RESPONSIBLE AGRICULTURAL INVESTMENT CASE STUDY

Responsible Agricultural Practices of a Cocoa Buying Company in Ghana

ada

ssnup
Smallholder Safety Net Upscaling Programme

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A Licensed Buying Company in Ghana's Cocoa Industry

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Cover: Farmers picking cocoa pods at their plantation.

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Hafiz Mirza and Duncan Pringle were responsible for the case study, including the research methodology, analysis, and finalisation. Duncan Pringle and Mali Eber-Rose conducted the in-country fieldwork. Mali also undertook some background research and provided inputs for the case study.

Project Description

The Smallholder Safety Net Upscaling Programme (SSNUP) aims to strengthen smallholder householders' safety nets sustainably. This will be achieved by fostering the adoption of more responsible and sustainable practices among agricultural value chain actors (AVCAs)—i.e., agribusinesses—by co-financing technical assistance projects and supporting the conducting of case studies to analyse AVCA's performance and compliance with the Committee on World Food Security's Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI).

AVCAs are critical players in achieving the goals of CFS-RAI and include producers (of crops), processors, and traders. For the SSNUP case studies, they also include service providers, for instance, organisations offering technical services to growers or support to vulnerable groups, such as women and youth. AVCAs' investment in the agricultural and food sectors can play a transformative role, enabling the adoption and dissemination of new technologies, building markets and supply chain linkages, and contributing to local economies and communities. Investing responsibly can be enhanced by AVCAs aligning policies, planned operations, and practices with the CFS-RAI.

Translating the CFS-RAI Principles into practical action by agribusinesses requires guidance and tools for stakeholders—such as financial investors and the AVCAs in which they invest—who wish to incorporate them into policies, regulations, and business practices. Case studies are one such source of guidance. They provide examples of AVCAs that have sought to put responsible investment principles and social business conduct into effect through concrete practices and performance and outcome indicators. Such agribusinesses' journeys in doing this (including the problems they face, the solutions they find, and the perspective of farmers, communities and other stakeholders on the results) provide guidance, insight, and lessons to other AVCAs taking the same path to responsible investment.

This case study of a cocoa trader in Ghana is one in a series of RAI case studies conducted by IISD for SSNUP in cooperation with ADA. The cases chosen are drawn from several segments of the agriculture and food sectors and aim to analyse AVCAs performance and compliance with the CFS-RAI.

Executive Summary

Agricultural value chain actors (AVCAs)—agribusinesses—are critical players in achieving the goals of the Committee on World Food Security's Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI) and include producers (of crops), processors, and traders. AVCAs' investment in the agricultural and food sectors can play a transformative role, enabling the adoption and dissemination of new technologies, building markets and supply chain linkages, and contributing to local economies and communities. Investing responsibly can be enhanced by AVCAs aligning policies, planned operations, and practices with the CFS-RAI (or RAI for short).

The AVCA in this case study was chosen jointly with one of the investors participating in the Smallholder Safety Net Up-Scaling Programme. It is representative of small and medium-sized traders in the cocoa industry, which is a major export crop in West Africa. Such traders typically face several challenges and constraints: they must operate within restrictions established by the authorities but may be in competition with larger firms, including multinational enterprises that benefit from economies of scale and a wider footprint across the value chain; they often have to operate across relatively large geographic areas; finance and resources are perennial issues; and they have to devote considerable effort to establishing and maintaining relationships and trust with farmers, communities, enterprises in cognate segments of the industry value chain, and other stakeholders.

As a trader, the company is authorised by the authorities to buy cocoa beans from farmers and sell these to the Cocoa Board of Ghana (COCOBOD), a state body, for export. The company is also a distributor, with its own in-house transport and warehousing operation to enable the movement of product from farmers to depots and from depots to COCOBOD warehouses.

The AVCA employs around 2,100 people across six business regions (these do not coincide with the country's administrative regions) on a full- or part-time basis. Reflecting the company's primary trader activity, most employees are in the field rather than at headquarters. The company purchases from and works with about 20,000 farmers and cooperates with some non-governmental organisation farmer support groups in supporting knowledge transfer and organic certification, resulting in enhanced and fairer incomes.

The current challenges confronting the industry and the AVCA include climate-related issues; farmers' struggle to access working capital loans at affordable interest rates (which can be as high as 100% over 6 months from private lenders); older trees dying, often for unknown reasons, leading to many farmers leaving the sector; high competition with other traders, declining profitability; and high certification costs (but which are unavoidable since foreign buyers require this).

The AVCA's compliance with the principles of RAI was assessed through both online interviews (primarily with the company) and in-country fieldwork (with the company and many stakeholder groups such as employees, farmers, women, and youth) using dedicated instruments. Answers from the company and stakeholders were analysed to assess the

AVCA's RAI compliance across seven dimensions.[1] The dimensions are listed in the table below, with the average level of RAI compliance indicated in the right-hand column.

Table ES1. Summary findings

Dimension	Level of compliance
Strategy and accountability on responsible agriculture	The level of RAI compliance is relatively low in this dimension. In particular, considerable improvements are required in the organisation's assessing and managing of its impact (e.g., on communities and the environment).
Inclusive and transparent structure	There is a very high level of compliance in this dimension. The organisation communicates very clearly with external stakeholder. There is close consultation with local stakeholders such as farmers.
Safe and responsible agriculture and food systems and operations	The company scores relatively highly on responsible processes, products, and services.
Environmentally sustainable processes and products	The level of compliance is relatively low, especially in implementing and promoting sustainable practices.
Responsible treatment of stakeholders	The company respects legitimate tenure rights in land, fisheries, forests, and water and promotes responsible and fair contracting practices with its stakeholders. However, it does not place a high emphasis on the need to consider local cultural heritage in business processes.
Responsible human resource development	The level of RAI compliance is low vis-à-vis practices impacting its employees. This largely reflects the lack (or underuse) of systematised, formal procedures and practices. There is a tendency to take ad hoc actions when a situation arises.
Financial transparency and benefit sharing	There is a middling level of RAI compliance in this category, with a wide disparity between the two subcategories. The company scores highly in terms of its transparent financial structure, but it currently scores low on benefit sharing (using profits responsibly) with local communities, the latter being a function of financial constraints.

Source: Authors.

[1] These dimensions—reflected in the principal research instrument used for the AVCA interviews—were chosen to (broadly) correlate with primary business functions (strategy, finance, human resources etc.). In other words, the questions were directly intelligible for businesses. At the same time, the actual questions asked (e.g., practices referred to) were carefully mapped to specific CFS-RAI principles. For example, the strategy and accountability dimension mainly relate to issues covered in CFS-RAI principle 10: "assess and address impacts and promote accountability." Similarly, the dimension on responsible processes, products, and services encompasses issues under CFS-RAI Principle 1 ("contribute to food security and nutrition") and Principle 8 ("promote safe and healthy agriculture and food systems). Of course, there is no one-to-one correspondence between dimensions and CFS-RAI principles.

Taken across all dimensions, the AVCA's level of overall RAI compliance can be deemed to be acceptable, but significant action is required in areas in which it is weak. Importantly, the company is still in the process of developing or deepening its strategy toward responsible and sustainable investment and operations. Moreover, an assessment across the broad range of issues that CFS-RAI speaks to has opened new insights into compliance gaps, actions required, and potential solutions.

The case study concludes with extensive recommendations to the trader, its financial investors, the government, and other stakeholders based on the findings. The recommendations for each actor are linked closely to each dimension, and for most, the business environment in which the AVCA operates is critical. For example, in terms of strategy and accountability, the company is a small business in a very competitive environment. It, therefore, tends to focus on operational matters for survival, neglecting strategic matters (and deals with responsible business conduct in an ad hoc way). In this respect, the main recommendation to the company is for more rigorous strategy building and formalisation of processes, including those related to RAI. Given its limited resources, a staged process is suggested and delineated. Supporting actions are proposed to financial investors and other stakeholders.

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Abbreviations and Acronyms

AVCA	agricultural value chain actor
CFS-RAI	Committee for Food Security Principles for Responsible Investment in Agriculture and Food Systems
COCOBOD	Cocoa Board of Ghana
DM	district manager
FoB	free on board
GAPs	good agricultural practices
GHS	Ghanaian Cedi
LBC	licensed buying company
LID	living income differential
MNE	multinational enterprise
MoFA	Ministry of Food and Agriculture
PC	purchasing clerks
PBC	producer buying company
QCC	Quality Control Company (COCOBOD)
RM	regional manager
SME	small and medium-sized enterprise
SSNUP	Smallholder Safety Net Upscaling Programme
USD	United States Dollar

Introduction to the RAI Case Studies and Methodology

The Smallholder Safety Net Upscaling Programme (SSNUP) includes many impact investors, such as AgDevCo, Alterfin, Bamboo, Grameen Crédit Agricole Foundation, Incofin, Oikocredit, ReponsAbility, SIDI, and Symbiotics. The SSNUP aims to strengthen smallholder householders' safety nets sustainably. This will be achieved by fostering the adoption of more responsible and sustainable practices among agricultural value chain actors (AVCAs) by co-financing technical assistance projects and supporting the conducting of the RAI case studies to analyse their performance and compliance with the Committee on World Food Security's Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI).[2]

AVCAs are critical players in achieving the goals of CFS-RAI, and include producers (of crops), processors, and traders. For the SSNUP case studies, they also include service providers, for instance, offering technical services to growers or support to vulnerable groups, such as women and youth. AVCAs' investment in the agricultural and food sectors can play a transformative role, including enabling the adoption and dissemination of new technologies, building markets and supply chain linkages, and potentially contributing to local economies and communities (e.g., through employment and income generation). Investing responsibly can be enhanced by AVCAs aligning policies, planned operations, and practices with the CFS-RAI.

