

Good Governance for Living Income in Cocoa

a cocoa barometer
consultation paper

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Good Governance for Living Income in Cocoa

Executive summary

Setting the stage for good governance

There are many reasons why governance needs to be part of the living income conversation. Government policies help address the root causes of poverty, and governance is also a key driver in enabling long term effectiveness of sustainability interventions. The key elements of Good Governance for a Living Income include rural development strategies, infrastructure, transparency & accountability, rule of law, and supply management. The current market crisis is, in a significant part, the result of poor governance and management of the sector by exporting governments. The new regulatory reality – where sustainability is becoming a matter of legal compliance instead of voluntary efforts, provides a real possibility for producing governments to support their farmers. It will also require significant efforts from regulators and financial support.

Rural development strategies

Although the cocoa sector is a major economic force in most cocoa-producing nations, governments tend to view the sector as a never-ending natural resource and requires only minimal management. Governments need to recognize that their cocoa sectors require both management and protection and need to adopt a long-term vision for rural and agricultural development. Achieving the vision will require reliable, credible, and long-term governance. These must be holistic rural development strategies, coupled with inclusively developed landscape roadmaps.

Infrastructure

Developing and strengthening farmers' co-operative should be an integral part of the government's rural development strategies. Governments should put in place tools and policies that support farmer organisations. Governments need to ensure the rollout of affordable and available primary and secondary education, affordable and available health insurance, better coverage of health care clinics, the availability of clean drinking water and sanitation in all communities, and the rollout of nationwide vaccination/medicine drives, the rollout and maintenance of roads, rail, and waterways to ensure a smooth access to market, both for export as well as for national developments, the rollout and maintenance of electricity grids and (renewable) power sources. Social protection systems need to be put in place, such as pension schemes, health insurance, and minimum wage systems based on a cost-of-living approach.

Transparency & Accountability

The effective and credible implementation and maintenance of rural development strategies and infrastructure investments requires a transparent and accountable government. Governments need to ensure that credible national traceability systems are functioning and act as convenors for independent accountability and governance frameworks. Producing governments could also play a key role in providing key sector data and market information. Governments should commit to improved financial transparency, on both income and expenditure from cocoa. Lastly, producing governments should ensure that civil society and farmer organisations are actively involved in dialogue and policy making for the cocoa sector.

Rule of Law

The government's duty to uphold the rule of law is closely linked to the preceding chapters. Rights of land use, grievance mechanisms, access to courts, consistent enforcement of regulations, and measures to ensure safety and tackle corruption are all necessary in order to provide a reliable environment for cocoa farmers to earn a decent livelihood.

Supply management and markets

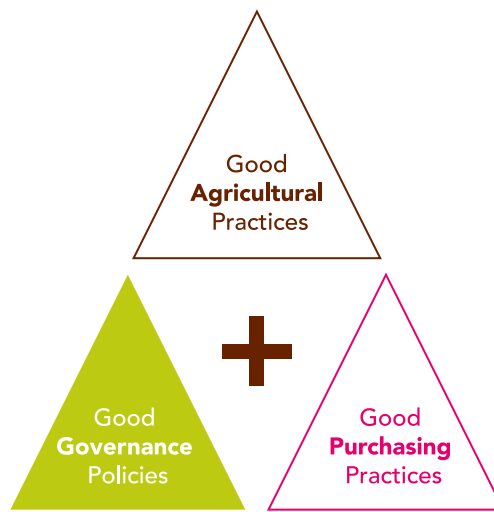
Supply and demand alone should not determine the remuneration for cocoa farmers. Government policies and the availability of cocoa in the world market are effective tools for enacting price policy. It is urgent that governments roll out supply management solutions. Provident pension schemes, land and tree tenure security, and the availability of government support extension services all form a part of a long-term supply management strategy. The current forward selling system existing in the two main producing countries will need to be reviewed as part of this strategy.

Consumer Government Policies

The role of consuming governments has a broad spectrum of activities. First, living income and purchasing practices must be key sustainability regulation requirements. Consuming governments also have a key role in funding the sector-wide efforts to build an enabling environment in origin countries. Lastly, consuming governments should carefully review competition law to remove unintended barriers sector-wide collaboration to address farmer poverty.

Good governance

Good governance is one of the most essential building blocks for the cocoa sector to bridge the living income gap. This includes developing holistic rural development strategies, investing seriously in the rollout key rural infrastructure such as health care, education, roads and social protection systems. Transparency and accountability, as well rule of law needs strengthening. Farmer organisation needs to be supported. Supply management is an urgent priority. There is also a key role for governments in consuming countries in ensuring that living income is not a case of voluntary initiatives but is part of the mandatory requirements of sustainability regulations. Consuming nations also need to provide serious funding to make possible the necessary system changes. To truly modernize the cocoa sector, governments must take the lead and get serious about their responsibility to manage the sector.



Setting the stage for good governance

For living income to become a reality for cocoa farmers, action is necessary on three separate dimensions at the same time: good agricultural practices, good governance policies, and good purchasing practices. However, not all three dimensions have an equal status. Good agricultural practices are only a worthwhile strategy if cocoa is sufficiently remunerative. This requires both good purchasing practices as well as good governance.

In the same way that 'Good Agricultural Practices' acknowledge that there are ways of farming that adopt best practices and that 'Good Purchasing Practices' acknowledge that there are better ways for companies to do their purchasing, there are also governance policies that are more effective than others in creating an enabling environment conducive to smallholder farmer incomes. This paper is a first attempt to outline which governance practices would be considered 'good'.

An order of responsibility

Over the past decades of sustainability conversations in cocoa, the burden to solve farmer poverty has generally been placed on the farmers themselves. However, this approach has failed every time. A different approach is necessary, with a different order of responsibility. Only when corporations and governments meet their responsibilities to the farmers properly does it become fair to ask farmers to invest effort and money in improving their productivity. The burden of making the first move lies squarely with the companies and the governments in the cocoa sector.

Governments have a central role in establishing the enabling environment in which farmers can operate profitable and sustainable farms. In countries of high poverty, this is a critical role in poverty alleviation and developing opportunities for all farmers to earn at least a Living Income.!

