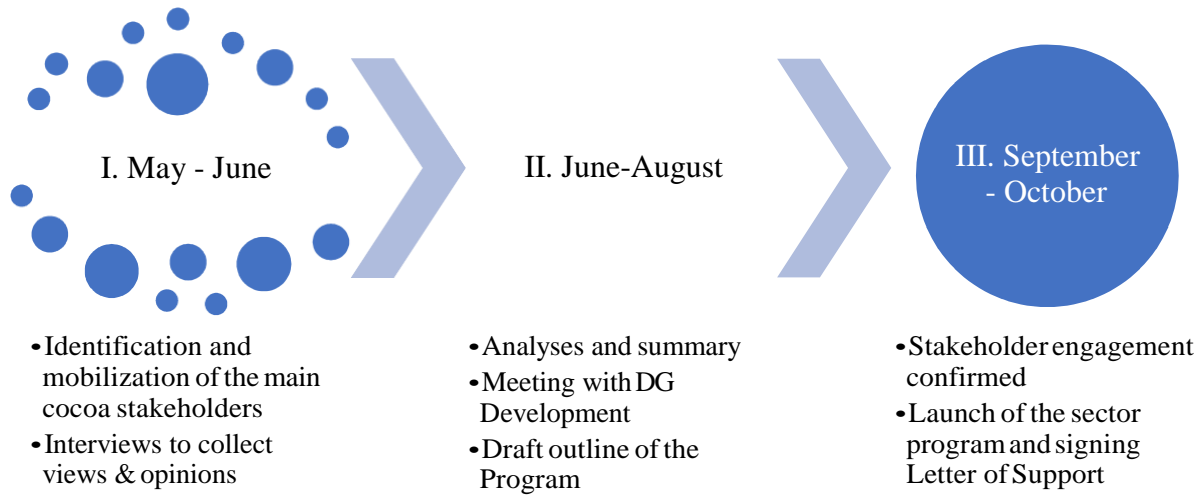
The main activities during phase I will include the following:

Based on the complementary networks, expertise and possibilities IDH and The Shift will work closely together during the first phase of programme. IDH will mobilise the large multinational cocoa companies and bring in its expertise on sustainable cocoa supply chain developments and sector support programs. The Shift will mobilise the Belgian SME's, and support organisations in the cocoa sector and will assist with organising sector workshops. Upon the successful conclusion of phase I, it is envisaged that the cooperation between IDH and The Shift will be extended also during phase II of the program.

- I. Mobilization of the main cocoa stakeholders:
 - IDH already has contacts with some of the main international players such as Barry Callebaut and Cargill as well as retailers such as Delhaize/Ahold. In addition, other important companies and sector organizations will be identified and mobilized. Through the network of The Shift other cocoa importers/processors, chocolatiers and retailers will be mobilized as well as the sector organization Choprabisco and support organizations such as Rikolto, Oxfam Belgium and Fair Trade Belgium;
 - Opening session in which the Minister of Development Cooperation invites and mobilizes the main stakeholders in the Belgian cocoa sector.
 - Initial consultations / interviews with the identified companies and support organizations will be conducted to assess their existing strategies and ambitions towards sustainable cocoa sourcing, production and trade and scoping their possible engagement in a sustainable cocoa program.
- II. Outlining the Belgian Cocoa Origins Program:
 - Analyzing and preparation of a summary on the main findings and views of stakeholders on key sustainability challenges in cocoa value chains, their experiences with sustainability programs and ambitions for a Belgian Cocoa Origins Program;
 - Preparation of a draft outline of the national cocoa sustainability strategy covering the two elements: (a) a sector-wide sustainability commitment and (b) a Belgian Cocoa Origins Program;
 - Meeting with DG Development Cooperation to discuss sector findings and the core elements of the sustainability strategy for the Belgian cocoa sector and the support by the Government;
 - Preparation of a draft outline and implementation plan for a three-year Belgian Sustainable Cocoa Program (including a cost estimate and funding proposal) with clear targets on SDG contributions and sustainable contributions by the private sector partners.
- III. Launch of the program:
 - Second round of stakeholder consultations to discuss and improve the draft program outline and consolidate the commitment of a core group of stakeholders towards the objectives and co-funding arrangements;
 - Organization and implementation of a cocoa sustainability workshop by IDH and The Shift for cocoa sector representatives and media. The workshop will be part of The Shift's program in 2018 for organizing four sector partnership workshops. A potential date for the workshop could be the 1st October 2018 (World Chocolate Day)

During the workshop the partners will (a) present the objectives and outline of the public-private partnership program on sustainable cocoa and (b) sign of a Letter of Support together with the group of frontrunner companies and support organizations in the Belgian cocoa sector. This Letter will outline the joint commitment of the sector stakeholders and the Government towards the sustainable development and performance of the Belgian cocoa sector and their engagement and contribution towards the establishment and implementation of the Belgian Cocoa Origins program.

Timeline



Budget

Item	Costs (€)
Staff IDH (program officer/Director Cocoa program) (75 days)	73,125
Other costs (i.e. travel, hotel, daily subsistence, rent meeting venue)	7,925
Project support Belgian partners (15 days)	7,500
Workshop	5,000
Total	93,550