Certification for Cocoa Farming:
Submission to Tulane University

SUBMITTED ON BEHALF OF:

**Association of the Chocolate, Biscuit and Confectionery
Industries of the EU (CAOBISCO)**
Chocolate Manufacturers Association (CMA)
Confectionery Manufacturers Association of Canada (CMAC)
European Cocoa Association (ECA)
National Confectioners Association (NCA)
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Introduction

"Certification" of cocoa farming labor practices is an important element of the Harkin-Engel Protocol agreement, reached on September 19th, 2001 to address labor issues on cocoa farms in West Africa. An unprecedented effort, certification will support long-term, positive change in cocoa farming labor practices and help achieve the ultimate goal of the elimination of the worst forms of child labor and forced adult labor on cocoa farms.

The purpose of this document is to provide a thorough explanation of certification as it has evolved over the past six years and is being implemented today in cooperation with the Harkin-Engel Protocol – and in support of the industry's long-term commitment to the social and economic development of cocoa farming communities.

Implementation of a certification process that addresses cocoa farming labor practices across often-remote areas of West Africa has been challenging, resource-intensive and groundbreaking. It has involved the participation of numerous experts, non-governmental organizations and West African governments.   The efforts have produced a promising and expanding pilot activity in Ghana and the Ivory Coast, with plans on track to implement the certification process across 50 percent of the cocoa growing areas of these two countries by July, 2008.

Equally important, the research and collaborative work to develop certification have generated practical, scaleable and effective on-the-ground programs. These programs are measurably improving the quality of life for thousands of West African cocoa farming families.

Certification for Cocoa Farming Labor Practices

"...The industry in partnership with other major stakeholders will develop and implement credible, mutually-acceptable, voluntary, industry-wide standards of public certification, consistent with applicable federal law, that cocoa beans and their derivative products have been grown and/or processed without any of the worst forms of child labor."

> — From the Protocol, September 19th, 2001, signed by the Chocolate Manufacturers Association and the World Cocoa Foundation and witnessed by leading chocolate companies and cocoa processors

After reports appeared that children were being harmed on cocoa farms in West Africa, the chocolate and cocoa industry began working with U.S. Senator Tom Harkin and U.S. Representative Eliot Engel to develop an industry-wide agreement to address this problem.

Known as the Harkin-Engel Protocol (and hereinafter referred to as the Protocol), this agreement established a framework for efforts designed to eliminate the worst forms of child labor and forced adult labor from cocoa growing. Certification was one of several key steps called for in the agreement.

Understanding the Issues, "On the Ground" Realities

As the Protocol was finalized, the chocolate and cocoa industry had already begun working with the United States Agency for International Development (USAID) and the International Labour Organization (ILO) on plans for a first-ever, comprehensive survey of cocoa farming labor practices in West Africa. At the time, a definitive, independent and thorough understanding of West African cocoa farming activities and labor practices, and of the challenges facing cocoa farmers, their families and communities, simply did not exist.

For the development of an effective, credible system of certification, such information was essential. First, an independent survey would identify the nature and frequency of labor practices that certification must address. Second, a widespread, farm-level survey would provide valuable information on the number and average size of cocoa farms; their geographical distribution and accessibility, and other factors that might shape the development of certification for cocoa farming.

Simply put, the realities of cocoa farming had to be taken into account in the development of certification. The survey would shed light in this important area.

In early 2002, the International Institute for Tropical Agriculture (IITA), an independent development organization with extensive experience in West Africa, undertook the survey. Researchers visited more than 3,000 farms in West Africa.

Industry's role in the survey itself was limited to providing financial support. No industry representatives were involved in the development, fielding or analysis of the survey in order to avoid any appearance of undue industry influence on the survey results.

Among the findings that would shape the certification strategy:

- Cocoa is farmed primarily on very small, family-run farms (approximately 1.5 to 2 million farms spread across West Africa) of one to three hectares, often in remote, difficult to access areas.

- Children help out as members of the family, as is common in rural areas of the developing world. No "child slaves" were found.

- While the survey found the vast majority of farmers to be growing cocoa responsibly, it did find that large

numbers of children were working on the farm instead of attending school; were exposed to agricultural chemicals during their application, and/or were using machetes.

- At the individual farm and community level, cocoa farming is still a loosely organized, labor intensive effort with little to no technology to assist in its production. Many farmers grow cocoa as they have for generations – with little training in how to improve their productivity and earnings from this critically important cash crop.