The role of governments

Government policies help address the root causes of issues. Governance is also a key driver in enabling long-term effectiveness of sustainability interventions, especially as government policies can go beyond supply chain-specific interventions and can aim at achieving change at the regional and landscape levels. Government policies can also help to break the vicious cycle of the market rewarding at best average behaviour and could start stimulating a race to the top.

Approaches driven by the value chain tend to create 'islands of success' that remain limited in scale to specific portions of the production base fail to sustain over time... The truth is that many sectors have structural weaknesses: that is, weaknesses at the level of the underlying systems... The root causes of structural weaknesses lie in policies and resources, and in the relationships and mindsets of the actors involved.¹¹

Producing vs consuming governments

While the majority of this paper will deal with governance at origin level, as those policies most directly affect the lives of farmers and rural communities, governments in consuming nations have a key role, which will be outlined towards the end of this paper.

West Africa and the rest of the world

Some of the paragraphs in this chapter will deal mostly with the policies in the world's current top two¹ producing nations, Côte d'Ivoire and Ghana. However, living income and government policies are not just issues for these two countries. This chapter sets out key points for both the current major cocoa-producing nations as well as providing broader perspectives. The future of cocoa will be much more global than it is currently with Latin America and Central Africa becoming much more part of the global cocoa conversation due to increasing cocoa production in those regions.

Six key elements

The key elements of good governance for a living income include rural development strategies, transparency & accountability, proper infrastructure, guarding the rule of law, and supply management.

Current market situation

The exceptional market situation of 2024 has seen record-high prices at the terminal market level because of disastrous failed crops in Cote d'Ivoire and Ghana, the top two producing nations. These crop failures are partly due to weather events and climate disruption, but the situation in Ghana and Côte d'Ivoire also significantly results from the poor governance and management of the sector by the national

1 In the last Cocoa Barometer, we argued that Ecuador could overtake Ghana within the next ten to fifteen years. By now, it is common expectation in the sector that Ecuador will overtake Ghana within the next three to five years. Almost all of this change is a result of government policies, either for better or for worse.

governments.² Crop disease, ageing farms, encroachment of mining, insufficient infrastructure, and untransparent and unaccountable government finances are all leading to a collapse of cocoa production in Ghana and to a lesser degree (for now) in Cote d'Ivoire. This collapse is exacerbated by decades of deforestation, which has reduced the mitigatory effects of forests with the appearance or aggravation of certain diseases and pests (e.g. cocoa swollen shoot virus) and has increased the destabilisation of rainfall patterns locally.

New regulatory reality

Besides the current market dynamics of high prices and a supply shortage, a second major policy development is the new regulatory reality, spearheaded by the EU's adoption of a suite of sustainability regulations in 2023 and 2024. There is a key role to play for exporting governments in creating the enabling environment for their farmers to comply with the regulatory requirements of the world's largest cocoa market. National systems on traceability and national monitoring systems on due diligence for human rights and environmental compliance, are key responsibilities in the medium term of producing governments. Here, producing governments have an opportunity to really help their producers comply with new sustainability regulations. It is encouraging that so far, they are making steps in this direction. This is a process that should be supported.

The world's food producers need financial and technical support – especially in poorer developing nations – to swap their old practices for newer, more eco-friendly methods.ⁱⁱⁱ

Words of caution

Before we finish this chapter, two words of caution are needed.

The role of corporations

This paper should not be used by the private sector to avoid their own responsibilities.³ The first United Nations' Guiding Principle on Business and Human Rights clearly states that it is the government's duty to protect human rights. However, the second Principle is equally clear, that it is the corporations responsibility to protect human rights even when the governments have not fulfilled their duty to the first Principle.

Let them eat cake

Marie-Antoinette, the queen of France at the time of the French Revolution, is famously reported to have been surprised the people rebelled because they had no bread to eat. "Let them eat cake!" was her legendary response.

This paper runs a similar risk; it would be easy to argue that producing countries simply should stop being poor. That would be a gross injustice. It would also ignore

2 In March of 2024, the Voice Network published [this non-paper](#) on some of the causes and effects of the current market situation.

3 Too often, the private sector will point at governments to solve their problem, and governments will point to the private sector. Both have a point. This is why the Cocoa Barometer Consortium has released this diptych of publications, in December 2023 [Good Purchasing Practices in Cocoa](#), and now Good Governance for Living Income in Cocoa.

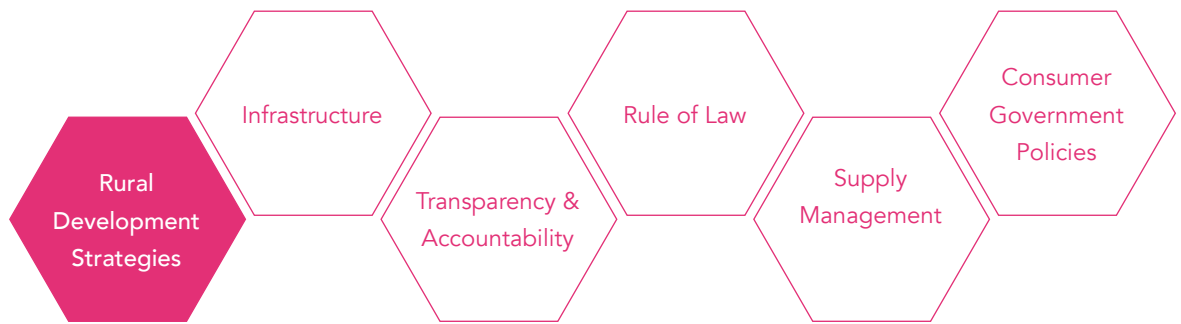
the reality that centuries of European and North American geopolitics are at the historical heart of why cocoa producing nations are poor. The ongoing exploitation of people and planet in the tropical belt are the main reason that farmers and workers are poor. Corporations and governments in consuming nations have been benefitting from this exploitation for decades – if not centuries.