This case study is part of a series of cases on AVCAs, drawn from various segments of the agriculture and food sectors, aimed at analysing their performance and compliance with the CFS-RAI. Translating the CFS-RAI Principles into action requires practical guides and tools for stakeholders—such as financial investors and AVCAs in which they invest—who wish to incorporate them into policies, regulations, and business practices. One aim of the case studies is to help provide or improve these tools, such as the RAI Tool for Agribusiness (Box 1).

The methodology for the case study process comprised four phases:

Phase I. Pre-fieldwork information collection

This involved online meetings with relevant members of the management team to collect

- background information on the AVCA. This comprised general characteristics, such as location of operations, value chain segment/activities, scale of operations, ownership, operational structure etc.
- information on the AVCAs key management and operational priorities and practices, especially those related to CFS-RAI. A set of outcome indicators were also collected.

[2] RAI refers to the Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI), which were endorsed by the Committee on World Food Security (CFS) in 2014. It is a comprehensive framework on what constitutes a "responsible investment" in agribusiness.

Guided self-assessment, utilising the RAI Tool for Agribusiness (Box 1), was applied to collect this information during a series of interviews.

Phase II. Fieldwork

The research team visited the AVCA, including selected operations and the local community, for 5–6 days. This involved further clarifying key relevant management and operational practices and priorities, as well as assessing the AVCA's performance vis-à-vis stated practices/measures (primarily those related to CFS-RAI and sustainability). Interviews with other stakeholders, e.g., farmers, local business owners, financiers, informal traders etc. were also conducted to cross-check information gained from the AVCA and assess the wider impact of the AVCA's activity using dedicated semi-structured questionnaires developed to collect information from the various stakeholders.

Phase III. Data analysis

The research team analysed the data and information gained from the interviews and fieldwork, compiled the principal findings, drafted the report, and discussed the findings with the AVCA and the investor.

Phase IV

An initial case study was drafted to test with the company. After discussion with the company, including clarifications and other feedback, a more "advanced" version (this one) was drafted for publication.

Box 1. The RAI Tool for Agribusiness

Gathering information for the case studies was conducted using the RAI Tool for Agribusiness. As specified by the CFS, the RAI principles remain generic and high level, making it difficult for AVCAs to translate them into their daily management and operations.

The objective of the RAI Tool is to provide a set of specific and measurable indicators that assess whether an agribusiness's management of its operations, practices, and procedures are compliant or consistent with the CFS-RAI Principles. The RAI Tool for Agribusiness integrates RAI principles into the management and operational structure of AVCAs (decision making, actions, procedures, and processes). This makes RAI principles easier for AVCAs to understand and apply and may ultimately ease the mainstreaming of RAI key performance indicators into business management and performance systems.

The tool is composed of four main parts:

- **ID card and scoping:** These two parts are completed with information on the agribusiness' profile and characteristics. This facilitates a filtering process so that businesses are only required to respond to relevant questions on their practices and outcome measures.

- **Practices:** This part comprises a detailed set of indicators, overall grouped by seven "dimensions" that broadly reflect business functions. Answers may be Yes/No/Partially/Not Applicable, which need to be explained or validated. To make the tool (and data collected) helpful for analysis, decision making, and progress, detailed information on the concrete practices implemented by the AVCA is requested.
- **Outcomes:** This part comprises a limited set of outputs and outcomes indicators on topics such as governance, employment, suppliers, and a company's environmental and climate-impact footprint.

In addition, the tool also provides dashboards showing how agribusinesses score in terms of their practices and outcomes in graphical form.

The aim of this approach is to create a reference tool that can be used by AVCAs, financial investors, and others to assess agribusinesses' compliance with RAI; and thereby foster more responsible and sustainable practices in the agricultural and food sectors. The latest version of the tool is available online (https://www.iisd.org/publications/guide/responsible-agricultural-investment-tool-agribusiness).

Since 2021, the tool has been developed by the International Institute for Sustainable Development (IISD) in collaboration with the Comité d'échange, de réflexion et d'information sur les systèmes d'épargne-crédit (Cerise+SPTF). IISD is an independent think tank working to accelerate solutions for a stable climate, sustainable resource management, and fair economies. Cerise+SPTF is a pioneer in social performance management, developing many well-known social audit tools to help financial service providers, social businesses, and impact investors achieve their social mission.
IISD is leading the case study research, analysis, and drafting of outputs. The non-governmental organisation Appui au Développement Autonome (ADA) coordinates SSNUP, including technical assistance projects and knowledge management activities, such as these case studies.

Source: IISD.

1.0 Background and Context

The AVCA in this case study was chosen jointly with one of the investors participating in the SSNUP programme. It is representative of a small and medium-sized enterprise (SME) trader in the cocoa industry, which is a major export crop in West Africa. Such traders typically face several challenges and constraints: they must operate within restrictions established by the authorities but may be in competition with larger firms, including multinational enterprises (MNEs); they often have to operate across relatively large geographic areas; finance and resources are perennial issues; and they have to devote considerable effort to establishing and maintaining relationships and trust with farmers, communities, enterprises in cognate segments of the industry value chain, and other stakeholders. This section provides important background on the industry and business environment in which the AVCA in this case study operates.

The Cocoa Industry in Ghana

The West African countries of Côte d'Ivoire and Ghana are the world's biggest producers of cocoa, jointly accounting for some 60% of global production. Cocoa is a major industry in Ghana, with exports of beans and partly processed cocoa earning foreign exchange of USD 3.3 billion (Statista, n.d.).

The affairs of the cocoa industry are controlled by means of the Ghana Cocoa Board Act 1984 P.N.D.C.I. 81, which created the Ghana Cocoa Board (COCOBOD). As a result of the Act, COCOBOD, through its subsidiary Producer Buying Company (PBC), was the sole buyer of cocoa beans until the 1990s, when reforms allowed for the registration of private licensed buying companies (LBCs), which act as competitors to PBC. LBCs cannot buy cocoa beans from farmers directly and must do so through locally established purchasing clerks (PCs).

The AVCA in this case study is one of about 30 active LBCs registered with COCOBOD. LBCs range in size from relatively small ones to subsidiaries of MNEs, and they compete for the purchase of beans on the basis of the fixed margin pricing system. Consequently, the viability of an LBC is determined by revenue derived from volume sourced, covering costs of operation. The dominant LBCs in the sector are PBC, followed by MNEs such as Olam and Cargill. The AVCA in this case study is one of several independent locally owned SMEs that compete with the dominant players, as well as intensely among each other. It is reported that it can take up to 3 years to build farmers' trust in a locality before they are prepared to commit to any particular LBC.

Cocoa Farming in Ghana

The functioning and constitution of farmer institutions are governed by the COCOBOD Act, which determines how PCs buy from a cooperative society and farmers, as well as the role of cooperatives in distributing inputs made available via government programmes. Cooperatives also ensure farmers' compliance with supplying the beans for which they are contracted.

To acquire land, farmers become members of a local cooperative and register as producers with COCOBOD. Land rights then must be secured as either a landowner or sharecropper. Once in production, farmers can sell through any available PC of their choice—one respondent in the study reported that his cooperative has as many as seven PCs selling to different LBCs. Farmers interviewed reported the following key issues in relation to the system:

1. Farmers require advance seasonal funding for tools and inputs.
2. Money constraints mean that they cannot always afford labour. Moreover, many workers are not interested in manual labour.
3. Farmers do not have sufficient inputs to boost farm productivity as they are short of finance.
4. Landowners try to use the periods when land is being cleared for replanting to claim it back from sharecroppers. Access to (and cost of) land to expand is difficult; some farmers report having to pay GHS 5,000/acre.
5. A common refrain in the interviews was that "Government makes a noise about agriculture being the backbone of the nation, but they don't do much about it. Too much of the budget of project packages is spent on expensive cars and not enough on productive support elements of the projects." The result is that at the end of a project term there is no sustainability, and initiatives collapse.

The Role of the Ministry of Food and Agriculture

The Ministry of Food and Agriculture (MoFA) provides extension and training services with technology transfer on either a one-on-one basis or via group training. Training is focussed on good agricultural practices (GAPs). MoFA also supports the drive for Fairtrade Africa certification through the setting up and support for of cooperatives.

