Transparency and Accountability

Towards building trust in the cocoa sector's sustainability efforts

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Sustainability has become a central element of the cocoa sector. Cocoa companies have ramped up their Corporate Social Responsibility portfolios and taken individual and collective commitments. Producer governments have developed sustainability policies and standards to build market confidence. Consumer governments have started to propose legislation to tackle their trade footprint. Certification bodies have raised their standards. Civil society and researchers have harnessed the explosion of accessible data on supply chains, livelihoods and the environment. Yet, unsustainable cocoa production continues, and the impact of cocoa stakeholders' efforts are undermined by a general lack of trust in public and private actions.

Sustainability efforts can only become credible if built on a sound understanding of the risks and challenges, which greater transparency can provide. These efforts must also include relevant and effective measures, which should be framed by greater accountability. This paper argues that transparency and accountability are critical ingredients for trust building. It aims to demystify the two concepts and proposes actionable solutions to build trust in the cocoa sector, illustrated by case studies.

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Part 1: Why transparency and accountability (T&A) matter

The state of play of traceability and transparency of the cocoa sector, and related gaps and challenges in major producer countries, is well documented (see for example Nitidae and EFI, 2021a; Nitidae and EFI, 2021b; Nitidae and EFI, 2022; IDH, GISCO, C-Lever.org, 2021). This section highlights the potential benefits of increased transparency and accountability of the cocoa supply chain for all actors.

T&A make traceability efforts effective and credible

Traceability of cocoa to the area of production is essential to assess compliance with sustainability standards – such as the proposed EU regulation on deforestation-free products – and is a key tool to achieving sustainability objectives.

All the main cocoa trading companies have developed internal traceability systems and use software to track cocoa beans from the cooperatives or farmers' associations they work with. Cocoa producing country governments, such as Côte d'Ivoire and Ghana, are

also developing national unified traceability systems that aim to trace cocoa from the plot to the port, and digitise data and payments. These systems collect important information, such as on cocoa farms' and farming households' socioeconomic and environmental characteristics, plot geolocation, certification premium payments, supply chain intermediaries or cocoa quality.

Yet, at this stage, current traceability efforts are undermined by the fragmentation of existing data systems and metrics, reluctance among public and private actors to share data, and limited data quality control. This situation has led to a duplication of efforts. For example, more than 20% of farm polygons registered by the Rainforest Alliance in Côte d'Ivoire are mapped at least twice. It also makes it difficult to address the risk of fraud. Some farmers source from multiple plots, in other cases plots are shared between different farmers, complicating efforts to guarantee cocoa comes from a particular place. Beans are also mixed at various downstream steps in the value chain. It can be mixed at the level of a cooperative, a local trader, a wholesaler, an exporter, and/or a processor, further challenging traceability systems (Nitidae and EFla, 2021).

Improved data transparency, even when data is not perfect or incomplete, helps to better manage risk in the supply chain, enhances the reliability and efficiency of traceability systems, and helps build legitimacy and trust. First-mile traceability and risk management solutions require regularly updated plot-level agroeconomic and spatial information about cocoa production, which is costly and imperfect. Therefore, cross-referencing of data, validation and verification between sources can benefit all stakeholders regulating and sourcing from the same area. Disclosure of sustainability risk information at the level of the sourcing area can enable actions and demonstrate legitimacy to the consumers (AFi, 2020).

Box 1: Definitions

Credibility is the quality of being trusted and believable. In this paper, we show how responsible supply chain actors can improve credibility in the cocoa sector by strengthening *transparency* and *accountability*.

Transparency is the disclosure of information necessary to know what is happening in the supply chain. Transparency has an outward-looking dimension of demonstrating performance and building trust. The Accountability Framework Initiative (AFi, 2019) provides unified guidance to companies on reporting and disclosure practices to increase the credibility of their claims. This includes guidance on sources of information that are most relevant to supply chain transparency, but also on methods and definitions that underpin data collection and its interpretation, including supply chain traceability and geographical information on sourcing.

