



Feed the Future Partnership for Climate Smart Cocoa

Report May 21 to September 30, 2016

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I. Executive Summary

On May 21, 2016 the World Cocoa Foundation (WCF) signed the agreement with USAID for the Feed the Future Partnership for Climate Smart Cocoa. This is a four-year Program led by World Cocoa Foundation in consortium with ACDI/VOCA. The Program is working through the cocoa and non-cocoa value chains to coordinate and leverage private sector investment in developing climate smart agriculture (CSA) in West Africa and Latin America. The Program is supporting strategy development and pilot activities in the areas of farmer training curricula, agroforestry market systems linkages, and drought tolerant planting material. This Program part of a larger consortium under Feed the Future's CSA portfolio. The other collaborating projects include the CCAFS-SFL-Root Capital project "Unlocking Private Sector Engagement and Creating a Learning Community in Climate-Smart Agriculture" (the Learning Community), and the "Partnership for Climate Smart Coffee", led by the Hans R. Neumann Foundation.

The vision of this Program is that smallholder farmers are empowered to use CSA practices that improve supply chain and ecosystem resilience. The overall objective of the Program is to increase private sector investment and engagement that promotes and supports the adoption of climate smart agriculture (CSA) among smallholders in cocoa-producing landscapes.

To achieve this goal, the Program is focusing on two objectives:

1. Strategy: Implement a shared cocoa/agroforestry strategy for addressing climate change threats to farmer livelihoods and ecosystems in cocoa-growing regions.
2. Piloting Innovations: Use lessons learned from successful pilots to guide private sector investment in targeted CSA activities to improve resilience for farmers, other supply chain partners, and ecosystems.

During the reporting period (May 21 to September 30, 2016), WCF focused on program startup. Under Objective 1: Strategy, WCF engaged with the Learning Community team (Sustainable Food Labs and CIAT) and USAID to determine the scope for collaboration and develop a plan for the completion of the inception report. WCF assisted the Learning Community with the development of an inception report and climate impact mapping by facilitating introductions and participating in meetings with key technicians, decision makers, and public and private sector partners. WCF hired two new staff to the Program – West Africa Program Manager and Latin America Program Consultant. The two new team members will be responsible for coordinating program activities in West Africa and Latin America. During this period, WCF signed a sub agreement with ACDI VOCA to carry out the market analysis work in Liberia. ACDI VOCA kicked off activities to carry out the initial market analyses, including recruiting for a Liberia program staff (tentatively titled Cocoa Agroforestry Market Development Specialist.

Under objective 2: Pilot Innovations, WCF initiated the work on screening for heat and drought tolerance. WCF received an additional grant for approximately \$60,000 from USDA-FAS to contribute to this work under the Climate Smart Cocoa Program. WCF will partner with Bioversity International to develop a methodology and workplan for screening for heat and drought tolerant planting material. In addition, during this reporting period, WCF developed

and submitted the Performance Measurement Plan and 2017 Workplan, both of which were approved. During this period, we focused on developing communication materials for the launch of the program. Separately from the Climate Smart Cocoa Program, WCF and the Ecuadorean Ministry of Agriculture organized the Americas Cacao Breeders Working Group in Guayaquil, Ecuador on September 8 and 9. The presentations and discussion focused on climate change issues on the cocoa sector in Latin America, with a focus on cocoa genetics and breeding. WCF has had numerous conversations with other organizations to discuss opportunities for collaboration.

II. Background

The Feed the Future Partnership for Climate Smart Cocoa is a four-year Program led by World Cocoa Foundation in consortium with ACDI/VOCA. This Program brings together USAID and nine private sector companies (Barry Callebaut, Cargill, Ecom, The Hershey Company, Lindt & Sprüngli, Mars Inc., Nestlé, Olam International Ltd, and Touton) to address the challenges of climate change in cocoa-producing landscapes. The Program focuses on two geographic clusters – West Africa (Côte d’Ivoire, Ghana, and Liberia) and Central America & the Caribbean (Dominican Republic, El Salvador, Honduras and Nicaragua).