Instead, what this paper tries to do is outline the six major areas of governance that require work. That work is hard work, and it is a work that will take many years before the full impact can be seen. This is why that work needs to be started as soon as possible. And it will only work if everyone pitches in and takes their responsibility.

Many of the short-term solutions to farmer poverty lie in the hands in of corporations. Most of the long-term solutions lie in the hands of governments. This could be seen as a prisoner's dilemma; both sides need to move in order for both sides to have the most benefit. So, this paper is also a challenge to all parties; if everyone does their part, everyone will benefit.

Summary

There are many reasons why governance needs to be part of the living income conversation. Government policies help address the root causes of poverty, and governance is also a key driver in enabling long term effectiveness of sustainability interventions. The key elements of Good Governance for a Living Income include rural development strategies, infrastructure, transparency & accountability, rule of law, and supply management. There current market crisis is, in a significant part, the result of poor governance and management of the sector by exporting governments. The new regulatory reality – where sustainability is becoming a matter of legal compliance instead of voluntary efforts, provides a real possibility for producing governments to support their farmers. It will also require significant efforts from regulators and financial support.



Rural development strategies

Although the cocoa sector is a major economic force in most cocoa-producing nations, governments tend to view the sector as a never-ending natural resource and requires only minimal management. However, governments should be asking concrete questions can and about the design of the cocoa sector in every producing nation. Governments need to recognize that their cocoa sectors require both management and protection.

The central role of governments is to create enabling environments through policies and incentives in agriculture, as a means to economic development. Farmers are the central engine of rural economic development, contributing considerably to state income, taxes, food security, and overall economic development in most countries. However, actual farmgate prices are often too low to support a decent living for smallholders; combined with low productivity, the effect can be unprofitable farms that must be subsidised by farmers' unpaid/paid work, and/or government programs... Living Income, as a starting point on the pathway to prosperity also ensures resource security.^{IV}

Long term vision

Producing Governments urgently need to adopt a long-term vision for rural and agricultural development, ensuring ecological, social and economic viability that benefits local communities. There are no easy short-term solutions to tackle the

current crises and to future-proof cocoa. Without the leadership of the national governments, the necessary changes will not happen. The changes required will be politically difficult and will require time and commitment. Thus, producing governments should bring together experts, farmers and other rightsholders, NGOs as well as donors, private sector and local civil society, to help design a 10-to-15-year rural development strategy.

Elements of a rural development strategy

Core elements of such a strategy include how cocoa interacts with other crops and services, the size of the sector (in terms of number of farmers, output, and area occupied legally and illegally), the quality and sustainability requirements for farmers (traceability requirements, compliance to regulatory and voluntary standards, production for the bulk or specialty market), and identifying the investments and policy changes that are necessary for such a vision to become reality.

Holistic rural development strategies

The purpose of this long-term vision should be the development and roll-out of holistic rural development strategies. Governments should aim these strategies at the whole landscape, not just the cocoa supply chain; the objective should be the development of thriving rural landscapes, where agriculture is a catalyst driving the development of healthy communities and a services economy.

Governments should measure the success of these strategies in terms of the improved lives and strengthened natural environment of these communities and they should not be aimed at maximising cash crop exports.⁴ Despite being agricultural powerhouses, Côte d'Ivoire and Ghana are net food importers. A just transition towards food-sovereign agriculture is necessary. Cash crops, such as cocoa, can play a real role in enabling this transition, but the core building blocks of any rural development strategy will also have to include a strong emphasis on food production for local markets.

Landscape roadmaps

These strategies need to be embedded at a national level through the development of regularly reviewed roadmaps at the landscape level, with time-bound deliverables. Governments should develop roadmaps with a strong involvement of community stakeholders. These roadmaps should identify steps that the government and other stakeholders must take to address deforestation, poverty, and human rights issues. The topics should be decided with rightsholders fully at the table. The roadmaps should look at a range of issues, including:

- Land and forest governance, land planning and agricultural policy, coupled with measures to stem deforestation and rollout agroforestry, undergirded by supply management systems, capping production to prevent overproduction.
- Land use and re-zoning towards establishing viable size farms and established legality.
- Strengthening the rule of law, including tree and land tenure reform, and improving capacity and mandate of enforcement agencies and judicial systems.

4 For example, in Cote d'Ivoire, the beginning of the new school season coincides with the beginning of the main harvest. If the economic importance of the main harvest is to be maintained, perhaps a review of the commencement of school would be an option.

- Strengthening infrastructure in rural communities, including building and maintaining roads, construction and staffing of quality education at both primary and secondary school level, roll-out of healthcare and sanitation facilities.
- Modernisation of cocoa farming and local processing of cocoa beans and by products improving the availability and affordability of key inputs, planting material, and extension services, aimed at supporting farms using modern agriculture techniques at an appropriate scale.
- Better-funded agricultural research to support the transition to modern, profitable agriculture.
- Traceability and monitoring systems, introducing mandatory national traceability systems for cocoa beans from all origins, and systems for tracking the impacts of the steps taken on those most vulnerable, especially smallholder farmers and marginalised groups such as minorities, migrants, and female headed households.⁵
- If such a roadmap includes elements of certain types of farmers no longer being involved in agriculture, this will require a high sense of responsibility to ensure a “just transition” takes place, providing adequate alternative income opportunities to all involved, including the most marginalised groups such as minorities, migrants, and female-headed households.

Governance

A major challenge in achieving this vision is the time required to put better governance in place across the massive cocoa sector and the ever-present constraints of political expediency. While a truly different sector will take at least 10 to 15 years to be developed and will require presidential level political guidance. Further, countries must embed government guidance in a way that it does not fall prey to the whims of politics, elections and new players. Conveners for such processes should operate outside of the current cocoa structures so the new structures can continue through the changes in presidential administrations. Governance needs as much consideration as the strategy itself.

Legality of farms

To manage the social upheaval of designating a large number of farms as illegal due to deforestation – as is likely the case in many parts of West and Central Africa – governments must provide farmers operating in protected areas time to leave their farm⁶ and provide them with viable alternative means of income. This is likely to be one of the most difficult and politically fraught issues in most producing countries – but especially in Cote d’Ivoire. Although this is the responsibility of the national governments, they will need help – both in capacity building and financial support – to make this work. International organisations, the EU, and other large donors could assist, and CSOs could be part of the capacity building support.