Government support assists in the supply of improved seedlings through Fairtrade certification processes. MoFA also provides training for cooperative staff to assist farmers with such things as spraying for pests and disease.

Farmers in the study confirmed that MoFA extension agents (EAs) have come to their farms and explained GAPs, but there are few officers, so they are not readily available. Farmers are requested by MoFA to organise trainings at the co-op level rather than at farm level. The GAP training covered includes (i) the need for canopy trees (indigenous shade trees); (ii) pruning practices; (iii) collection of used poly bags and empty chemical containers, either by burying poly bags and for chemical containers to be burned or returned to the supplier; and (iv) the benefits of hand weeding using cutlasses rather than herbicides. This saves on costs and environmental contamination.

Views on the level of support is mixed among the farmers interviewed. Some reported that EAs provide good assistance to cocoa farmers; others considered EAs to be technically weak and do not do the work they have been assigned.

Overall, farmers feel that LBCs are better able to support them with training programmes. Indeed, it is common for LBCs to do just this through field officers (FOs). Such LBC actions build better relationships with farmers and are one of the ways that this AVCA competes with other LBCs.

2.0 Profile of the Company

General Information

With the launch of market reforms in the cocoa industry in the 1990s, shareholders of the AVCA saw an opportunity to establish an LBC (see Introduction). The AVCA is a private company established as an LBC in 1998. Its primary value chain function is as a trader, with ancillary activities in the marketing of services to farmers (facilitation), handling and delivery of product (distribution), bagging (packaging), and the warehousing of cocoa as an agricultural commodity.

As a trader, the LBC is authorised by COCOBOD to buy cocoa beans from farmers via PCs and mandated to sell these to COCOBOD for export. In total, the company has agreements with some 2,000 PCs. The company also is a distributor, with its own in-house transport and warehousing operation to move product from farmers to depots and from depots to COCOBOD warehouses.

Including agreements with PCs, the AVCA employs around 2,100 people across six business regions (these do not coincide with the country's administrative regions) on a full- or part-time basis. Reflecting the company's primary trader activity, most employees are in the field rather than headquarters. As of 2021, field employees number roughly 2,000 PCs, 57 district managers (DMs), six regional managers (RMs), six FOs, and six regional drivers. In addition to board members and other overarching functions, senior staff include an operations manager, purchasing manager, accounts manager, and sustainability manager (as well as a secretary and two to three drivers).

The company purchases from and works with about 20,000 farmers and cooperates with some farmers to support knowledge transfer and certification.

In terms of additional activities and services, the company has a joint project with a foundation to supply hybrid seedlings to farmers, help them become certified under Fairtrade guidelines, and assist them in improving their land rights through documented leases and/or secured title deeds. The company also facilitates the training of farmers. It has to prefinance the foundation's activities and recover the costs from donors, buyers, and farmers. (For further information on this activity and other background information on the case study company, information is available online at https://www.iisd.org/publications/guide/responsible-agricultural-investment-tool-agribusiness.)

The company's purchasing has declined recently: 2018–2019 = 53,000 tonnes of cocoa beans; 2019–2020 = 44,000 tonnes; 2020–2021 = 32,000 tonnes; 2021–2022 = 22,000 tonnes to date but hope to reach 32,000 tonnes. The COVID-19 pandemic apparently did not affect volumes or farmer activities. The main challenge is seed finance to fund purchases, which is made available by the Cocoa Marketing Company, a wholly owned subsidiary of COCOBOD. This year (2022), for example, COCOBOD has only recently released funds for purchases, so operations were late in resuming. Competition with other LBCs, especially those linked to larger MNEs, has also affected purchasing.

Operational Structure

Operations have grown, and the company currently operates across six cocoa-producing regions in Ghana. The head office is in Accra, and the operations office is in Kumasi. Staff are also present at the three COCOBOD ports. The MD's office, administration, finance, human resources, and sustainability functions operate from the head office. The operations manager and stock audit manager, with support staff, are located at the Kumasi Operations Centre.

The sustainability manager facilitates training and capacity development of farmers and relations with a foundation to drive the farmer development and certification programmes.

The senior accounts manager at head office is responsible for (i) preparing the invoices to COCOBOD, (ii) arranging the transfer of funds required by districts where they will purchase cocoa, and (iii) readying the accounts for audit after COCOBOD pays for the beans, haulage costs, and LBC margins.

The operations manager is responsible for purchases and market development, together with six RMs, and their drivers are located within their respective regions. There are 57 DMs at appropriately located district warehouses, with their "depot keepers" reporting to the RMs.

RMs' responsibilities include

- preparing the district's preseason by setting targets with PCs and DMs for the season's purchases, employing a "bottom-up" approach to seasonal planning;
- depot maintenance (depots have to be prepared annually in compliance with COCOBOD Quality Control Company (QCC) regulations, which include the whitewashing of walls etc.);
- funding management, handling bean purchase funding requests received from DMs to ensure PCs have the funds to pay farmers for deliveries;
- distribution of funds to DMs/PCs (in some cases this is done via the mobile money system such as MTN's Mobile Money app);
- responsibility for deciding if there is a need to create a new cocoa district and hire a DM (a recommendation will then be made by the operations meetings and approved by the MD at Head Office).

DM functions include

- selecting and contracting with PCs;
- making weekly funding requests to the RM who, in turn, recommends these to the operations manager, who submits to the MD for approval;
- managing withdrawals from the DM account for payment to PCs for beans purchased requiring three PCs plus DM signature;
- reconciling funds received with those paid out to ensure surplus funds are not left idle;
- arranging QCC inspections, clearance and sealing of cocoa for transportation;
- sorting beans as required to meet grading standards.

DMs reported that in the case of other LBCs, each DM has their own dedicated accountant to manage the transfer of funds, reconcile purchases and deliveries etc., but the company does not have such a structure. This places greater demands on the DM. DMs pointed out that when they are doing their rounds, they are not at the depot to deal with walk-ins, whereas other LBCs have an accountant at the depot on a full-time basis. However, the company does have a depot keeper who is available (but not skilled in accounting matters). The depot keeper's main responsibility includes loading, unloading, sacking, and sorting grades.[3]

The stock audit manager is responsible for quality assurance and checks stock levels physically, reconciling the physical stock count with invoices, receipts, and delivery documents. The company also has officials located at the three COCOBOD ports to manage the receiving of beans and ensuring quality control protocols are adhered to.

Certification

Out of 57 districts in which the LBC operates, 27 are certified Rainforest Alliance-compliant, with some organic certification. Certification is mostly through Fairtrade, with some through EcoCert (organic) and Control Union (GlobalGAP). The company does at times pay for certification and compliance audit costs for farmers. Farmers receive cash premiums if certified and so stay loyal to the trader that supports certification.

Challenges

The main challenges confronting the industry and the AVCA, as shared by management include the following:

- climate-related issues, with longer dry periods and insufficient rain throughout the year negatively impacting yields (which reduces farmer income to cover labour costs, sometimes resulting in reliance on chemicals, when hand weeding is recommended);
- farmers' struggle to access working capital loans at affordable interest rates (farmers have to take up loans from local people as personal loans, where the interest rate can be 100% over 6 months);
- many older trees dying, often for unknown reasons, leading to many leaving the sector;
- action by the competition, such as paying an additional GHS 25/bag to the farmer at the end of the season as a purchase incentive (this additional payment is a marketing strategy, but these LBCs are not supporting certification sustainability projects to justify the additional premium);
- certification costs are high but unavoidable since foreign buyers require certification.

[3] Note: COCOBOD assigns grade identifiers annually. Currently, the two grades are P and U (> 105 b/100 g is graded as U which are sold locally). The co-ops and/or depots sieve and sort to make sure export standards are met. Usually, 2/3 of production is export grade (i.e., for every 100 bags produced 70 are exportable).

3.0 Assessment of AVCA Compliance With CFS-RAI and Impact on Local Stakeholders

The RAI Tool for Agribusiness assesses the operational practices of an AVCA across seven business functions or "dimensions," namely:

1. Strategy and accountability on responsible agriculture
2. Inclusive and transparent structure
3. Safe and responsible agriculture and food systems and operations
4. Environmentally sustainable processes and products
5. Responsible treatment of stakeholders
6. Responsible human resource development
7. Financial transparency and benefit sharing

These dimensions are further divided into clusters of business practices, e.g., Dimension 4, pertaining to the environment, is subdivided into "identifying and managing risk" and "implementing and promoting environmentally sustainable practices." The specific practices—or indicators—under each dimension (and further subcategories) are the ultimate unit of analysis.

Although practices are expressed in the language of business, the RAI Tool for Agribusiness maps each onto a particular CFS-RAI Principle (or sub-principle), so scoring AVCA responses permits an assessment of the degree to which it complies with relevant RAI principles at each level of categorisation (from practice to dimension). There is no one-to-one correspondence between dimensions and principles, e.g., they may reflect aspects of more than one CFS-RAI Principle because dimensions cover a wide, but related, set of practices. The principles with which each dimension overlaps are indicated in the analysis below.