The Program is working through the cocoa and non-cocoa value chains to coordinate and leverage private sector investment in developing climate smart agriculture (CSA) in West Africa and Latin America. Sustained private sector engagement and investment in CSA, including cocoa and non-cocoa forest products, requires demonstrating to industry the predicted impacts of climate change on supply; objective analyses of the trade-offs between different CSA practices; a sector-wide strategy involving the private and public sectors; and innovative tools and services to support effective engagement and investment.

The Program began with an initial investment of \$1.7 million from USAID and approximately \$400,000 from WCF and its member companies. With these funds, the Program is supporting strategy development and pilot activities in the areas of farmer training curricula, agroforestry market systems linkages, and drought tolerant planting material. It is anticipated that additional funds may be added during the life of the Program as other USAID Missions and Bureaus, other donors, and/or additional companies learn about the Program and decide to support it.

The Program will adopt a value chain approach by supporting CSA mainstreaming at different entry points in the value chain to ensure a broad-based impact. Through engagement of the cocoa value chain and the ongoing commitments of the private sector, the Program will accomplish its goal of increased private sector investment and engagement that promotes and supports the adoption of climate smart agriculture (CSA) among smallholders in cocoa-producing landscapes.

The vision of this Program is that smallholder farmers are empowered to use CSA practices that improve supply chain and ecosystem resilience. The overall objective of the Program is to increase private sector investment and engagement that promotes and supports the adoption

of climate smart agriculture (CSA) among smallholders in cocoa-producing landscapes.

To achieve this goal, the Program is focusing on two objectives:

3. Strategy: Implement a shared cocoa/agroforestry strategy for addressing climate change threats to farmer livelihoods and ecosystems in cocoa-growing regions.
4. Piloting Innovations: Use lessons learned from successful pilots to guide private sector investment in targeted CSA activities to improve resilience for farmers, other supply chain partners, and ecosystems.

III. Comparison of accomplishments against and targets for established performance and impact indicators

Most of the activities are on track. WCF has had numerous conversations with the Learning Community regarding the scope of work for the inception report, as well as roles and responsibilities. And MoU between WCF and the Learning Community will be signed in the next quarter. Please see “APPENDIX A_ Climate Smart Cocoa-Workplan 2016-17- Report on Progress” for more information on progress.

IV. Program Summary Objective 1: Implement a shared cocoa/agroforestry strategy for addressing climate change threats to farmer livelihoods in cocoa-growing regions

WCF will engage the private sector and USAID to begin a strategic dialogue about climate change and cocoa. The process will produce an initial climate-smart cocoa strategy for the sector with an emphasis on private sector actions. The strategy will take the form of a living document that will be revisited and revised as understanding of climate change issues advances over time.

This objective will be achieved through the following four specific activities:

1. Report on the Cocoa-Climate Landscape: Build knowledge on the impact of climate change on the cocoa sector, and the current landscape of private sector investments in CSA.
2. Cocoa Agroforestry Market System Assessment: Assess cocoa agroforestry market system to identify end-markets and market incentives for cocoa agroforestry products and key capacity building needs.
3. Governance/Structure for CSA Dialogue: Support/establish multi-stakeholder CSA platform/work group to begin strategic dialogue.
4. CSA Framework & Investment Plan: Identify short-, medium-, and long-term investment actions for addressing climate change in the cocoa sector that includes investment opportunities in CSA pilots and innovations.

1. Report on the Cocoa-Climate Landscape:

In the development of the sector-wide strategy, WCF is collaborating with the CCAFS-SFL-Root Capital project “Unlocking Private Sector Engagement and Creating a Learning Community in

Climate-Smart Agriculture” (the Learning Community), to develop current landscape of private sector activities and investments in CSA, as well as, improving mapping of climate impact on the cocoa sector. This Program will utilize the information drawn from outputs of the Learning Community including the decision support tools and mapping as well as additional information obtained from relevant company projects, public sector plant, and other initiatives to develop a comprehensive inception report that will form the basis for strategic discussions with the private sector. The report will largely be a synthesis of work conducted by others packaged in a form that is useful and actionable for the private sector.