Gender equality

In all the steps suggested in this chapter, gender equality and inclusion of women in decision making processes is essential. As we have argued in many publications already, bringing women to the table is an essential strategy, both as a matter of

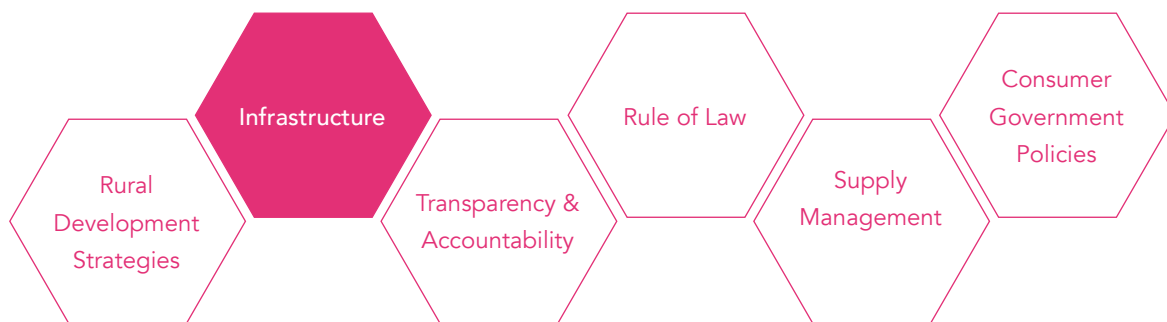
5 VOICE members IDEF and Fern have jointly published an [excellent paper](#) outlining key items for transformative traceability systems.

6 The way this is done is key. As an example of how this shouldn’t be done, in 2018, in such an attempt, the Ivorian government gave farmers in recently deforested areas several decades to vacate their farms, de facto legalizing the deforestation and not causing any forest protection at all.

human rights, but also because involving women in the decision-making process always makes the outcomes better. Furthermore, if women are not involved from a very early stage, decisions will be made that are not sufficiently mindful of how interventions could lead to an even larger gender equality gap.

Summary

Although the cocoa sector is a major economic force in most cocoa-producing nations, governments tend to view the sector as a never-ending natural resource and requires only minimal management. Governments need to recognize that their cocoa sectors require both management and protection and need to adopt a long-term vision for rural and agricultural development. Achieving the vision will require reliable, credible, and long-term governance. These must be holistic rural development strategies, coupled with inclusively developed landscape roadmaps.



Infrastructure

The availability and costs of education, healthcare, and transport⁷ significantly impact a household's ability to bridge the living income gap. These are all elements of national infrastructure where good governance policies play a key role. Equally as fundamental is the ability of farmers to self-organise.

Farmer organisation

For the rural development strategies to be sustainable, strong and self-organized cocoa farmer organisations should be in place; farmers should be educated and facilitated to organize and engage government and service providers at district and national levels to demand in social services and infrastructural improvements. As such, developing and strengthening farmers' co-operative should be an integral part of the rural development strategies in the cocoa sector.

Producing governments have a key responsibility in ensuring and allowing farmers to self-organise. There is a strikingly unequal power relationships among value chain actors and interest groups, over issues such as decision-making power, access to information and knowledge, as well as access to key decision makers. Any meaningful reform of the sector must emphasize farmers' co-operative development. Governments should put in place tools and policies that support such groups, as well as to support their efforts to diversify revenues and transform products locally. Measures could include tax exemptions, financial support structures, negotiation rights for price premiums etc.

Education

Access to quality education is a fundamental right. Primary and secondary education should be available and affordable to all children in cocoa-growing communities,

7 A living income is "The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events". This definition of living income is the consensus-based definition as developed by the Living Income Community of Practice. More can be found at <https://www.living-income.com/the-concept>

thereby reducing the costs of a living income. Furthermore, a literate and numerate farming community can also make better business decisions. The responsibility to deliver on this is a key government task, and this is an urgent need in many cocoa geographies.

Some industry estimates provided in the research for this paper estimated that upwards of US\$500 million would be needed to rehabilitate existing schools in Cote d'Ivoire alone. Beyond the construction and maintenance of the physical buildings, schools also require staffing and teaching materials. Support is necessary to reduce entry barriers for cocoa-growing households (e.g., cheap canteens for children). Both financial support including scholarship programs that are transparent, equitable, and free from discrimination to make schools, educational material and school canteens affordable and other forms of capacity building to ensure that girls have equal access to schooling as boys.

Governments need to ensure the rollout of affordable and available primary and secondary education in all cocoa-growing regions globally.

Health care

Although often overlooked as a topic in cocoa, the absence of decent health care is a major threat to the abilities of farmer households to achieve a decent standard of living.

When farmers or household members become ill or injured, this directly affects their ability to work on the farms. For example, cocoa-growing households in Cote d'Ivoire can lose up to 10 working days a year due to the effects of malaria.^v When illness occurs during the harvest seasons, this can have a disastrous effect on the farms' ability to produce sufficient yields. The financial effects of health shocks reduce investments in farm labour, agricultural inputs, and overall production, resulting in diminished productivity and income.^{vi}

Furthermore, unexpected health expenditures can force households to sacrifice other basic needs and sell income-generating assets.^{vii} In Cote d'Ivoire, the world's number one cocoa-producing nation, around a third of monthly non-food household spending are on healthcare. A single health shock can push a household into poverty.^{viii}

Several actions are needed to fill this gap. Governments need to ensure the affordability and availability of health insurance, better coverage of health care clinics, the availability of clean drinking water and sanitation in all communities, and the roll out nation-wide malaria vaccination/medicine drives, in all cocoa growing regions globally.

Roads and access to market

Roads are the arteries of any local economy; they provide access to markets and reduce costs of doing business by making distances smaller. Roads are also essential building blocks for any rural development strategy, as they are necessary for the development of local markets and the development of a local services economy. A well-maintained road (and if geography allows for it rail- and waterway) system reduces the costs for farmers to bring their products to port.