Additionally, movement of cocoa from the farm to port (where it is shipped to North America, Europe, etc.) is an extremely complex process, with a large number of middle men purchasing and transporting cocoa from farm gate to local collection points to warehouses to port.

Within this supply chain, small amounts of cocoa from individual farms are combined into ever larger quantities as the cocoa moves from the farm to port, making it impossible to trace individual beans or bags of beans.

Stakeholder Involvement

The Protocol's approach also emphasized the importance of engaging a range of different stakeholders – beyond the chocolate and cocoa industry itself – to address labor issues on cocoa farms. This broad stakeholder engagement would lead to better outcomes than work done by any sector on its own: partners were essential.

These partners included international labor, consumer and advocacy groups, as well as the governments of the Ivory Coast and Ghana, without whose involvement certification could not be implemented. The International Labour Organization (ILO), as the global standard-bearer on labor issues, was another important stakeholder.

In the months following the Protocol's signing, industry began to engage these and other stakeholders in the development of a workable plan for the implementation of a system of certification for cocoa farming. While lengthy and resource-intensive, the effort helped bring together a diverse and expert set of views to ensure that certification would be sustainable and effective, over the long-term.

Learning from Other Industries, "Best Practices"

Cocoa farming was by no means the first sector to tackle labor issues, nor was it the first to consider some form of "certification." Other industries – textiles, apparel, and diamonds – had undertaken efforts to address labor and/or sourcing concerns in their supply chains.

Industry representatives studied a variety of labor programs, across a range of different industries. The labor challenges facing each of these industries, the goals of their respective programs, and the context in which they operated were researched to learn what could be applied to cocoa farming certification.

The differences were clear, and considerable. For example, applying a "factory monitoring" model, used in manufacturing-based industries, to cocoa farms was impossible. In West Africa alone, there are up to two million cocoa farms growing cocoa 12 months of the year, with two lengthy seasonal harvests, in the spring and fall.

Certifying so many farmers was a logistical impossibility; certifying only a few risked dividing millions of innocent cocoa farming families into "certified" and "uncertified" economic winners and losers, with disastrous consequences for West Africa.

A "traceability" model involved tracing a specific product or item back to the labor practices at its point of origin. Industries like diamonds and apparel, with fairly rigid, controlled supply chains, had taken this approach. Here,

cocoa's complex supply chain, with beans literally being "walked out of individual farms" and reaching port through a large number of middle men and in ever-increasing shipment lots, posed an insurmountable obstacle.

While research into other industries did yield some "best practice" insights, it was clear that work to develop certification for cocoa farming would require an entirely new model.

Moving From the Theoretical to the Practical

Knowledge gained from the independent survey of cocoa farms, from work with non-industry stakeholders, and from review of other labor "certification" programs proved tremendously valuable. It helped answer some key questions – and to establish the core "principles" upon which certification would be based.

Why can't industry simply label or "certify" its products?

The IITA survey highlighted the sheer size and geographical expanse of the West African cocoa farming sector, with as many as two million small farms spread across rural, often remote areas of the region, as well as the complex process by which cocoa beans reached port. To be credible, a label certifying mass-market chocolate products as free of any labor abuses would require monitoring of every individual cocoa farm, 12 months of the year. Yet to do so would be impossible.

Why can't industry trace each cocoa bean – to a farm that grows cocoa responsibly?

The length and complexity of the cocoa supply chain in West Africa, including the large numbers of middle men involved in moving more than two million metric tons of cocoa from individual farms to port, makes large-scale, credible traceability a physical impossibility. Further complicating this approach is the practice of combining beans from different farms – and entire villages – in the early stages of the supply chain. And, given the realities of cocoa farming – where, for example, many farms have no actual address – a trace-back program would simply not work.

Why can't the industry simply "force" West African governments to ensure that the worst forms of child labor are not taking place on cocoa farms?

As the IITA survey and subsequent experience showed, the activities of children on family cocoa farms in West Africa are deeply rooted in cultural practices and traditional attitudes at the village and family levels.

They also reflect the economic and social constraints and challenges faced by these countries. Lack of rural infrastructure and available investment funds, limited availability of vocational and academic schooling as alternatives to working on family farms, shortages of qualified teachers: these and other issues contribute to how children spend their time.

It is no more possible or appropriate for an individual industry to dictate policy to sovereign nations in Africa than it is with more advanced nations of Western Europe or North America. Nor is it appropriate, recognizing the challenges these countries face, for industry to place unachievable conditions on them.