During this reporting period, WCF engaged in numerous conversations with SFL and CIAT to develop the strategy, roles and responsibilities, and workplan to complete the company CSA investment assessment. WCF assisted CIAT researchers in their work to develop and expand the climate impact mapping in Côte d’Ivoire. WCF facilitated introductions and participated in meetings with key technicians, decision makers, and those with access to needed data. This included representatives from Le Conseil du Café-Cacao (CCC), the Ivorian cocoa research center (CNRA), REDD+, as well as, key company partners. A MoU between WCF and SFL will be completed in Q1 2017 for this program activity. The WCF Climate Smart Cocoa Program Director (PD), Ethan Budiansky also has a role on the Learning Community Advisory Board.

2. Cocoa Agroforestry Market System Assessment:

Along with the strategic development process, the Program will conduct a market analysis to inform the implementation of the agroforestry market system linkages/development pilot under Objective 2. Overall, the market systems assessment and linkages ultimately serve to connect cocoa agroforestry producers to the best markets for diverse products from their production systems, creating a sustained, market-driven investment in cocoa agroforestry systems. This is being carried out through a sub grant to ACDI VOCA.

On August 8, WCF executed a sub-agreement with ACDI VOCA. During the reporting period ACDI VOCA held a kickoff meeting with their technical team, project manager and project coordinator to align on overall objectives for the project and initial market analyses, identify immediate start-up tasks, define broad criteria for selecting the intervention area, and discuss the approach for recruiting a Liberia program staff (tentatively titled Cocoa Agroforestry Market Development Specialist). They have since engaged in secondary research using documentation and input from in-country staff on other projects to refine our criteria for selection our interventions area and evaluate potential intervention areas along these criteria. In addition, the ACDI VOCA project manager and technical team collaborated on the development of a job description, which was posted in early September. They have since shortlisted and interviewed candidates in late September.

3. Governance/Structure for CSA Dialogue:

The Program will work with public and private sector partners, the Learning Community, WCF’s CocoaAction strategy platform (Côte d’Ivoire and Ghana), WCF’s Latin America Committee, and

ACDI/VOCA collaborators in Liberia to implement these activities which will result in the development and implementation of a shared cocoa strategy for climate change threats to farmer livelihoods and ecosystems in cocoa-growing regions.

WCF will facilitate the Climate Smart Cocoa Strategy Groups (CSCSG) made up of public and private sector partners: These groups (one for West Africa and one for Latin America) will meet at least once annually and will be tasked with reviewing the results of the program to date and approving the annual work plan, by region. Specific decisions regarding the strategic direction of the program and the need to capture and mobilize additional resources and/or reallocate resources will be made within the context of the strategy groups.

In preparation for the development of multi-stakeholder platform, the Program Director has been engaged with the numerous partners following the launch of the program. During this period, WCF has had numerous meetings with Lutheran World Relief (LWR) and Catholic Relief Services (CRS) to discuss opportunities to collaborate on projects in Latin America, particularly Honduras, Nicaragua and El Salvador. In addition, the Program Director has been maintaining communication with each of the company partners as the program is being rolled out. On September 9, the Program Director and Latin America Director, Virginia Sopyla facilitated a Climate Smart Cocoa Latin America planning meeting. This was held in conjunction with the annual meeting of the Americas Cacao Breeders Working Group in Guayaquil, Ecuador. Those participating in the planning meeting include USDA, CRS, LWR, Centro Agronómico Tropical de Investigación y Enseñanza (CATIE), Fundación Hondureña de Investigación Agrícola (FHIA) and company partners, Nestlé and Ecom. The purpose of the planning meeting was to: introduce the program, discuss the strategy development, and coordinate on the implementation of activities. The key takeaways from the meeting were:

- Particularly in Latin America, there are a lot of opportunities to develop synergies and lessons learned between the coffee and cocoa sectors
- There is an interest to review current training and technical toolkits to be more climate smart, pulling best practices from West Africa where applicable
- What is really needed in Latin America is a great coordinated effort to address climate change and cocoa sustainability
- WCF should leverage national and regional forums about the program and collaborative platform

WCF is organizing the Climate Smart Cocoa West Africa kickoff meeting for November 1, 2016 in Abidjan, Côte d'Ivoire.