At present, the bad state of land transport, especially on secondary roads, often causes logistical challenges: slow deliveries, washed out roads, high attrition rates of trucks due to road quality, accidents and ensuing traffic; all increase the costs of operation.

Governments need to ensure the rollout and maintenance of roads, rail, and waterways to ensure smooth access to markets, both for export and for national developments.

Stable electricity supply

Although Ghana and Côte d'Ivoire have an electrification rate covering around 80% of the population, rural areas – where cocoa is grown – have much lower coverage, with estimates suggesting that maybe half of the Ivorian rural population has no access to electricity.^x Meanwhile, Ecuador has gone through one of its worst electricity crises that culminated in daily nationwide electrical outages of up to 14 hours a day from September until December of 2024.⁸ Energy poverty and/or instability lead to both a lack of income opportunities and reduced household costs, such as for cooking, lighting, etc. Poor electrification compels cocoa farmers to depend on charcoal for domestic purposes which in turn contribute to deforestation and more generally impacts activities of cocoa cooperatives and the market. Governments need to ensure the rollout and maintenance of electricity grids and (renewable) power sources.

Water supply

A similar necessary topic is access to water and adequate water supplies. Ecuador, for example, is experiencing its worst drought in 60 years. Ghana is struggling with water pollution, mainly due to small-scale gold mining (galamsey), and WaterAid – the state water utility – has been forced to reduce its clean water supply by 75% this September due to the extensive pollution. WaterAid warned that Ghana risked becoming an importer of water by 2030. This is badly impacting cocoa farmers in rural areas since some have to buy water for all their domestic needs and even to dilute pesticides.

Social protection systems

Social protection systems are one of the most successful ways of fighting poverty. As such, a key element of the infrastructure governments should provide is not physical infrastructure, but the roll out of social protection systems such as pension schemes and health insurance systems. Health insurance both contributes to closing the living income gap and protects household income.^x As a large portion of work in rural areas is informal, another key government role is to bring in policies that reduce the informal economy.

Minimum wages

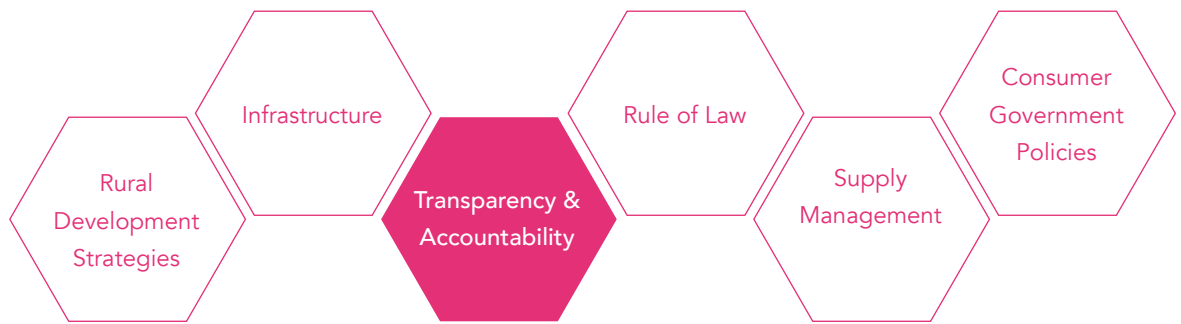
One of the social protections that should be implemented by producing governments is the establishment of minimum wages for hired labour that are aligned with living wage requirements. Though this will not affect the family members on many smallholder-run farms, it should help the wage labourers that are also regularly found throughout many cocoa growing nations.

8 This situation is linked to the severe drought that is affecting water levels in hydroelectric dams – Ecuador's primary source of electricity.

Ecuador introduced a minimum wage, the Salario Digno, that every employer is required to pay by law to all employees. Both, Salario Digno and Living Wage/Income are based on a “cost of living” approach and go beyond one-dimensional poverty lines ... The Salario Digno is fairly high compared to minimum salaries in the neighbouring countries of Colombia and Peru.^{XI}

Summary

Developing and strengthening farmers’ co-operative should be an integral part of the government’s rural development strategies. Governments should put in place tools and policies that support farmer organisations. Governments need to ensure the rollout of affordable and available primary and secondary education, affordable and available health insurance, better coverage of health care clinics, the availability of clean drinking water and sanitation in all communities, and the rollout of nationwide malaria vaccination/medicine drives, the rollout and maintenance of roads, rail, and waterways to ensure a smooth access to market, both for export as well as for national developments, the rollout and maintenance of electricity grids and (renewable) power sources. Social protection systems need to be put in place, such as pension schemes, health insurance, and minimum wage systems based on a cost-of-living approach.



Transparency and accountability

The effective and credible implementation and maintenance of rural development strategies and infrastructure investments requires a transparent and accountable government⁹. Transparency and accountability have many different faces, including national traceability systems, the government’s role as convenor for national dialogues, providing systems for market transparency, and being transparent both in its financial operations as well as in the impact of interventions.

National traceability systems & impact reporting

As part of EUDR compliance, producing governments should already put in place national traceability systems to support farmers to comply to regulatory requirements. These systems can further be improved by creating incentives to address, rather than hide, the causes of sustainability challenges. National traceability systems also need to include mechanisms on how supply chain actors deal with non-compliant cocoa, and they need to incentivise conformity to sustainability standards.¹⁰ Côte d’Ivoire and Ghana’s efforts to implement integrated national traceability systems – based on farmers’ registration and geolocation – are positive steps forward.

Dialogue and convening efforts

Producer governments should establish independent governance frameworks to monitor the progress of traceability and transparency in the cocoa sector. Such frameworks should include representatives of the different supply chain actors (especially farmers and local civil society). Setting up clear accountability mechanisms, quality control and cross-referencing of data (in particular at the farm level), independent audits and inspection functions, and provisions for data access for third-party monitoring, should be part of these governance frameworks.

⁹ An extensive discussion on the importance and role of Transparency and Accountability can be found in the Barometer Consultation paper on [Transparency & Accountability](#) from October 2022.