Supply chain transparency is not about making all data available to everyone, nor about widely disclosing competitive or proprietary information. Data sharing can take various forms adapted and accessible to the relevant actors, especially to those that are 'credibility influencers', such as trusted independent monitoring organisations.

Accountability means being responsible for what you do. Supply chain accountability goes beyond transparency and includes other mechanisms – such as verification, audit, complaints mechanisms – that demonstrate a willingness to make oneself ready to answer for one's acts. This can include the recognition of errors and unforeseen negative consequences and actions to rectify them.

Traceability commonly refers to the ability to track the origin, production, processing history and distribution of a product. Traceability plays a key role in supply chain management. Traceability information usually remains in the ownership of supply chain actors that generate it, unless required by law, commercial agreements or voluntarily disclosed.

T&A provide a level playing field for supply chain actors

All the major chocolate manufacturers and cocoa traders have developed sustainability initiatives over the past years, which include the partial disclosure of information about suppliers and supply areas. These

can include interactive maps featuring GPS coordinates of supported farms, lists of supplying certified cooperatives or numbers of certified farmers.

Yet, this disclosed information is scattered, aggregated, sometimes abstract and practically unverifiable. Organisations like Mighty Earth, through its Accountability Map, or the Trase Initiative have attempted to make sense of this data - their efforts show that major gaps in transparency remain (Box 2). Collaborative frameworks such as the Cocoa and Forest Initiative have so far focused on harmonising reporting frameworks on sustainability actions but restrain from organising collective data disclosure. Certification companies do centralise a lot of information, but the transparency of this data, such as on certified volumes, premium payments or impact measurement – let alone polygon data or farm point information - is far from its true potential.

However, a few trading companies and chocolate manufacturers (such as Uncommon Cacao and Ethiquable) demonstrate that transparency about the origin of each ingredient in a chocolate product is possible and commercially viable.

In a competitive market environment, most actors might not be interested in increasing transparency individually. But data is no longer competitive if disclosure has become common practice. When cocoa supply chain data is disclosed following best practices and standardised approaches, such as described in the Accountability Framework Disclosure guidance (AFi, 2020), it can unleash the potential to eliminate unfair competition and business practices in the supply chain.

For instance, the disclosure of information on production and sales volumes would radically level the playing field in terms of governance and sustainability risk assessment. In addition, when information access is guaranteed to those who have less power in the supply chain (such as farmers, and local civil society), it enables their effective participation in decision making around natural resources and farm management.

Box 2

Indirect sourcing makes transparency of cocoa origin very complex

Recently, Trase (Trase, 2022) used publicly available data to map Côte d'Ivoire's cocoa supply chain for 2019. They used a list of suppliers in West Africa, disclosed by several major cocoa traders and chocolate manufacturers.

Brands such as Nestlé, Ferrero, Mondelez and Mars, are now reporting some of the traders and cooperatives they source from. Meanwhile, processors and traders, such as Barry Callebaut, Cargill, Olam and Sucden, disclose some of their cooperative suppliers. In contrast, chocolate company Lindt & Sprüngli and traders such S3C, Africa Sourcing, Theobroma and Albrecht & Dill Trading disclose no information on their sourcing.

In general, the level of transparent information is better for cocoa sourced from Côte d'Ivoire in comparison to Ghana, Cameroon, Nigeria, and many other cocoa-producing countries.
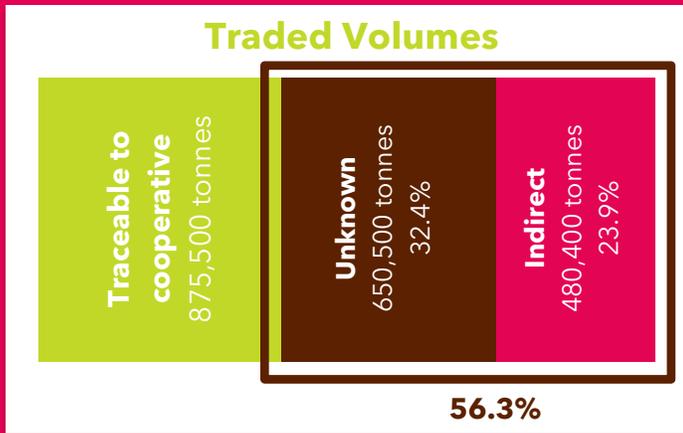
However, the data disclosed by companies is scattered, incomplete, often outdated and non-standardised. For instance, the geolocation and number of farmers per cooperative can be missing, and volumes sourced per supplier are not provided. In addition, so far, companies have not disclosed information on their volumes of certified cocoa, i.e. how much they source from different certified suppliers _ cooperatives or farmer groups.