The Climate Smart Cocoa program will have a direct linkage to the recently signed African Cocoa Initiative II program. These linkages will be established through a number of mechanisms. At the most basic level, the strategy work being done under the Climate Smart Cocoa program will feed directly into the overall sustainability strategy work of industry in the USAID and industry-supported African Cocoa Initiative Phase II (ACI II). In fact, the same WCF member companies in many instances are supporting both Climate Smart Cocoa and ACI II, and

meet regularly for these programs or as part of CocoaAction, which allows for strong complementarity of approach on all the priority issues affecting cocoa sustainability.

4. CSA Framework & Investment Plan: The strategy will produce an investment plan for the implementation of pilot activities. The investment plan will identify short-term, medium-term and long-term investment actions for addressing climate change in the cocoa sector. Short-term actions are those that can be taken relatively quickly based on current information. This will be started in 2017.

V. Program Summary Objective 2: Use lessons learned from successful pilots to guide private sector investment in targeted CSA activities to improve resilience for farmers, other supply chain partners and ecosystems.

The Program will design and pilot services and tools to stimulate private sector investment and engagement, per the analysis and strategy phases and ongoing learning. Pilot activities will be implemented through existing channels (as above) to leverage current private sector commitments and on-the-ground programs.

The Program will also establish a co-investment mechanism to catalyze private sector investment in CSA pilot projects. This co-investment provides a buy down of risk to cocoa industry to test and adopt innovative approaches to address the broader goals of cocoa sustainability. Learning and dialogue with the other CSA programs will be integrated seamlessly throughout. The Program anticipates refining existing services and tools, and developing others from scratch. Successful pilot projects will ultimately be adopted and scaled up through public and private sector programs to reach rural farmers.

Five key activities will contribute to the achievement of this objective:

1. Identification and Design of Pilots: Identify and link sector actors with specific interest in piloting CSA relevant projects, to refine and design pilots.
2. Implementation of Pilots: Facilitate implementation of CSA pilots (starting with initial pilots).
3. Identification of Key Questions: Identify key learning questions to guide pilot M&E and additional studies/analysis.
4. Lessons Learned: Compile lessons learned from pilots in accordance with identified sector needs.
5. Promotion: Refine and promote successful pilots to attract additional investment.

During this period, WCF started activities focused on the screening for heat and drought tolerant planting material, one of the key priority activities identified by company partners during the program development phase. In July 2016, WCF received an 18-month, USDA-FAS grant entitled "Strengthening the Cocoa Value Chain." Through a portion of this grant (approximately \$60,000) and in partnership with Bioversity International, WCF is facilitating the development of a strategy to evaluate the current state of research on drought and heat

tolerant planting material and develop a strategy and methodology for evaluating material as part of the Climate Smart Cocoa and other potential programs, including ACI II.

The objectives of this work includes:

- Get a clear understanding of the current knowledge on the physiological response of cocoa and the genetic diversity to drought and high temperature tolerance;
- Map out the institutional landscape and partnerships on cocoa drought and high temperature tolerance research;
- Develop a pragmatic framework for a research program and related priorities for the next 3-5 years.

During this period, Bioversity International carried out the recruitment process for a Post-Doc candidate to carry out this work. This will be a one-year assignment starting in October 2016.

In addition to the strategy work, ACI II will directly link with the global effort to inventory the many climate-sensitive breeding and research programs. This inventorying work will also develop a global framework for what is needed to move the breeding for drought tolerance effort forward. Given the modest financial resources of the Climate Smart Cocoa program, WCF intends to have the Climate Smart Cocoa program directly fund on-going drought tolerance breeding work in Latin America, while ACI II will fund a parallel effort in West Africa that uses a similar protocol. Since all of the genetic material for breeding originates in Latin America, ACI II will coordinate with the Climate Smart Cocoa program to help articulate screening needs, led by Climate Smart Cocoa at both CATIE (Costa Rica) and Cocoa Research Center (Trinidad), where important international collections are housed. Where specific materials are needed in West Africa, the ACI II program will work to request and transfer these materials to West Africa. By feeding into the same global Climate Smart Cocoa platform, efforts in both West Africa and Latin America will contribute to the global action plan for drought tolerance breeding.