Of course, any assessment of AVCA RAI compliance, including the scoring, reflects companies' perceptions of their operations, processes and practices. However, during the testing of the tool, they were not asked to validate their responses in a concrete way[4] (e.g., by providing documentary proof of a claimed practice or a performance measure) while completing the tool. Nevertheless, companies did often provide copies of specific policies, e.g., their human resources policy. Even during this testing phase, whilst the assessment/scoring is indicative, it is nevertheless a valuable management tool to assess performance and set goals for improvement (Box 2).

[4] After the piloting phase, when the tool is fully operational and in use by/with AVCAs, agribusinesses that participate in an assessment should be asked to validate their responses concretely. This will enable structured guidance on specific areas of policy, procedure, and guidance.

The AVCA's Compliance by Dimension

Reflecting responses in the RAI Tool, especially on its practices, the LBC in this case study's overall RAI compliance can overall be deemed acceptable, but there is a large degree of variance between dimensions (see below). For instance, the LBC scores relatively highly on "inclusive and transparent structures" and "responsible treatment of stakeholders" but much lower for "strategy and accountability" and "responsible human resource development."

Box 2. Use of ordinal scores in this case study

While cardinal (numeric) scores for RAI compliance by business dimension (and subcategories) were generated from piloting the RAI Tool for Agribusiness with LIMBUA and used in an internal assessment and recommendations for the company's decision-makers, it was decided to adopt cardinal scoring for this case study.

The use of ordinal scoring (i.e., indication of positioning such as "very low score," "low score," "high score," and "very high score"—both overall and for a particular business dimension or practice) in this case study was chosen for two principal reasons:

First, the RAI Tool for Agribusiness is still being piloted, including the way in which the scores are generated. While the cardinal results obtained are sufficient for understanding a company's level and pattern of RAI compliance—including where the main gaps are, key issues that should be prioritised etc.—numeric scoring in the case study at this stage may indicate false precision. Moreover, because the tool is intended for use by various types of agribusinesses (e.g., firms in different value chain segments), it may also be necessary to consider and implement company-type-appropriate scoring. At a later point, after the tool has been more thoroughly used and tested, it will be safer (and it is intended) to provide numeric scores or categories of compliance based on scores.

Secondly, the CFS-RAI Principles were only introduced in 2014. While several companies (and investors) have moved toward reflecting these principles in their operations and practices, this process is still ongoing, especially because the CFS-RAI is "high level," and appropriate metrics and indicators are still in the process of being developed (and implemented). Pilot testing of the RAI Tool for Agribusiness has, for the most part, been with companies that aim for responsible investment and social business conduct, but specific practices and metrics—even between roughly similar companies—can differ markedly. While broad ordinal comparisons are not unreasonable, further work is required to refine cardinal scoring so that comparisons are made on a robust basis.

Source: IISD.

This pattern of compliance is to be expected for an entity undertaking the assessment for the first time. Importantly, it is still in the process of developing or deepening its strategy toward responsible and sustainable investment and operations. Moreover, an assessment across the broad range of issues that CFS-RAI speaks to has opened new insights into likely compliance gaps, actions required, and potential solutions. The remainder of this section examines the details of these scores by dimension and what this means in terms of the LBC's current and future CFS-RAI compliance.

Dimension 1: Strategy and accountability on responsible agriculture

The RAI Tool for Agribusiness Dimension 1 mainly relates to the issues covered by the CFS-RAI Principle 10: "assess and address impacts and promote accountability."

The LBC's compliance with this dimension (and hence principle 10) needs to be improved considerably, but less in one subcategory and more in the other. The former subcategory, "the organisation has a strategy on responsible business conduct and systems in place to implement it," has a relatively low degree of compliance, but compliance levels are far lower for the latter subcategory, "the organisation assesses and manages its impacts."

The marked difference between the AVCA's strategy vis-à-vis relevant business conduct and managing impact is that while the company is aware of many pertinent issues and has partially developed strategies or systems and systematic procedures, actions and activities are still lacking. Very often, the company's sustainability awareness and human focus result in concrete actions taken on the ground when issues come up—but this is ad hoc. Examples of such positive (but ad hoc) actions cover a broad range of relevant topics: contribution to food security, contribution to sustainable and inclusive economic development, gender equality and women's empowerment, and respect of tenure rights. At the same time, other areas—such as respect of cultural heritage and traditional knowledge—have not yet been factored into corporate strategies, systems, or actions (even in an ad hoc way) because of a lack of awareness.

Because of the partial or low incorporation of CFS-RAI issues into its overall strategy, bearing in mind that the AVCA is a small company and that the CFS-RAI Principles have only recently been adopted (and dissemination begun), it is not surprising that the organisation does not systematically assess and manage its impact. Nevertheless, because the company, management, and workers are sensitive to relevant issues (whether under the CFS-RAI banner or not), local, operational policies and actions have been and are being taken (e.g., in topic areas encompassed by Dimensions 2 and 3). Early elements are, therefore, in place for CFS-RAI aligned strategies and systems that the AVCA develops in the future.

Dimension 2: Inclusive and transparent structure

Dimension 2 mainly relates to the issues covered by the CFS-RAI Principle 9: "incorporate inclusive and transparent governance structures, processes, and grievance mechanisms."

In contrast to the first dimension, the AVCA scores very highly on inclusive and transparent structure and practices. Because of the nature of the industry and the absolute need for clear communication in a competitive business environment, the company's procedures and practices are organised in a very clear way. This applies to everything from establishing new operations or projects to supporting informed decision making by stakeholders (e.g., it communicates in languages and channels pertinent to local farmers and other stakeholders). This need for clear communication means that the AVCA consults closely with its stakeholders, though consultation with some groups—such as women and youth—or selection of representatives for groups could improve. Holding consultations and regular meetings with stakeholders or their representatives (e.g., farmers and local chiefs) means that the organisation is able to receive and resolve stakeholder grievances to a high degree.

However, as with Dimension 1, the system is not sufficiently formalised, especially with respect to grievance resolution. For example, farmers with issues are free to raise them with various actors. The practice is that the farmer approaches their PC with any issues, and the PC will raise them with the DM. In some regions, there is a committee of farmers that liaises with the company. Farmers select committee representatives from among themselves and FOs. Any farmer can approach the committee to raise issues and address them; if there are problems, the farmer can approach the FO or PC to resolve the issue. However, during the fieldwork, local stakeholders mentioned that "the loose system does not work well, and a committee is needed to be able to address any issues before the issue reaches the DM, and then the Kumasi offices."

Dimension 3: Safe and responsible agriculture and food systems and operations

Dimension 3 mostly relates to the issues encompassed under CFS-RAI Principle 1, "contribute to food security and nutrition," and Principle 8, "promote safe and healthy agriculture and food systems."

The company scores relatively highly on responsible processes, products, and services. Of the dimension's two subcategories, the score is much higher vis-à-vis "the organisation promotes safe and healthy agriculture and food systems" than "the organisation contributes to food security and nutrition." This is partly because the promotion of agriculture and food systems is a part of the company's operational activities, whereas contribution to food security is an outcome (and not a primary motive for the company).

Contribution to Food Security and Nutrition

Nevertheless, the AVCA does contribute to food security and nutrition, both through direct, targeted programmes and indirectly.

Programmes Directed at Food Security

For instance, assistance is provided by the LBC to farmers on the introduction of alternative livelihood strategies. Examples include the introduction of snail production and caged livestock production for added protein, i.e., grasscutter[5] raising. Additionally, a close company partner also promotes alternative crops that can be grown on non-cocoa land, such as hibiscus (where the leaves are used for drinks), sugarcane, onions, cabbage, and plantain (as a quick-growing shade crop for young cocoa seedlings and a useful cash crop before cocoa harvesting). Because there has been some success in such projects, during the fieldwork, local respondents emphasised a need to increase alternative livelihoods plans (especially during lean seasons).

[5] The grasscutter (Thryonomys swinderianus), variously known as the marsh cane-rat or ground hog belongs to the Hystricomorpha (porcupine) family.

Contribution Through Employment and Income Generation

Employment and incomes created (or sustained) by the company and its operation contribute to food security and nutrition, although this is not the AVCA's primary intention. The size and structure of operations at the ground level mean that the number of people in any district directly affected is large.

When planning for and securing purchases of cocoa, DMs select and contract PCs to work with before the start of the season (based on experience, reputation for reliability, number of farmers the PC has access to, and potential size of the crop that can be purchased). PCs are responsible for ensuring that beans are at the required standard (QCC grade). The PCs contracted are not employees, but their livelihood is sustained by the company through its purchasing activities. They are contracted to obtain beans from farmers and are paid out of the revenue farmers receive, so ultimately it is the farmer who pays for the service.