Similarly, once cocoa arrives in Europe, little information is disclosed about the flow of processed products within the EU block. In consuming countries, retailers could lead by being more transparent, disclosing where the chocolate they sell is processed and the identity of their secondary suppliers (so called "tier 2 suppliers").

Most cocoa has an unknown origin

Overall, less than half (44%) of cocoa beans exported from Côte d'Ivoire can be traced to a cooperative, using publicly available data. The remainder is indirectly sourced from local intermediaries by major traders (24%) ('Indirect' sourcing) or exported by

traders who disclose no information about their suppliers (32%) ('Unknown' sourcing). The percentage of indirect sourcing varies among traders: approximately 30% for Olam and Barry Callebaut; and over 60% for Sucden and Touton.

Traded Volumes

Traceable to cooperative 875,500 tonnes	Unknown 650,500 tonnes 32.4%	Indirect 480,400 tonnes 23.9%

56.3%

Trase's work highlights the importance of indirect sourcing, which – despite its scale – is not accounted for in most corporate sustainability reporting. Members of the Cocoa & Forests Initiative, for example, submit annual progress reports on sustainable sourcing, but these reports are limited to directly sourced volumes only. CFI members report that 72% of directly sourced cocoa is traceable to farm in 2020 (WCF, 2022). When indirect sourcing is added, the overall percentage of cocoa that is traceable falls closer to 50%. This means that cocoa trading companies and the chocolate manufacturers further along the supply chain do not know the origin or sustainability risk of a large share – in some cases the majority – of their cocoa.

T&A enable improved market access

In major producing countries, the cocoa supply chain is characterised by great opacity, due to the strategic nature of the industry and its economic and political weight. Major governance challenges in producing countries include: a lack of transparency and legal basis for some supply chain rules, such as direct block deals[1] in Côte d'Ivoire or price scale updates; sudden changes in supply chain management rules without

stakeholder consultation; or insufficient accountability of public authorities on the use of proceeds from cocoa trading.

Increased concerns of chocolate consumers have triggered international scrutiny and legislative reforms in consumer countries, which are significantly impacting the supply chain. The forthcoming EU deforestation regulation (see Box 3) is likely to provide a competitive advantage to producing countries that can demonstrate they take cocoa sustainability challenges seriously. This includes, for instance, acknowledging drivers of cocoa unsustainability and quantifying cocoa production that is unsustainable or at risk of being so. In West Africa, collectively identifying cocoa produced on illegally deforested land and clarifying the rules that apply to cocoa currently sourced from forest areas would be a major step forward in providing market confidence and mitigating sourcing risks.

By providing clear legal and institutional frameworks and making available relevant official data on supply chain production, trade and land-use, producing countries can create a conducive environment for operators to perform due diligence. This would also give them a competitive advantage on the cocoa market. For companies, pooling data on sustainability risks and cross-referencing suppliers' information could reduce risk assessment costs and mitigate the risk of fraud in their supply chain, thus facilitating their access to the EU market once the regulation will be in force. It would also increase consumers' trust in their products.

Box 3

Upcoming EU due diligence requirements

Responding to growing consumers' sustainability concerns and in line with the EU Green Deal and Zero tolerance approach against child labour, the European Commission has initiated various legislative processes to strengthen due diligence obligations of

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[1] A block deal is a privately negotiated transaction that is executed apart from the public auction market.

companies operating on the EU market, to reduce the EU consumption's environmental and social impact.