¹⁰ As noted in footnote 5, VOICE members IDEF and Fern have jointly published an [excellent report](#) outlining key items for transformative traceability systems.

Market transparency

Producing governments could also play a key role in providing market information to their national producers, developing systems to communicate data on relevant variables for farmer incomes (such as labour days required per hectare, costs of production, costs of inputs, prices and premiums, information about good agricultural practices, etc.).

Producer governments should furthermore proactively communicate about key data in their cocoa sector, such as the number of farmers, hectares under production, tonnages produced, etc. Also, important data, such as the spread of pests and diseases is essential. It is very worrying to note that the Ivorian government has stopped communicating the survey results of the spread of the Cocoa Swollen Shoot Virus from 2020 onwards. Governments should ensure that relevant agencies have sufficient capacity and funding.

Government income and spending

Governments should commit to improved financial transparency, communicating openly and verifiably about the income received from cocoa and how these funds are being spent.¹¹ This is sometimes politically sensitive, considering the importance of cocoa (and the foreign exchange the sector generates). However, without this transparency, governments will never be able to be held accountable. In Ghana and Côte d'Ivoire, this should also include transparency on the forward sales of cocoa, the calculations of the guaranteed farm gate price, and the status of stabilisation funds if present. Government investments in infrastructure should likewise be transparent and verifiable.

Role of Civil Society

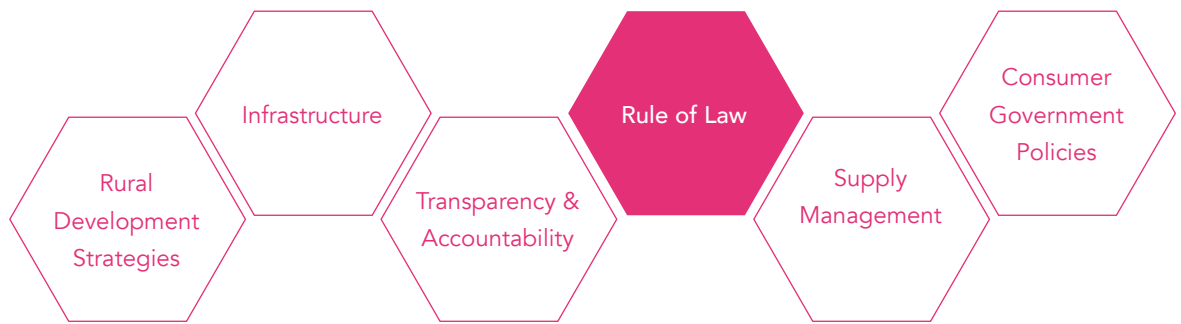
Though often seen as a hindrance, transparency and accountability are of extreme benefit. Producing governments should therefore see civil society organisations as constructive allies, playing a key role. They should build in structures that allow farmer organisations and civil society permanent and regular places of dialogue on key policy issues – social, environmental, and economic - affecting cocoa growing communities. These structures could also ensure that communities and civil society are consulted on any relevant laws drafted.

Summary

The effective and credible implementation and maintenance of rural development strategies and infrastructure investments requires a transparent and accountable government. Governments need to ensure that credible national traceability systems are functioning and act as convenors for independent accountability and governance frameworks. Producing governments could also play a key role in providing key sector data and market information. Governments should commit to improved financial transparency, on both income and expenditure from cocoa. Lastly, producing governments should ensure that civil society and farmer organisations are actively involved in dialogue and policy making for the cocoa sector.

11 Often, taxes and income from the cocoa sector are reinvested in other – often even poorer – regions of cocoa producing countries. This is, of course, completely within the sovereign rights of a nation. Furthermore, for many decades now, international organisations such as IMF and World Bank have been stimulating cocoa exporting nations to use cash crops exports as income sources to develop their national economies.

At the same time, agriculture in the global north is heavily reliant on government subsidies to create a business case for farmers. There is quite a double standard if cocoa growing economies are expected to not only be able to be completely self-sufficient, but even lift the rest of the country to higher stages of economic development.



Rule of law

Land/Tree Tenure

A major challenge facing cocoa farmers' ability to earn a living income is the ongoing uncertainty of land and tree tenure security and land use rights. Without this security, farmers are vulnerable to losing their trees to logging and gold mining, which is becoming a major threat to cocoa farmers. Land tenure security is also important for farmers to secure credit for investing in their farms.^{xii} Furthermore, it is a necessary part of creating assurance of regulatory compliance for upcoming deforestation regulations. Within this dynamic, it is important to review the complex interplay between the rights of individuals and the rights of traditional rulers.

Access to remedy

In the case of contract breaches, land or tenure rights violations, abuse of power, and other such instances, farmers and other members of cocoa growing communities should have access to remedy/fair compensation. However, remedy systems are often missing or there are severe obstacles preventing farmers and other community members from being able to make use of them.

Enforcement

Funding and capacity building for the rule of law are also key elements of good governance. This is especially true for rural safety, as robbery and violence in rural areas is a far-too-common issue in many cocoa growing nations. In Ecuador, violence has skyrocketed and organized crime is increasingly active in the cocoa sector, attracted by high prices. This is leading to increasing costs for cocoa farmers and all actors in the supply chain. Sufficient support for a wide range of civil servants, from law enforcement officers, environmental patrolmen, and purchasing clerks, can contribute to strong positive impacts on the ground. Often, these are very motivated people in the field that lack the basic tools or funding. If provided with that, they can do the work for which they were employed.