As a result of these operations, the company (of 100 staff) has created employment and opportunity for about 2,000 PCs buying from an estimated 20,000 farmers. Of course, not all these farmers are employed solely by the company, but the impact on food security and nutrition can nevertheless be significant (albeit diffuse across various districts and regions because the LBC is a trader, rather than concentrated in one locale for many production and processing companies).

Indirect Impacts

From a farmer's perspective, working with this (or another) LBC provides them with assurance of a market and income. This income helps create and stabilise local employment. During the fieldwork, many farmers report having 10–12 acres (4–5 hectares), so they can undertake farm tasks within the family. Those with larger areas of 15–20 acres (6–8 hectares), or above, employ local labour to assist with harvest, splitting of pods, drying, carrying etc. Farmers underscored that employing additional farmhands must make economic sense and is primarily seasonal.

Apart from PCs and farmers, there are other services linked to the company or connected to and sustained by the cocoa value chain. These include food vendors and businesses related to trading, such as transport, accommodation, and fuel and vehicle repairs. During the fieldwork, it was common to see hawkers as well as small roadside food and mobile money vendors establishing themselves near cocoa depots and warehouses.

The transport industry moves between 800,000 and 1 million tonnes of cocoa annually in Ghana. Beans are first transported from the farm to the PC shed, then to the LBC depot or warehouse, and finally to a COCOBOD port facility storage. In the case of the Kumasi inland port, the product is moved again to Tema for export. Interviews with one of the major haulage companies indicate that the company's 500 trucks shift about 30% of beans transported across Ghana. This implies that the industry supports the deployment of over 1,500 transport vehicles. The use of fuel, driver's income, and investment required for replacement of vehicles contribute to the national economy. Drivers' earnings and incomes contribute to food security and nutrition.

Improved Living Standards (Poverty Alleviation)

During the fieldwork across various districts, people interviewed referred to rising living standards. Evidence included (i) individuals working in depots and warehouses who have acquired farms through their savings, (ii) the point often made that the clothing of local people has improved, and (iii) mention that children now go to school and parents are more able to pay school-related costs (and some previously unemployed people are now employed sewing school bags).

Support for Agricultural Activities and Food Systems

Farmers and local communities are supported in various ways, including the following:

Assistance With Inputs

Given the fixed margins LBCs receive, they are driven to move higher volumes. This has led to various types of purchase promotional programmes for market share. Some LBCs pay cash, and others transfer funds through mobile wallets (requesting farmers to open personal accounts to enable the direct transfer).[6] In the company's case, farmers are awarded when they have received certification or are performing well. Items provided include fertilisers, boots, pruners, and other tools.

Farmer Development and Support Programmes

The AVCA, along with other LBCs and development partners and/or buyers of cocoa, is active in ensuring supply chain sustainability by developing farmer capabilities. Examples include support for farmers to improve GAPs, to become certified (e.g., Fairtrade, organic etc.), and receive development assistance through company own-branded programmes (such as Rainforest Alliance, Mondelēz's Cocoa Life, Cargill's Cocoa Promise initiative, and ETG's Beyond Beans).

Access to Technical Information

The company has relationships with two organisations that provide training, focussed on requirements for sustainability and certification programs. These are partly paid for by the company and partly by the one as a foundation and another an organic farmer cooperative. The training and extension focus on GAP for weeding, tree pruning, and soil health using organic fertilisers.

Provision of Services to Strengthen the Value Chain

System of Traceability of Products

Traceable cocoa requires certification, and the company's development partners arrange this.

[6] Some of this activity places financially weak LBCs under pressure and has at times been declared illegal.

Access to Inputs and Equipment

Farmers need backpack sprayers for chemical application. The company has provided one per cooperative, but during the fieldwork, this was reported as being insufficient because there are many farmer members in each society.

The company has assisted farmers by supplying shade trees and access to seedlings for the re-establishment of farms. One group interviewed reported that before the company came to the area farmers were growing Tete Quashie, an old variety of cocoa; now, farmers use hybrids, and the company assists with replanting.

Farmers report a need for scholarships for their children and knapsack sprayers for each farmer. The potential numbers involved make this unfeasible for the company. On a separate request, however, the company could consider providing spraying machines to PCs on a lease basis. Farmers have also requested assistance in accessing chainsaws for pruning and eradicating old and/or diseased trees.

Education, Training, and Extension

Farmers and PCs noted that the company has been able to train farmers on GAPs on farms, which has improved yields and income, mitigating the pressure on use of child labour (indeed, enabling farmers to buy school uniforms). Training of farmers is focussed on those who are or wish to be certified growers with the aim of improving yields and revenues.

Farmers indicated they have been advised by company FOs on the correct number of shade trees to grow on a farm (6–8 per acre), how many times to weed in a year (three), how to diversify income sources by raising grasscutters, and how to set up integrated savings and loans schemes, which helps in the lean season.

The impact has been felt in increased yields. One farmer reports his one parcel of land (2 acres) used to yield three bags, and it now yields five after he received training. Another farmer reported increases from three bags/acre to 10 bags (i.e., 470 kg/ha – 1.5 tonnes/ha). Farmers request there be an increase in the number of FOs for more regular on-farm visits to provide guidance and training in GAP. They would prefer the company do training on farms, as there is currently a reliance on group training using a whiteboard. Ideally, the training would be regular and repeated.

Training programmes have also clarified that polybags and chemical containers should not just be left to lie around or be used, but rather returned correctly to the chemical supplier or burnt in a firepit. In the past, the empty chemical containers were used to store salt or as a drinking cup, which has health risks. One farmer observed that "The training programmes have also taught us to use only the correct chemicals." Additionally, farmers recognised herbicide applications can cause problems with contamination and health if incorrectly applied and so have learnt it's better to weed by hand. All of this supports environmentally stable processes, products, and services (Dimension 4).

Dimension 4: Environmentally sustainable processes and products

Dimension 4 mostly relates to issues covered under CFS-RAI Principle 6, "conserve and sustainably manage natural resources, increase resilience, and reduce disaster risks."

The dimension scores relatively low overall on RAI compliance, but there is a big difference between the two subcategories. The LBC "identifies and manages its environmental risk" relatively well, but the average for this dimension is brought down by its "implementation and promotion of sustainable practices." As with other dimensions, the company displays sensitivity in its recognition and overall management thrust regarding environmentally sustainable issues, but its action is weaker. Another partial explanation of this gap in scores between the two subcategories is that the former directly affects the company's commercial operations, whereas the latter frequently relates to wider environmental concerns (or is considered less immediately relevant and expensive).

However, there are areas of overlap between the two subcategories and in which the company performs well. For example, its training of farmers on biological and chemical waste (discussed under Dimension 3) directly supports its own operations, but according to the fieldwork have also led to a wider use of environmentally sustainable practices.

Similarly, certification of beans bought and sold by the LBC is competitively essential for its operations but has much wider ramifications in terms of environmental sustainability. The company has created a permanent position of sustainability manager, aiming to have a positive impact on farmers as producers of cocoa. Fairtrade and organically certified cocoa are a new market opportunity (COCOBOD pays a premium), considered more sustainable, compliant with GAP, and can result in higher yields.

This creates potential benefits regarding how farmers are treated and remunerated through the market. There is some cooperation between the company and one of its partners in supporting organic farming, but certification-related costs can be considerable.[7]

Discussions with farmers and other stakeholders during the fieldwork identified a range of environmental concerns, including rainfall and water quality/availability, soil health, biodiversity and indigenous forests, soil health, and the climate crisis more generally. The company is not yet paying much attention to such issues, including environmental risks directly relevant to its short- or long-term operational and competitive viability.

Dimension 5: Responsible treatment of stakeholders

Because there are many types of stakeholders, Dimension 5 correlates with issues covered under a number of CFS-RAI Principles, especially Principle 5, "respect tenure of land, fisheries and forests, and access to water," Principle 7, "respect cultural heritage and traditional knowledge, and support diversity and innovation," and Principle 2, "contribute to sustainable and inclusive economic development and the eradication of poverty."

[7] Certification costs include those for GPS mapping with polygons of all farms (reportedly required for Fairtrade certification, which is expensive); training of farmers; internal inspections of farms; annual preseason audits to confirm certification; and maintenance of the files of individual farmers.

Because of its portmanteau nature, the LBC's RAI compliance score differs markedly between subcategories. The company's compliance score is very low on the subcategory on respecting cultural heritage (essentially Principle 7), mostly because a lack of awareness (and consideration) has led to very little action. The company (and farmers) argue that local cultural aspects are less of an issue in this specific case, but further consideration is merited in case relevant issues have been overlooked.

On the other hand, the company performs very well in the two subcategories in the dimension: "the organisation respects legitimate tenure rights on land, fisheries, forests and water" and "the organization promotes responsible and fair contracting practices with its stakeholders."

Security of Tenure Rights

During the fieldwork, respondents provided a mixed picture of tenure rights based on their experiences, but the overall conclusion is that strengthening and protecting these rights through more formalised recognition is warranted and desirable.[8] This includes an intent to secure written contracts for all sharecroppers or caretakers with landowners, which is becoming a Fairtrade standard.