VI. Operations

As we were finalizing the negotiations for the cooperative agreement between USAID and WCF, USAID approved a request for pre-authorization cost approval beginning May 2. This allowed WCF to start activities associated with the Program including: 1) naming of Ethan Budiansky as the Program Director and requesting approval to be Key Personnel under this program; 2) coordination of private sector partners; begin job search for regional Program Managers; 3) engagement with the Learning Community on climate impact modeling activities; and 4) participation in workshop on USAID Rules and Regulations. Ethan participated in the workshop on June 14-16.

During this reporting period, the Program Director and other WCF staff developed and submitted the Climate Smart Cocoa workplan and Performance Management Plan. Both of these documents were approved by the AO. WCF also recruited the Climate Smart Cocoa West Africa Program Manager and Latin America Program Coordinator. The Program Director, Latin

America Director, West Africa Senior Director, Finance and Operations team collaborated on the development of the two job descriptions and interview process, which were posted in May. They shortlisted and interviewed candidates throughout July and August. In late September they made offers and ultimately signed agreements with two highly qualified candidates for each of the positions to both start on October 3. The Program Manager and Program Consultant will coordinate the development of climate smart program activities in West Africa (Côte d'Ivoire, Ghana, Liberia) and Latin America (Dominican Republic, El Salvador, Honduras and Nicaragua) and play a critical role in aligning and interfacing with different private and public stakeholders and initiatives in the sector.

VII. Communications and Outreach

During this period, we focused on developing communication materials for the launch of the program. This included developing program overviews as well as translating all of the program documentation into French. WCF officially launched the program on May 31 with an announcement at the Penn State's Frontiers in Science and Technology for Cacao Quality, Productivity. The press release is as follows: <http://www.worldcocoaafoundation.org/wp-content/uploads/FINAL-CSC-program-announcement-5-31.pdf>

The Program Director and Latin America Director organized the Americas Cacao Breeders Working Group in Guayaquil, Ecuador on September 8 and 9. The presentations and discussion focused on climate change issues on the cocoa sector in Latin America, with a focus on cocoa genetics and breeding. Over forty participants representing public sector, national, regional and international research institutions, as well as development organizations and private sector partners participated in the meeting. During the meeting, the Program Director presented the Climate Smart Cocoa program.

The Program Director and Latin America Director have also organized numerous meetings with outside organizations to introduce the Climate Smart Cocoa Program. On June 3, the Latin America Director and Program Director presented the Climate Smart Program to a team at USDA FAS. The conversation focused on opportunities for collaboration and ultimately led to the "Strengthening the Cocoa Value Chain" project and grant. On July 11, the Program Director presented the program a full team including Executive Director at the International Institution for Environment and Development. Since this meeting, WCF and IIED have been exploring numerous opportunities to collaborate on projects and grant proposals.

VIII. Discussion of any implementation problems encountered

During this initial startup period, there were no problems encountered.

IX. Summary of expected activities over the next six months.

Under objective 1, over the next six months WCF will work with the Learning Community team to develop the inception report to be completed in the first half of 2017. ACIDI VOCA will carry out the work to assess cocoa agroforestry market system to identify end-markets and market

incentives for cocoa agroforestry products; and key capacity building needs. The report will be completed in early 2017. In addition, WCF will focus on engaging with both public and private sector partners in program countries, determining opportunities for collaboration in the program moving forward. Following the planning/kickoff meetings and the hiring of the Program Manager and Consultant (See *“Operations”*) WCF will organize the initial CSCSG calls and meetings with program participants to 1) present the inception and market analysis reports; 2) begin the planning process for 2017 strategy development and activity implementation; 3) start the development of the CSA framework and investment plan; and 4) identify additional funding opportunities to expand and scale up activities. WCF will also conduct a regional assessment of public and private sector programs and partners currently engaged in relevant climate change activities in the participating countries.

Over the next six months, under Objective 2 the Climate Smart Cocoa management team, through the CSCSG will identify and determine the scope of the pilot activities to begin implementing in 2017. The management team will also continue engagement with Bioversity International and the Post-Doc on the methodology and workplan development for the heat and drought tolerance screening activities. Once the pilots are identified, WCF will identify contractors, as appropriate, to carry out activities.