Corruption

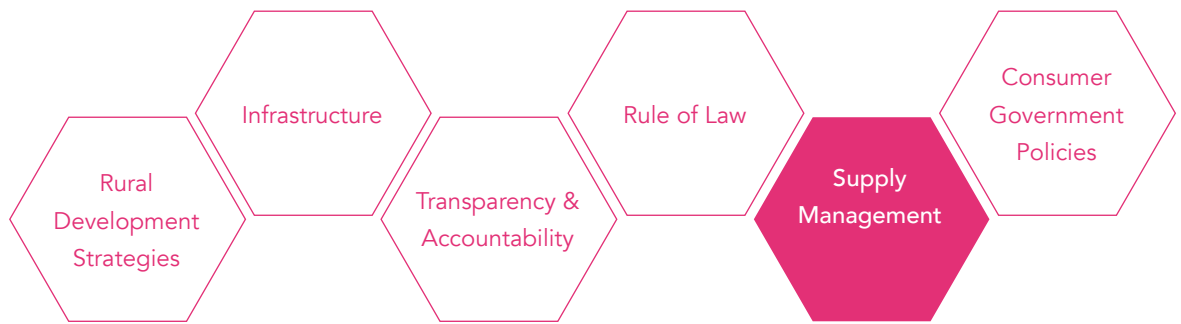
Part of the challenge in this chapter is widespread corruption throughout the cocoa producing world. This problem has many different faces, that can differ per geography, such as the favouring of relatives or other local operators with strong connections, the

asking for 'envelopes', the embezzlement of government funds¹². In all of these cases cocoa farmers are the real losers.

Summary

The government's duty to uphold the rule of law is closely linked to the preceding chapters. Rights of land use, grievance mechanisms, access to courts, consistent enforcement of regulations, and measures to tackle corruption are all necessary in order to provide a reliable environment for cocoa farmers to earn a decent livelihood

12 Such as the scandals surrounding the Ghana Cocoa Roads project under the previous administration of the Cocobod, or the misuse of funds and lack of transparency in the Rural Investment Fund (Fonds d'Investissement en Milieu Rural) and the Fonds Sacherie in Côte d'Ivoire (World Bank, 2021).



Supply management and markets

It is becoming increasingly clear that supply and demand alone are not the right tools to find the proper remuneration for farmers of cocoa – or most other commodities.^{xiii} This is even more the case for tree crops than in annual crops, as farmers are even more tied to their production.¹³

“Individual [cocoa] farmers are price takers with little or no bargaining power vis-à-vis local cocoa buyers. In addition, most cocoa farmers have very few options for alternative income generating activities. As a result, they will likely continue to produce cocoa at very low prices.”^{xiv}

Supply and demand does not work for farmers

Though markets can set proper price levels well when all actors have countervailing power, it does not work for cocoa farmers, especially when cocoa prices are regulated. Therefore, one of the key determinants for a farmer’s income is imposed on them. This asymmetrical power balance doesn’t just lead to low farm gate prices. It also leads to a very skewed distribution of value in the supply chain; farmers live in extreme poverty in a multi-billion-dollar industry.

Minimum wages

Furthermore, in many industrialised countries governments have chosen to decouple the remuneration of work from the supply and demand system by introducing minimum wages. It is high time that these kinds of protection should also be put in place for agricultural workers in commodities.

13 Already in 1991, a former president of the European Commission argued that in agriculture, “the price mechanism does not correspond very well to the ideal-typical neo-classical market concept. Although Mansholt makes these arguments in the context of Western European agriculture, these points are equally as relevant for West African cocoa farmers, if not more so.

Governments can design policies on minimum wages so that hired workers can afford a decent standard of living, however, governments can also set minimum farmgate prices for agricultural commodities. ^{XV}

Decommoditisation

In the cocoa sector, the term 'decommoditisation' is increasingly used to discuss separating farm gate prices from the effects of supply and demand. However, interventions in the market without looking at supply and demand will always have long-term implications on how the market operates.

Policies are effective tools

If the current market crisis shows anything, it is that policies and the availability of cocoa on the world market are effective tools to enact price policy. In that light, it is a matter of high urgency that cocoa producing countries start acknowledging that supply management solutions are part and parcel of any successful living income policy.

Supply management tools

The term supply management often conjures images of buffer stocks and national production quotas – such as those implemented in the cocoa sector for much of the 1970s and 1980s. However, many different types of supply management strategies are possible, most of which are much more subtle. Many government policies create incentives or disincentives for the cocoa sector. Provident pension schemes, land and tree tenure security, and the availability of government support extension services all form a part of a long-term supply management strategy.

Multi-stakeholder dialogue

For this to work properly, all major cocoa producing governments should start discussing these issues on the short term. The most obvious place for these discussions would be the International Cocoa Organisation (ICCO). And although a working group has been formally in place on this topic on and off for the better part of a decade, it has virtually no meaningful dialogue. This is a political choice by its members. In order for this conversation to become more effective, it should also involve various stakeholders, including private sector and civil society.

Forward selling

Unlike other cocoa growing nations, Cote d'Ivoire and Ghana actively regulate the cocoa markets in their countries. Forward selling next year's harvest, they thereby are able to guarantee a minimum price for their cocoa farmers, protecting them from market volatility. This is a political choice by both countries, aimed on the one hand at protecting farmers and on the other at guaranteeing foreign exchange income as a major part of its GDP. This system largely worked when markets were low, but it is showing its limits in the current market of extreme supply shortage. Though a simple and clear solution to this dilemma is not apparent, producing nation governments need to start seriously addressing some of the real concerns.¹⁴

14 A working group in the Cote d'Ivoire and Ghana Cocoa Initiative (CIGHCI) recently finished a report with recommendations, however, this report has not been made public yet, and there are concerns it will be shelved without becoming part of the broader public debate.