Industry recognized early on that improving conditions on cocoa farms would require a collaborative, longer-term approach to raising awareness and changing attitudes at the farm and community level, to working with the West African nations to help improve their capacity to drive change, and, ultimately, to ensuring that cocoa farmers benefited from this process without having their economic survival put at risk.

Why can't the industry simply stop children from working on cocoa farms?

The IITA survey revealed that children often help out on the family farm, as members of their family. What was required was an approach that could distinguish between appropriate child work and unacceptable child labor that

either put the child at physical risk or, for example, limited the child's ability to attend school.

Simply condemning a cocoa farm because a child might be helping out with farm-related activities was neither fair nor helpful. A longer-term, more carefully applied approach was required.

Why shouldn't there be a boycott or import restrictions on cocoa from these countries until this problem is solved?

The IITA survey showed that millions of small farming families depend upon cocoa for their livelihood, and that the vast majority of cocoa farmers grow cocoa responsibly. Punishing the many for the actions of a few would be economically devastating to these farm families, and significantly worsen social and political conditions in West Africa.

Rather than imposing "simple solutions" that would trigger devastating consequences, industry embraced a longer-term, more complicated approach designed to provide, on an ongoing basis over time, a clear picture of actual cocoa farming practices and progress in addressing labor concerns where they exit. It is an approach designed to help West Africans, not punish them.

Can industry monitor labor practices in certain cocoa growing areas — and designate these areas as free of child labor abuses?

If it is not possible to monitor labor practices across an entire country, could certification monitor (and approve) select villages and/or farmer cooperatives? In fact, this approach would create tremendous divisions among participating and non-participating farmers, leading to the impression that the former grew cocoa responsibly and the latter did not, with resulting serious economic consequences for farm families.

Moving Forward

With a better understanding of these issues, industry developed an approach to certification for cocoa farming that is achievable, sustainable and effective in improving the lives of cocoa farming families.

Goal	Improve the lives of children and adults on cocoa farms – with a focus on cocoa farming labor practices
Approach	Collect information from cocoa farms on labor practices, related issues Use this information to direct resources, guide programs – to address problem issues
Output	Individual West African governments issue a certification report which provides a detailed review of labor issues in their cocoa farming sectors, and identifies required actions to address specific issues
Credibility	Employ independent verification to ensure transparency, credibility
Outcome	Continued progress in ensuring that cocoa is grown responsibly, without the worst forms of child labor or forced adult labor; a continued reduction in unacceptable labor practices

Ensuring an Accurate, Credible Picture of Cocoa Farming Labor Practices

Armed with a framework for the certification program, the industry then began work on one of the most important elements – how best to collect accurate data, on an ongoing basis, about actual labor conditions on cocoa farms.

In evaluating different approaches to this challenge, industry worked with the International Labor Organization (ILO), specifically in connection with the ILO's "WACAP"

(West African Cocoa/Commercial Agriculture Project).   A
pilot version of the program -- which was partially funded
by industry – involved intensive work at the farm village
level to address labor issues and help at-risk children.

WACAP, which focused primarily on communities with access
to schooling and on compensating families for sending their
children to school instead of working, was found not to be
a practical, scaleable platform for a certification system
covering an entire country.

Industry representatives also studied the fixed price plus
"social premium" or "Fair Trade" cocoa model, to see what
might be learned.   As part of their marketing, many Fair
Trade chocolate companies state that their chocolate is
free from the worst forms of child labor.   And while
antitrust regulations prohibit the chocolate and cocoa
industry, as a whole, from adopting a common purchasing
approach, the Fair Trade experience might yield some
insights into data collection and certification.

Upon close review, however, there were several aspects to
Fair Trade that made such an approach of limited use for
certification.   Statements that Fair Trade cocoa is
guaranteed to be 100 percent free of unacceptable labor
practices were based primarily on a pledge made by
participating farmers when they joined a Fair Trade
cooperative, and on relatively limited farm visits.   There
was no large-scale effort to collect data on a regular
basis, nor were the statements independently verified.
Such an approach is not rigorous and reliable enough to
satisfy the requirements of cocoa farming certification.

Moreover, the number of West African cocoa farmers
participating in Fair Trade was extremely small – less than
one percent of the total tonnage of cocoa produced. Any
labor certification system for the industry would need to
be much more scaleable.

For these reasons, industry began to look for new ways in
which reliable, actionable information could be collected
on cocoa farming labor practices.   Having the best

possible information is essential to an effective cocoa farming certification system...but the process for collecting it had to be scaleable and sustainable.