Among these measures, a proposal for a regulation on commodities and products associated with deforestation and forest degradation was adopted by the European Commission on 17 November 2021. This proposal follows the Communication of the State of the World's Forests of 2019 and extensive consultations and support from supply chain actors. The proposed regulation, which covers cocoa and its derived products, would require operators and traders placing cocoa on the EU market to conduct due diligence to ensure that cocoa is not linked to deforestation. It builds on three major requirements:

Traceability: Operators will need to be able to demonstrate cocoa origin to import cocoa into the EU. Traceability from plot to port would be needed, including geolocation information.

Zero deforestation: Cocoa cannot be placed on the EU market if produced on a plot deforested after a certain cut-off date.

Legality: Cocoa cannot be placed on the EU market if not in conformity with the producing country's legal framework.

Moreover, the proposal introduces a country benchmarking system that reduces due diligence requirements when sourcing from countries presenting a low risk of deforestation and have put in place relevant policies and partnerships to address drivers of deforestation.

On 23 February 2022, the Commission published a Communication on Decent Work Worldwide, which proposes a comprehensive approach that addresses workers in domestic markets, in third countries and in global supply chains. As part of this initiative, the European Commission published on 14 September 2022 a proposal for a regulation prohibiting products made by forced labour, including child labour, from entering the EU market.

In addition to these upcoming regulations targeting specific supply chains, the European Commission also put forward in February 2022 a proposal for a directive on Corporate Sustainability Due Diligence. This horizontal legislation aims at harmonising due diligence frameworks that apply to large companies operating in the EU, across their operations. This proposed directive would complement supply chain regulations on broader sustainability challenges such as human rights, climate change or decent wages.

T&A help increase farmers' income

Asymmetries of information in the agricultural commodities sector are well-known contributors to poverty. The lack of transparency in the cocoa market impedes farmers from accessing information on demand, prices, quality, harvest or premium payments (UNCTAD, 2016). For instance, many studies investigating the impact of cocoa certification in West Africa have highlighted the lack of awareness of farmers on price premium schemes and on their very participation in those (Uribe and Ruf, 2019).

Tracking data on premium payments through traceability systems brings benefits both to farmers by increasing their income and to companies by demonstrating their sustainability claims (Fairfood and University of Wangeningen, 2022).

Furthermore, the unavailability of data on relevant variables for farmer incomes (labour days required per hectare, costs of production, costs of inputs, etc.) has led to a lack of clarity and to mistaken assumptions about how to improve farmer income. For instance, over the last decade, it has been assumed that adopting Good Agricultural Practices would be sufficient to improve farmers' income. However, recent studies (IDH, 2021) have shown that higher productivity could lead to lower net incomes, due to higher costs.

Greater transparency and accountability are also needed when it comes to farmer support and benefit sharing in the value chain. In several producer countries, dedicated funds financed by levies on the value chain are managed centrally on behalf of smallholder farmers. This is for instance the case of the Rural Investment Fund (*Fonds d'Investissement en Milieu Rural*) or the *Fonds Sacherie* in Côte d'Ivoire, which are meant to reinvest proceeds from cocoa exports into supply chain development, farmers'

support and infrastructure. However, misuse of funds and lack of transparency has been reported for these funds (World Bank, 2021).

Summary

Increasing transparency & accountability brings many benefits to the cocoa sector. It **strengthens the efficiency and credibility** of sustainability efforts. It **creates a level playing field** for all actors. It enables **improved market access**. And it can provide part of the **enabling environment for higher farmer incomes**.

Part 2: Actions for a transparent and accountable cocoa sector

Transparency and accountability are only means to an end, which is to help deliver the economic, social and environmental sustainability outcomes wished for by cocoa stakeholders, first and foremost by smallholder farmers. Eventually, cocoa supply chain transparency will only be effective if the users have the capacity, interest and trust in the information provided (Garder et al., 2019).

This section outlines actions that can be taken to achieve progress towards traceability, reduced deforestation, increased farmers' income and eradicated child labour.