Taxes and competition

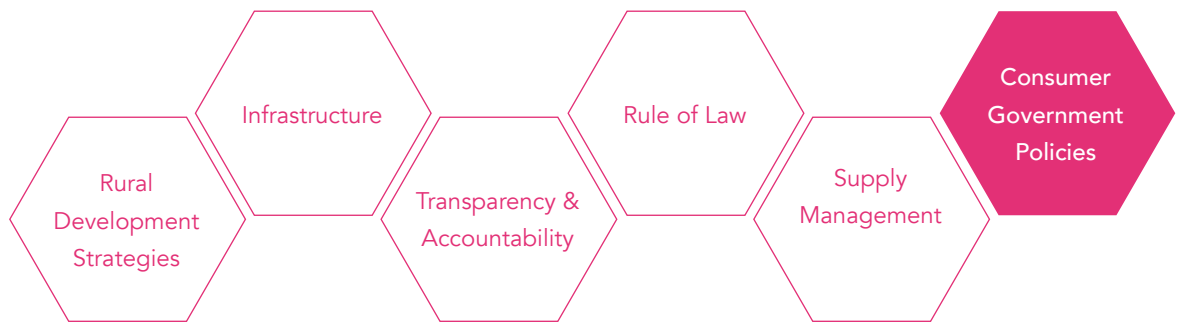
One of the complaints of the private sector about this forward selling system is that if they were to take their responsibility and pay farm gate living income prices¹⁵, this would mean they would de facto be subsidising the government's tax intakes in Ghana and Cote d'Ivoire. However, that argument leads to a downward spiral, with a zero-tax end game. All countries need to be able to impose taxes in order to pay for all the infrastructure and services that they are required to.¹⁶ Furthermore, if certain countries would impose taxes that are far higher than the rest, over time the market would correct this by shifting production elsewhere.

Summary

Supply and demand alone should not determine the remuneration for cocoa farmers. Government policies and the availability of cocoa in the world market are effective tools for enacting price policy. It is urgent that governments roll out supply management solutions. Provident pension schemes, land and tree tenure security, and the availability of government support extension services all form a part of a long-term supply management strategy. The current forward selling system will need to be reviewed as part of this strategy.

15 See our 2023 paper on Good Purchasing Practices

16 This is not the first time that we point out the hypocrisy of global agriculture; whereas European and North American agriculture is only viable for farmers thanks to a huge amount of government subsidies, the international community – led by the IMF, World Bank, and other institutions – expects tropical agriculture to not only be self-sufficient, but to be a major source of foreign exchange currency.



Consumer Government Policies

Though many elements of good governance need to be implemented in origin countries, there is also a significant role to play for consuming governments.

Living income in regulations

Without a living income, the cocoa sector is not sustainable. As such, consuming governments need to make living income a key part of their sustainability regulations, specifically requiring corporations to regularly and critically review the role that corporate purchasing practices can and should play in bridging the living income gap at the farm level. Regulations should also require companies to develop and implement time-bound action plans regularly and transparently reported on. Furthermore, Living Income in global supply chains should be a key part of the Unfair Trading Practices conversation, especially around buying and selling below the cost of production.

If the prohibition of buying or selling below the cost of production in the entire supply chain were to be taken up as UTP [an unfair trading practice], there would be a direct causal relationship between achieving Living Incomes and the UTP regulation. Thus, [... the] UTPs regulatory model could be a direct tool to achieve Living Incomes.^{XVI}

Though the majority of these actions are referenced to in core texts of the EU's Corporate Sustainability Due Diligence Directive (CSDDD), these are still going to have to be translated into national legislations in the European member states in the coming years. Furthermore, other key consuming geographies such as the USA, Japan, Australia and the UK have yet to start developing such regulations and requirements.

Global funding

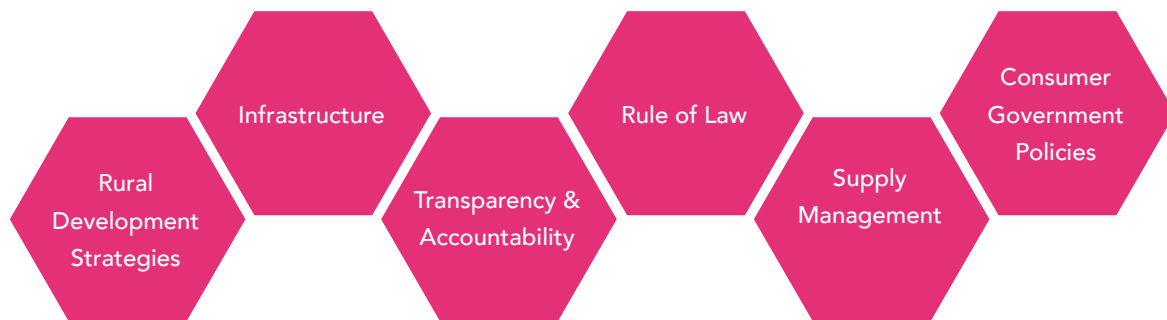
Governments in consuming countries, international organisations, and donors need to make available significant funds to tackle farmer poverty. One possible tool for this would be to create a fund to support cooperatives at local level, allowing them to professionalise, support their farmers in becoming more sustainable, and strengthen their access to market. It is also imperative that civil society in producing nations are supported, especially local organisations.

Competition law

Too often, companies cite competition law as a reason why they cannot work together to tackle the issue of especially farmer remuneration. And although competition law has a very important function, governments in consuming countries should review existing competition laws where these are hindering the ability to agree on collective actions in order to tackle farmer poverty and other sustainability challenges.

Summary

The role of consuming governments has a broad spectrum of activities. First, living income and purchasing practices must be key sustainability regulation requirements. Consuming governments also have a key role in funding the sector-wide efforts to build an enabling environment in origin countries. Lastly, consuming governments should carefully review competition law to remove unintended barriers sector-wide collaboration to address farmer poverty.



Conclusions

- Good governance is one of the most essential building blocks for the cocoa sector to bridge the living income gap.
- Governments in origin countries need to urgently start developing holistic rural development strategies, investing seriously in the rollout key rural infrastructure such as health care, education, roads and social protection systems.
- Governments need to become much more transparent and accountable, and the rule of law needs strengthening.
- Farmer organisation is a key element of this strategy, and farmers and civil society need to be much more involved in key policy making.
- Supply management is an urgent priority within government policies in countries of origin to ensure that farm gate prices become and stay remunerative for farmers.
- There is also a key role for governments in consuming countries in ensuring that living income is not a case of voluntary initiatives but is part of the mandatory requirements of sustainability regulations. Consuming nations also need to provide serious funding to make possible the necessary system changes.
- To truly modernize the cocoa sector, governments must take the lead and get serious about their responsibility to manage the sector.

Colophon

This consultation paper results from several rounds of consultation with the Cocoa Barometer Consortium members. We are also grateful to many stakeholders in the cocoa sector, both private and public, who provided input to various drafts of this paper.

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