Industry worked with a number of labor experts to tackle this issue. It also engaged researchers and statisticians – to determine "best practices" that could be applied here. Over time, what emerged was a "data collection" approach that generates in-depth, accurate information on cocoa farming labor issues that was statistically representative of practices across the entire cocoa sector in question.

In particular, this approach involves:
- Visits by trained surveyors to a statistically representative number of farms in a given cocoa growing region
- Collection of information from multiple sources (heads of households, children, adult workers and community leaders) – to provide an accurate, in-depth portrait of labor practices
- Use of the data collected from a statistically representative number of farms to, present a credible, accurate, sector-wide picture of labor conditions and to guide remediation efforts
- Repeating the process, on a regular basis, to track change and progress

Information from the data collection program forms the basis of a certification report, issued by the appropriate West African government.   This report includes both a detailed review of labor practices on the country's cocoa farms, and of actions being taken to address problems.

When combined, these elements formed a certification concept that was scaleable and effective:

> ***Certification will provide a clear, statistically valid and representative view of labor conditions across the cocoa sectors of Ghana and the Ivory Coast, on an annual basis. It uses this information to identify both problem areas and the actions required to address them. And it measures the success of efforts to address labor problems and supports the economic and social development of cocoa farming communities.***

A process of "continual improvement," certification operates in an ongoing, cyclical fashion, rather than as a one-off:

Certification:

A unified, continuous improvement process
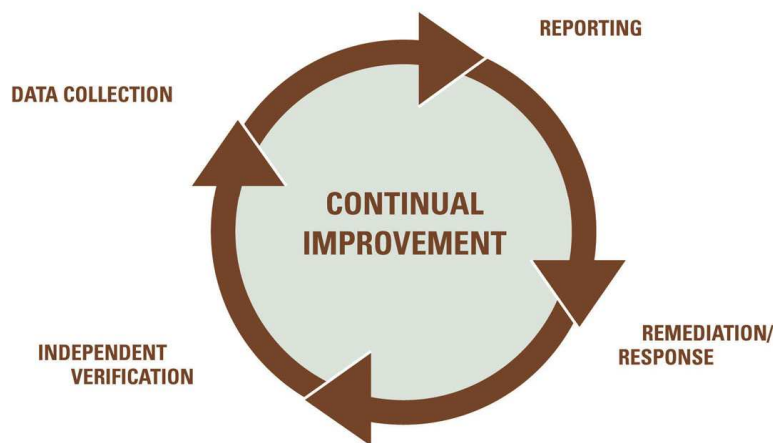
In Partnership with Producer Governments and Stakeholders

This model offers real promise, on several levels.

- It is scaleable.

- It provides an accurate assessment of labor conditions in a nation's cocoa sector – and of that country's commitment to ensuring cocoa is grown responsibly.

- It links the data collection information from farm communities to remediation efforts – to focus resources where they are needed most.

- It provides the public with an annual report on the state of labor practices in a given country – and on what progress is being achieved.

- It ensures that certification of cocoa farming labor practices is credible – by including independent verification as a core part of the process

This model became the basis for all industry efforts to follow. Resources were allocated against specific, individual tasks within the overall program. Partners were recruited to lend expertise.

Most importantly, industry worked closely with the governments of Ghana and the Ivory Coast to secure and expand their active participation. Over time, both governments took on a leadership role in implementing certification within their nations' respective cocoa sectors.

In addition, industry also began work on a credible, robust independent verification component – one that would ensure the accuracy and credibility of the information reported via the certification program. Additional information on this work – where there have been several recent, important developments – is provided in an addendum.

Certification Today

Armed with a workable model and the participation of key stakeholders, the chocolate and cocoa industry, West African governments and many other partners are now moving forward on the rollout of certification in Ghana and the Ivory Coast.

In particular, industry and others involved are working towards having certification cover 50 percent of the cocoa growing regions in the two West African nations by July of 2008.

Work is underway in each of the key areas within certification:

Data Collection/Reporting:

- The government of Ghana issued its first certification report in April of 2007, based on a pilot data collection activity representing 12 percent of the country's cocoa sector. It is now developing plans to scale up the effort and carry out the data collection during the next cocoa crop harvest, which takes place between September, 2007 and January, 2008.

- The government of the Ivory Coast has completed a pilot survey of cocoa farming labor practices, and is working on a report to be issued in late 2007. It also is planning to expand this pilot during the fall 2007 harvest season.