Unintended consequences

Increased transparency can also lead to unintended consequences, such as exacerbating existing inequalities, including gender inequality, further excluding vulnerable groups, or divesting from poorly governed or risky areas (Gardner et al., 2019). This means that all actions must be designed with a specific awareness of the challenges faced by supply chain actors, of the incentives that could lead them to engage and must embed mitigation measures addressing unintended consequences.

Action 1: Set up credible national and company traceability systems that inform risk assessment and mitigation

Nowadays, most public and private cocoa traceability systems focus on traceability back to the first point of purchase (cooperatives, Licensed Buying Companies, etc.), with data on traceability to farm level often being unavailable or unreliable. In addition, cocoa companies' traceability efforts are limited to their direct suppliers (zu Ermgassen et al., 2022).

Côte d'Ivoire and Ghana's efforts to put in place integrated national systems – based on farmers' registration and geolocation – are positive steps forward. However, more transparency in these systems is needed, to demonstrate that cocoa at risk of deforestation or child labour is stopped from entering the market, and create incentives to address, rather than hide, causes of sustainability challenges. Public traceability systems also need to respond to supply chain actors' needs, at the risk of not being used by operators; and build on companies' efforts and data, at the risk of increasing costs. Traceability should also be enhanced beyond producer countries (see Box 4).

The credibility and acceptability of traceability systems by both companies and government can be enhanced by **making available clear national traceability systems specifications** that clarify their value proposition, outline realistic and progressive milestones for roll-out, and propose how responsibilities and costs will be shared between supply chain actors. These should also **ensure the integration of and interoperability** between public and private sector data.

Establishing independent governance frameworks to monitor progress of traceability and transparency in the cocoa sector, that include representatives of the different supply chain actors (especially farmers and local civil society) is an essential component. **Setting up clear accountability mechanisms, quality control and cross-referencing of data** (in particular at farm level), independent audits and inspection functions, as well as provisions for data access for third

party monitoring should be part of these governance frameworks.

Finally, traceability systems need to **include mechanisms on how supply chain actors deal with non-compliant cocoa**, and they need to incentivise conformity to sustainability standards.

Box 4
Transparency of trade data and trade misinvoicing

Cocoa traceability does not end at the port of Abidjan or Accra. There is significant cocoa trade and transformation happening within and between both producer and consumer countries, for which traceability is completely missing. This box illustrates some of the implications and challenges linked to indirect trade flows between producing and consumer countries.

A 2016 UNCTAD study found that between 1995 and 2014 one-third of cocoa exports from Côte d'Ivoire to the Netherlands – valued at USD 5 billion – were not reported on the Netherlands' import records (UNCTAD, 2016). This discrepancy may be evidence of trade misinvoicing, a form of fraud in which exporters and/or importers deliberately misreport the value, quantity or quality of a shipment of good (CGD, 2018). Trade misinvoicing is problematic especially for producer countries because it contributes to tax base erosion and prevents producer countries from capturing the full value of foreign exchange income.

Given that poverty is a main driver of deforestation and child labour in the cocoa sector, it is critical that producer countries realise the full benefits from trade to invest in sustainable development and reduce risks in the sector.

While mismatches in trade data may provide evidence of trade misinvoicing in some cases, reporting differences also play a role. Exporters identify the immediate destination country, which may be the first stop before goods are re-exported to another country. However, the final destination country identifies the original exporter, not the intermediate country (Shaxson, 2016). For example, Ghana's exports to Germany via the Netherlands might be recorded as exports to the Netherlands on Ghana's records, while Germany records these trades as imports from Ghana, resulting in discrepancies even if no nefarious activities occurred.

This poses a challenge for tracing goods throughout the supply chain from origin to destination market and final consumer. The complexity of global trade and fragmented reporting and disclosure complicate efforts to attribute impacts, target actions to reduce risks in commodity supply chains, and ensure fair distribution of benefits. Greater transparency of transaction-level data and active cooperation of customs authorities is needed to identify instances of fraudulent practices and illicit financial flows and to hold actors throughout the supply chain accountable.