Security of tenure rights is also emerging as a major topic because of recent or ongoing developments, as reported in the field interviews. For example, in the Western North Region, we were told that the area used to be a leading region for cocoa production, but the trees have gotten old, and yields are falling. Government officials have encouraged farmers to cut down older trees, with the intention of replacing them with new seedlings. However, an unintended consequence is that landowners are taking advantage of a clause in the lease agreement that if a farm becomes unproductive the land has to be restored to the owners. Some owners used this clause to claim back their farms as soon as the old trees were cut down, creating conflict and a situation where leaseholders are refusing to cut down old trees and replant out of fear of losing their lease rights. There are reports of ongoing court cases in this regard. The company is not directly involved in this, but volumes of cocoa produced in the region has fallen, with management reporting declines of about 30% to 40% in volume. Therefore, helping secure tenure rights is deemed very important.

In response to challenges with insecure tenure rights and formalisation of owner/lessee caretaker or sharecropper agreements, the company's partners are registering land rights as part of the sustainability project, which includes details of the lessee and the landowner. One example is a project that aims to contribute to a climate-smart cocoa sector and will work with 5,000 farmers in two districts (Ashanti and Eastern Region). Farmers will be registered to become owner of the farm and owner of the shade trees on their farm. Thus, the farms cannot be given on concession to loggers by local authorities to harvest indigenous trees,

[8] There are two tenure systems in Ghana: being an owner of land or a lease rental that involves being a sharecropper or a caretaker. In the case of caretakers, the owner establishes the cocoa farm at their cost and then invites people to take care of the farms. The profits are split, with the caretaker getting a third share and the owner a two-third share (the "abusan" system). A sharecropper establishes the farm at their cost on land owned by someone else. Proceeds are then shared 50/50 (the "abunu" system). ABOCFA (originally registered as the Aponoapono Biakoye Cocoa Farmers Association but is now known as the ABOCFA Co-operative Cocoa Farmers and Marketing Society Limited) wants to embark on a project where all caretakers tenure rights are protected in a proper contract, which is part of Fairtrade requirements.

which has happened in the past. The project will also reclaim lands that have been destroyed by destructive activities.

Another example is a land titling project paying 50% of the cost, with farmer bearing the other 50%. Many farmers are reportedly taking this up, which is a first of its kind in Ghana. Currently 4,500 farmers have benefitted, and it is intended to expand the project to another 1,500 farmers. The programme must fit within annual budgets, and they have achieved the target number of farmers every year. There are reportedly more farmers willing to participate than they can fund.

Building a Successful and Competitive Operational Environment Through Responsible Contracting

According to company managers, it takes about 3 years to develop a significantly large number of regular suppliers (PCs and farmers) to justify a serviced district office. This commitment to supply is based on proof of reputation and establishing trust in the company. This trust, in turn, requires the ability to have funds consistently available to buy beans with immediate payment. Close cooperation and responsible contracting are at the core of running a successful business, certainly at the operational level. The company operates in a very competitive environment, which also forces a focus on the contracting process.[9]

As an example, the company's relationship with its PCs is critical, as it is PCs to which farmers are directly affiliated and who arrange the sale of their beans to them and other LBCs. The company therefore pays high attention to ensuring trust and an effective relationship with its PCs. Loyalty is also built by supporting PCs, e.g., it assists the cash flow of PCs by providing a stipend as an advance to enable them to pay for storage of purchased beans and the labour costs of handling. (This advance is offset when the beans are paid for out of farmer earnings on delivery.) In line with COCOBOD guidelines, at the end of the season, the LBC remits 1% of the product purchase price to PCs as commission.

Competing LBCs' attempts to poach PCs as a shortcut to growing their business test PCs' loyalty. The LBC has lost 20 PCs in this way, which means restarting the lengthy process of recruiting and training new ones. Ultimately, it is clear that the deciding factor for farmers and PCs to choose an LBC is immediate payment (and incentives offered).

Financing of payments remains, therefore, a key issue for the company's operations. This requires the company and other LBCs to have cash liquidity. The competition between LBCs intensifies when there is little money available because PCs become tempted to sell to other LBCs (including larger firms and MNEs), which they sometimes do. For the company, purchases become an issue, especially in the peak season. The negative impact of limited available funds affects the relationship between all LBCs and farmers. Responsible LBCs also try to fund certification audit costs in advance, and, again, farmers with certified beans

[9] At the extreme the company is competing with major multinational enterprises such as Cargill, which are also acting as LBCs. Cargill is a vertically integrated company and can operate as an LBC, export trader, and cocoa miller. In this way, its milling division can pay incentives, which helps its LBC division grow market share and circumvents COCOBOD restrictions on LBCs paying incentives directly (i.e., as incentives or premiums paid by processors are permitted). This is a distinct competitive disadvantage for the company and other local SMEs.

are negatively impacted if no funds are available: they are forced to sell through non-certified channels and miss out on the end-of-season premium payments.

COCOBOD advances funds for LBCs' purchase of cocoa beans based on previous performance, but this is insufficient and results in a higher cost of capital because they are forced to rely on more expensive—and sometimes unreliable—local finance.

Dimension 6: Responsible human resource development

Dimension 6 covers issues present under CFS-RAI Principles 3, "foster gender equality and women's empowerment" and 4, "engage and empower youth," as well as other human resource-related issues.

The company's compliance score across three Dimension 6 subcategories—"the organisation creates a safe and equitable environment," "the human resource development system is designed to attract and maintain a qualified and motivated workforce," and "the organisation's human resource development system supports its strategy on responsible business conduct"—is low. This largely reflects the lack (or underuse) of systematised, formal procedures and practices, and ad hoc actions are common.

For example, there are formal practices on work rules and disciplinary procedures, grievance procedures, anti-harassment safeguards, safety, child labour and employee compensation, but none on anti-corruption, worktime controls or non-discrimination against specific groups (such as women or ethnic minorities). Similarly, the process of attracting and maintaining a qualified and motivated workforce is very unsystematic. There are no formal practices related to women and youth, though Indigenous People and local communities are partly engaged. Finally, its training of employees on responsible business conduct is extremely inconsistent.

The fieldwork helped to establish the situation on the ground vis-à-vis key issues, despite the shortcomings on formal practices and procedures.

Child Labour

The company has kept farmers and its leadership sensitised to the issue of child labour, which is now reportedly very limited among farmers supplying the LBC with cocoa beans. It is recognised that one root cause of child labour is the poor financial position of many cocoa farmers and that addressing this would further reduce the pressure to use child labour. Farmers and others interviewed during the field visit painted a nuanced picture of the situation. Some respondents added that it is important for children of households to be given light duties outside of school hours to learn about cocoa production and contribute to household chores. For some, this could be viewed as a type of child labour.

A development partner of the company has a zero-tolerance policy toward child labour and if they determine a farmer is using child labour, that farmer will be removed from their certification projects and reported for prosecution. The partner has local liaisons in every project area, along with watchdogs and child labour committees; farmers are thus being monitored almost daily. There are also records of all farmers and their households, so potential risks are assessed, e.g., if a farmer has many children below 16 and they are not at school or living on the farms, they are considered high-risk cases.[10]

Gender Equality and Women's Empowerment

The working environment in the company is male-dominated, but women generally report they are treated fairly. Women consider themselves as more passionate about their work and hardworking. There is encouragement to bring more women on board in roles within the industry and the company. More women are coming through as PCs. For example, out of 23 PCs in Ashanti Central Region, eight are now female. RMs report they perform well compared to their male colleagues, especially regarding the management of money; they believe that women are more honest than men, and so are encouraged to be DMs (though in the western and southern regions, all 14 DMs are still men). Food vendors observed near warehouse and depot operations were all women.

Female education has improved greatly in Ghana, supported by a significant campaign. Women respondents argued for specific policies and targets for female employment levels, which would encourage women to enter the industry. For example, companies should set targets in employment policies to employ a minimum percentage of available positions to be reserved for women. This would provide opportunities for female employment despite the job crisis.

COCOMA is reported to be a successful women's farmer group the company works with, and it is encouraging districts to work with other women's groups consisting of long-standing female farmers who are very experienced (but currently lack standing in a male-dominated industry). The company reports putting in extra effort in support of these women groups, building their organisational capacities and providing training on what is expected of them to build confidence to present themselves as farmers and as a group. Capacity building also includes what the group is eligible to acquire in terms of credit, information on resources available to farmers, and help accessing these. The company also facilitates and supports the training of Village Savings and Loan Associations, which are mainly women-based.

Conditions of Employment at the Company

Employees are employed on either a permanent basis, fixed-term contract (e.g., annually or piecemeal for manual labour), or in an intern scheme applicable in Ghana. There is usually a probation period of 6 to 12 months at the beginning of the contract. General employment practices and benefits offered seem to be in line with Ghanaian law and practices, but compliance with CFS-RAI, especially vis-à-vis vulnerable or marginalised groups, such as women, youth, and ethnic minorities, requires more enlightened actions by all companies, including this one. Beyond formal practices, company staff aim to improve work conditions and respond to the needs of employees, but this is improvised and insufficient.