Remediation:

- Efforts underway by the International Cocoa Initiative (ICI), a joint foundation established as part of the Protocol, are helping at-risk children and engaging communities to ensure cocoa is grown responsibly.

- Industry-supported programs are helping farm families earn more; improving access to education, and raising awareness of safe, responsible labor practices.

- Government efforts are tackling labor and related issues at the national level. In Ghana, for example, the Government has established a national task force, devoted to child labor issues. The country has also taken major steps to improve education – an important issue linked closely to child labor practices.

- All of these efforts are being integrated into the certification program – to ensure that certification drives progress towards the elimination of the worst forms of child labor.

<u>Verification:</u>

- Industry has consulted with Verité, a leading expert organization in the field of supply chain review and social auditing, to develop a robust, implement able verification system for certification

Final Thoughts

Six years ago, industry joined with Senator Harkin, Representative Engel and other interested parties to draft the Protocol – as part of a global effort to address labor issues on cocoa farms. Today, many of the groups involved in the Protocol – and many more - are implementing a certification process that is, even in its early stages, already driving change.

Industry and West African governments are working together, with other key stakeholders, to address labor issues on cocoa farms.   This joint effort is essential to long-term change, and is a major step forward.

Programs supported by industry are making a real difference in the lives of thousands of children and adults in West African cocoa farming communities.   These programs are directly addressing labor issues and helping "at risk" children, while also tackling other, related areas like access to education.

West African governments are taking action – addressing education issues; enforcing labor laws and devoting resources to understanding and improving labor conditions on cocoa farms.

A credible, thorough system to provide information on cocoa farming labor practices has already been deployed in Ghana, and is now being expanded. A similar effort is advancing in the Ivory Coast.

Certification for cocoa farming is bringing energy and resources to the issue of child labor practices on cocoa farms. It is helping to improve conditions on cocoa farms and in cocoa farming communities. And, it is sending a powerful signal that industry, governments and others are working together – to ensure cocoa is grown responsibly.

Addendum: Verification Update

From the beginning, industry has understood that the certification process will only be as effective as it is credible and accurate. Regardless of its final form, certification must deliver trustworthy, reliable information.

Research into how other industries addressed labor issues within their supply chain revealed a common theme: success depends upon transparency and credibility. And credibility comes from the involvement of an independent third party at some point in the process.

Initial concepts of a possible certification process included independent verification. Verification remains a critical part of certification to this day.

After some initial exploratory efforts, industry representatives met with Verité, an international, independent organization that works with multinational brands, factories, nongovernmental organizations, institutional investors and governments to improve social and environmental performance of global supply chains.

Verité currently operates in more than 60 countries and in a range of industries, including electronics, apparel, footwear, food and beverage, and agriculture industries, among others, with a growing network of staff and partners.

Industry approached Verité to solicit its thinking on verification. What should be the goal of a verification effort for the unique form of cocoa farming certification? How should it work? What is the best approach to ensure that verification is sustainable?

After carefully reviewing the issue, and gathering input from different sources, Verité developed an approach to verification that is credible, effective and sustainable. It balances rigorous, independent review of certification

activities, with a governance and decision-making structure that offers a "seat at the table" for important stakeholders – including West African governments, civil society, labor, academia and industry.

Verité's "Verification Program Roadmap" lays out a specific, step-by-step approach to developing and implementing the verification program.   Key points in the roadmap include:

- The selection of a "convener" to drive the process – in particular, the establishment of a Verification Board

- Securing buy-in from key stakeholders – early on – to ensure an effective approach

- Creating Memorandum of Understanding agreements with the governments of Ghana and the Ivory Coast

- The formation of the Verification Board, with representation divided equally among NGOs, organized labor/academic experts, West African governments, and industry

- The formation of the Verification Board as a legal entity – with funding based on best practice approaches used in other industries

- Through the Verification Board, once convened, the design of an effective verification effort, by January, 2008

- Selection of independent, contracted "verifiers" by the Verification Board, in early 2008

- Commencement of verification audits, from mid to late 2008

Given the time involved in implementing these steps, Verité also agreed to conduct a "shadow audit" of this fall's

certification work in Ghana and the Ivory Coast…a critical step as we work toward the July, 2008 milestone of deploying certification in 50 percent of the cocoa growing areas of these two countries.

While much hard work remains, the involvement of Verité has brought a tremendous amount of insight and experience to the verification development effort. And, it has yielded a way forward, one that will deliver on the promise of credible, independent verification for cocoa farming certification.