For example, there are no clear-cut policies in areas such as maternity leave, which is granted on an ad hoc basis by approaching one of the managers, who are reportedly willing to grant resources and time needed.

[10] The project is funded by the Dutch Embassy, which is itself a client (e.g., Nestlé, in collaborate with ICI - International Cocoa Initiative, Mars).

Apart from the DMs who have a representative association, staff feel they are not allowed to unionise and mentioned that, in Ghana, private companies have the option to not recognise trade unions. The government does, and government workers have unions.

Management is very accommodating and listens to problems, with an "open-door" approach to subordinate staff and will try to resolve issues to make staff's situations better. However, the open-door management style is deemed too casual. Approaching a senior manager with any complaint, without first following things up the line, has the potential to create mixed messages and disruptions in executing instructions given by superiors. The authority of managers can also be undermined.

Social Benefits

The Social Service and National Insurance Trust is a nationwide government entity that every company is registered with. The scheme works based on first, second, and third tiers. Pension contributions come out of salaries, with the company also contributing. Employees contribute 5% of basic salary, and the employer adds 13.5% of basic salary toward Tier 1 and 2 benefits. Access to second-tier benefits can occur only after the retirement age of 60. Employees can make their own contributions at the third-tier level, which is considered a private pension fund. At the company, up to 10% of basic salary can go toward a worker's third tier, and the company will match this if a worker elects to contribute.

For medical costs, the policy is to reimburse medical bills paid at a state hospital.

Job Satisfaction

Most respondents interviewed were not entirely happy with remuneration as there are more financially rewarding opportunities elsewhere. However, they conceded that salaries are fair for the cocoa/agriculture industry. The view was that those in the technology or petrol industry sectors received better packages than agricultural workers.

Job satisfaction rated highly with most respondents. For some, it is the balance of field and office work. On this basis, many wish to stay with the company (but would prefer better terms).

There is recognition there are risks everywhere when it comes to job security, but most feel the job offers stable prospects. Stability depends on the job and personal performance. The DM position is less stable than that of an RM.

Most felt they were better off working for the company in the cocoa sector. As cocoa production is a major underpinning of the economy, this gives assurance the industry will continue in the long term.

Human Resource Development

Trainers are brought in depending on projects. Most training is on-the-job learning. Many respondents felt that while they learn on the job, they need more exposure to farming skills—such as knowledge of soils and crop practices—to better understand farmer challenges. Training is considered very basic and conducted only when very necessary. Staff feel they would do much better with more training.

Respondents suggested that COCOBOD should provide training on any new regulations and procedures to be followed. The current practice guidance is very limited, and when directives that must be followed are issued, staff often struggle to implement them because of lack of training. When new regulations are issued, implementation can be quite disruptive and requires a lot of changes, especially in the initial stages.

Respondents also argued that PCs should be trained in financial management, budgeting, and record-keeping as they handle money and financial transactions with farmers and the company. This is to ensure that funds are advanced for the purchase of cocoa and not for other purposes.

Dimension 7: Financial transparency and benefit sharing

Dimension 7 primarily relates to CFS-RAI Principles 2, "contribute to sustainable and inclusive development and the eradication of poverty," and 10, "assess and address impacts and promote accountability."

The company's average RAI compliance under Dimension 7 is middling, but there is a large disparity between the two subcategories. One subcategory ("the organisation has a transparent financial structure") scores very highly (based on a small number of practices), but compliance is low in the other subcategory ("the organisation uses profits responsibly"). As with other dimensions, this difference arises because transparent financial structure is very much central to the business, whereas much less consideration is given to sharing benefits with the wider community.

Benefit sharing covers a wide range of issues, from contributing to the empowerment of women and youth or to supporting communities' access to local services, or contributing to the regeneration of the natural ecosystem. Some actions have been taken toward benefit sharing, but these are not formalised and remain unsystematic and sporadic. Examples of these actions include the planting of 15,000–20,000 trees during the last two seasons. The company provided seedlings and facilitated this activity in various districts. Farmers were assisted in the planting of the seedlings. The company has also contributed to community infrastructure to a small extent, e.g., by paying for a school classroom, five community boreholes (which reportedly cost at least GHS 10,000 to sink), assisted with the development of a public potable water washroom in one village, and built a canteen at a school to support the school meals scheme.

During the field interviews, communities mentioned that the company could be of greater assistance. For example, schools are overfull, and the company could help with extra classrooms, and support could be given young farmers in dire need of training in computer skills (moreover, some respondents mentioned that a computer centre in their district would be helpful).

In general, the company could do more with respect to benefit sharing, bearing in mind its relative size. Certainly, a more systematic approach and cooperation with partners might be an effective start.

4.0 Recommendations to the Company, Investors, and Other Stakeholders

In light of the findings laid out in Section 3, a formal review of the CFS-RAI Principles, together with the results of the RAI Tool for Agribusiness, should be undertaken by senior management and the board to take a position on how the company might respond to these guidelines. IISD would be pleased to participate in the conducting of this review.

This review would lead to an action plan, with priorities built on the results of the findings presented in this report, the review itself and the relevant operating conditions of the company.

Some suggestions, recommendations, or issues for consideration during the formal review are mentioned below.

Recommendations Related to Challenges Faced by the Company

In addressing the environmental and operational challenges it faces (Sections 1 and 2), the company would be well served to support its CFS-RAI compliance actions. Some of the challenges (e.g., on certification and climate change) speak directly to the CFS-RAI Principles.

The company's narrow role in the value chain as prescribed by the Cocoa Act and the strongly competitive environment in which it operates require a clear strategy on strengthening relationships in the value chain, especially to increase loyalty by farmers (upstream) and enhance access to markets (downstream). Suggested actions might include the following:

- Digitising transaction processes. Among other things, this information would support efforts to develop alternative value chain finance. This is important not only for the company to secure its working capital requirements but also to facilitate farmer and PC access to seasonal production finance, with repayment linked to cocoa sales.
- Providing a programme of technical assistance to increase crop yields through, for instance, (i) hand-pollination techniques, (ii) identification of low-yielding trees through farm-level and farmer-led recording, and (iii) replacement of low-yielding trees.
- Developing institutional mechanisms that incentivise farmers to "partner" with and commit their bean sales to the company should be pursued. For example, the company is exploring the concept of a company–farmer cooperative (i.e., established and supported by the company).
    - The functions, modalities, and financial implications for the company will have to be carefully explored to decide if such an entity would be attractive enough for farmers to join.
    - The impacts of potential conflict of interest this exposes farmers to should also be considered as they will already be members of a local cooperative within their community and may be marginalised if they become members of another.

- Pursuing actions to identify grinders and chocolatiers that will purchase certified cocoa.
- Identifying development partners with an interest in financially supporting the development of skills in youth through scholarships, bursaries, and covering certification and compliance costs that are onerous for the farmer.

Given the company's reliance on paper-based administrative and recording systems, the high cost of certification, maintenance of certification annually, and the demands on the DM to procure effectively and efficiently from PCs, the following actions are suggested:

- development of digitised administrative recording systems at the farm and PC levels, made available only to those farmers and PCs that sign up with the company, as services that assist micro-business management and digitisation of the cocoa passbook to facilitate information sharing with COCOBOD.
- development of digitised administrative recording systems within the company for more effective data and information processing and information sharing with buyers and certification bodies.

Evidence of climate change reflected in changes to rainfall patterns means that extension messaging and actions need to continue to support the protection of the micro-climate, e.g., through

- planting of indigenous shade trees, organic compositing, and mulching to conserve the soil water profile
- developing conservation works to limit rain runoff and enhancing penetration into the soil through berms and trenches on slopes.

Recommendations Related to CFS-RAI Compliance

IISD conducted its interviews and fieldwork to assess the degree to which the company's business practices, procedures, and actions (and their impact) comply with the CFS-RAI Principles. Of course, these practices were not created with the CFS-RAI specifically in mind (although in discussion with staff, it was clear that responsible business conduct and sustainability were and are considered).

A review of company practices with respect to the CFS-RAI, conducted systematically under each business dimension or function, offers the company an opportunity to update how it operates, ensure RAI compliance to the degree feasible, and more generally conform to contemporary perspectives on responsible business conduct and investment. As well as improving business efficiency and competitiveness and enhancing the company's role as a "good corporate citizen," an overhaul of how the company operates and its compliance with RAI and related principles and guidelines projects a positive image to investors and other stakeholders.

IISD's research and findings (Section 3) provide a basis for connecting the main issues identified vis-à-vis specific RAI principles to prospective refinement, overhaul, and addition to company practices. Recommendations, grouped by business dimension, are provided in Table 1. In addition to recommendations to the company, suggestions are made for supporting actions by investors and other stakeholders.

Table 1. Improving compliance with RAI principles[11]: Recommendations for the company, investors, and other stakeholders

Main issues identified	Recommendations to the company	Supporting actions by financial investors and other stakeholders
1. Strategy & accountability (CFS-RAI Principle 10)		
The company is a small business in a very competitive environment. It tends to focus on operational matters for survival, neglecting strategic matters. Consequently, while there is some attention to responsible business conduct, this is ad hoc and not built into the company's strategy. Similarly, there is little assessment and management of RAI-related impact.	More rigorous strategy building and formalisation of processes, including RAI-related, are essential to mid- and long-term business competitiveness and success. In the context of the challenges faced by the company, it could • establish a staged process, with clear goals, to develop a clear, formal strategy and operationalise accountability; • link strategic goals to company actions; • build responsible business conduct, including RAI, into the strategy; • over time, reduce ad hoc decision making by ensuring that these are based on the company's strategy; • identify capacity constraints and resources required vis-à-vis the above. (Potentially a formal review with IISD or another partner, as mentioned above, could help kickstart this process.)	Investors and other entities may have the capacity and interest to support the company in developing and implementing its strategy and consequent actions.

11 The RAI Principles may be reflected in more than one Business Dimension, e.g., CFS-RAI Principle 10, "Assess and address impacts and promote accountability," *primarily* relates to both Dimensions 1 and 7.

Main issues identified	Recommendations to the company	Supporting actions by financial investors and other stakeholders
2. Inclusive and transparent structure (Principle 9)		
From interviews with farmers and other stakeholders, it can be concluded that management and staff that interact with farmers have an inclusive and open approach to addressing farmer issues, within the limitations and resources available. However, implementation and application of farmer-company representative structures to address issues at a local level appear to be unequally applied. This reflects the lack of formal, systematic processes, as identified under "strategy." Interviews with stakeholders identified grievance resolution as a significant issue.	A formalisation of the company's existing inclusive and transparent approach would pay dividends. In particular, it is recommended that a clear policy and procedure on grievance redress mechanisms be adopted, communicated to relevant groups, and monitored by senior and executive management. This should include • consideration of local committees with joint company-farmer representation, function, and roles vis-à-vis grievance redress mechanisms. • procedures to submit/receive, address, and resolve issues, challenges, and grievances • monitoring and reporting on grievance resolution, tracking and escalation modalities, and review by executive management to inform business strategy • provision of training to members on the processes and procedures and how they should be applied.	As above, investors and others could support the company, e.g., by helping identify "good practices" in grievance redress mechanisms and other processes.

Main issues identified	Recommendations to the company	Supporting actions by financial investors and other stakeholders
3. Safe and Responsible agriculture and food systems (Principles 1 and 8)		
The company indirectly contributes to food security because it generates or supports employment and income, including through the purchase of coffee beans. (Its core purchase- and trade-related operations are well managed and generally efficient and effective, allowing for the challenges it faces, including on financing.) More directly, support is given to farmers in promoting safe and healthy agriculture, but this is often unsystematic.	Given the importance of food security and nutrition, the company should expand and formalise the advisory messaging on compatible and complementary food crops and livestock production systems with cocoa production. In particular, • Actions could be supported and reported on through the company's existing Sustainability Function. • Extension offices could be equipped with information on appropriate food crops and their production system to pass on farmers. • The company could consider the production of short video clips on appropriate crops and their management (clips could be distributed via apps as more smallholders are acquiring smartphones). • The above can also be extended to the company's other commercial crops bought from smallholders.	Support could be given for discrete actions, e.g., the production and dissemination of video clips. Investors could potentially support the creation of such clips (on various topics) and establish a repository for use by agribusiness companies.

Main issues identified	Recommendations to the company	Supporting actions by financial investors and other stakeholders
4. Environmentally sustainable processes and products (Principle 6)		
The company has relatively good identification and management of its specific environmental risks, including cooperating with a development partner to help mitigate them. It has established a permanent position of sustainability manager. However, it does less well on implementing and promoting sustainable practices by farmers and others because these are less immediate or specific concerns (e.g., on climate change).	The company's low level of compliance with measuring sustainability of activity and climate impact means that consideration should be given to implementing a structured impact recording and reporting management information system: • As with "safe and responsible agricultural systems," short clips of environmentally sustainable practices could be considered as a useful extension and training tool. • Measures of impact should be devised (and used), e.g., on numbers of farmers adopting recommended environmentally sustainable waste disposal strategies, water conservation works, reforestation, organic production methods, and certification etc. • The company should start to measure its carbon footprint using *available* standards to convert activities to carbon. • The company should promote its activities and tools (e.g., the video clips) to downstream buyers and financiers that have a concern for these issues. (For example, to encourage support for funding.)	As earlier, support could be given for discrete activities, as well finding ways of ensuring similar actions by other investees (including the adoption/adaptation of common tools). The company could also be supported in finding necessary information, tools and assistance; for instance, a useful reference on which standards are available to apply on climate impact can be found at https://pre-sustainability.com/articles/product-carbon-footprint-standards-which-standard-to-choose/

Main issues identified	Recommendations to the company	Supporting actions by financial investors and other stakeholders
5. Responsible treatment of stakeholders (Principles 2 and 7)		
Overall, the company is very supportive of key stakeholders it works with, especially PCs and, and aims to offer responsible contracts, payments, and incentives. The company is working closely with Beyond Beans to register land tenure rights for farmers it procures from; however, financing this process is difficult. Farmers indicate they also have difficulty raising working capital finance to carry seasonal production costs,[12] and so they look to the company and other traders to provide finance. Providing this financing is difficult for the company (as a small traders), especially given how late it is often paid by COCOBOD when it delivers cocoa beans. Since the company is locally owned, managed, and staffed, it argues that respect for cultural heritage is part of the company DNA (unlike a foreign-owned or -managed operation). However, it is important that the company nevertheless does not become "blinkered" because of this.	Finance, whether for working capital, tenure rights registration or on-time payments is a perennial issue. Traders such as the company, investors, offtakers, and finance houses could work together to support trade finance products accessible to farmers, especially given the seasonality of production. Such products would have to be designed to take account of • land tenure rights • production track record of farmers • use of the crop as collateral This process would be assisted by • digitisation of information related to farms (tree numbers, history of production, estimates of current production etc.) • processes facilitating transfer of products between actors, together with ownership rights	Securing finance is a general challenge for farmers and small traders, not just in the cocoa industry. Investors could play a catalytic role in establishing processes leading to the financial support mentioned above. There may be some merit in considering types of financial products and providers suitable for different industries, crops, value chains, and value chain segments.

[12] This is because local financial institutions do not offer and/or are unable to provider financial products at affordable interest rates.

Main issues identified	Recommendations to the company	Supporting actions by financial investors and other stakeholders
6. Responsible human resource development (Principles 3 and 4)		
The company senior management make staff feel included and adopt an open-door policy, addressing staff requests as they occur. Being a small family-run business, the impression from interviews with staff was that a more formalised HR policy framework would help provide more clarity on HR issues and ensure that relevant matters are addressed systematically. Staff training and learning are mostly ad hoc and on-the-job.	While an informal application of generally accepted operating policies in the company, e.g., relating to addressing grievances, maternity leave, and benefits, work adequately currently it is recommended that • the company develop and adopt formalised, documented policies and practices • the company ensure that the development of these policies and practices pays due regard to vulnerable groups such as women, youth, and minorities To improve staff performance, along with their understanding of the operating environment and ability to positively contribute to company results: • A structured assessment of skills and performance is recommended to identify training and development needs. • This should lead to the development and implementation of a learning (and recruitment) programme dedicated to the company's current needs and future strategy. • Investment in staff development via bursaries, repaid through service, can be a useful means of HR development for the benefit of the company.	Investors and other stakeholders could support the company's adoption and implementation of formalised HR practices and HR development strategy. A particular aspect would be the development of capacity at the company to undertake such actions and reforms.

Main issues identified	Recommendations to the company	Supporting actions by financial investors and other stakeholders
7. Financial transparency and benefit sharing (Principles 2 and 10)		
The company has a relatively transparent financial structure and shares benefits through ad hoc schemes, such tree planting.	The company, in common with many other SMEs, operates on tight margins in highly competitive environments and does not have the financial capacity to make a significant financial contribution for community development. However, benefit sharing can take many forms that are not necessarily expensive, and the company is recommended to • build the idea of benefit sharing and assess what this might entail • in particular, consider that, as a trader, it is widespread across the country albeit with limited contact with each community (apart from PCs and farmers) For instance, could it act as a transmitter of knowledge to and between communities? Could it assist donor-supported community development initiatives because it has local staff in many areas?	Investors could assist and facilitate the development of donor-supported community development initiatives for SME investee companies, such as this one, that have limited own-generated finance to undertake activities contributing to the socio-economic well-being of communities.

References

Statista. (n.d.). *Export value of cocoa beans and products from Ghana from 2015 to 2022 (in million U.S. dollars)*. https://www.statista.com/statistics/1172186/export-value-of-cocoa-beans-and-products-from-ghana/