Action 2: Make available reference forest and land-use data based on consensual definitions and methodologies

Collectively addressing deforestation in the cocoa supply chain requires a consensus on the problems to be addressed and a common approach to define, identify, monitor and mitigate deforestation risks. Demonstrating that cocoa production is free from deforestation relies on the availability of spatial information on cocoa production areas and forests. This information provides the basis for estimating how much past deforestation is due to cocoa expansion and monitoring that there is no future expansion of cocoa into forest areas.

Currently, there is no consensus among actors on deforestation trends and on the extent of cocoa encroachment into forests in most producing countries. When data exists, these vary tremendously between sources. For instance, in Côte d'Ivoire, the 2020 Conseil du Café Cacao farm survey results indicate that 15% of classified forest areas are under cocoa plantation (CCC, 2021), while the 2020 forest inventory estimated cocoa and coffee encroachment of classified forest areas at 36% (MINEF, 2021). Recent satellite monitoring-based research in Côte d'Ivoire and Ghana estimated cocoa encroachment in protected areas at around 20% (Abu et al, 2021).

Deforestation trends for Côte d'Ivoire and Ghana also vary tremendously based on the source of information. While no data is perfect, **transparency on definitions and methodologies is required** to make sense of available information and ensure credibility of supply chain actors' risk assessments. Alignment is also needed to **build action around a common benchmark**. These should include not only access to the various spatial products on cocoa production and forests, but also in situ data, collected over time, preferably with geotagged on ground photos.

Box 7 Comparing existing cocoa maps

Several attempts have been made recently to remotely sense cocoa plantations in Côte d'Ivoire using satellite imagery, involving such reputable research organisations like ETH Zurich and the Joint Research Center of the European Union. Nevertheless, remotely sensed maps of cocoa plantations may differ significantly, regarding both cocoa areas and distribution patterns. Differences in part are due to varying map dates, definitions (e.g. including or omitting agroforestry plots), methods and training data available to calibrate remote sensing algorithms. The Citizen-Science Platform Geo-Wiki has collected the various maps and displays them for comparison purposes (https://tm.geo-wiki.org/).

Forest and land-use classes definitions are needed to detect and monitor boundaries between different land uses. Legal frameworks should also **clarify whether legal forest conversion is still permitted** in a given context and under which conditions. Other important tools to operationalise zero-deforestation commitments include **up-to-date forest and protected ecosystem maps, forest and land-use monitoring systems, deforestation alert systems and verification/sanction protocols.**

Action 3: Enhance transparency on purchasing practices, prices and farmer income

Poverty is a cause of most problems in the cocoa value chain. For this reason, more companies and governments are committing to closing living income gaps in their supply chains. For these commitments to be credible, transparency is needed at least at two levels:

At farm level

Data transparency at farm level is an essential prerequisite to close the living income gap. **Documenting and publishing income levels of farmers,** as well as aggregated agronomic data such as average yields, farm size, costs of production and required labour, is essential to monitor progress towards meeting living income targets. This data is also key to design targeted support for the most vulnerable farmers, including women; and reduce income and connectivity and market access gaps.

Greater transparency on company purchasing practices – at the very least at an aggregated level – such as contract length, price guarantees and premiums paid, and direct suppliers could also enhance stability on both farmers and companies' sides.

The cost and burden of data collection and disclosure should not be borne by farming households. As such, **farmers could be rewarded for sharing data.** If done well, these processes can facilitate strong feedback loops between farmers and companies These are critical pathways not only to address concerns, but also to build trust between farmers and their clients. Rather than data providers forced to comply with requirements from purchase agreements, farmers can be turned into partners if the correct incentives are in place.

At export and terminal markets

One major recent development in cocoa has been the implementation of the Living Income Differential (LID), a surcharge of USD 400 per tonne on the global markets. **Disclosing information on the export contracting process**, including auction and export contract prices, and comparisons to the level of the terminal markets could help increase transparency of the markets, which is very much needed to make price interventions effective.

Action 4: Create systems for individual and joint transparency on child labour

For two decades, promises to tackle child labour in the cocoa sector have not led to significant progress. Claims about investments must be coupled with transparency about achieved impact.

Corporate reporting

The past decade has seen a positive development. A handful of companies – at the time of writing, Nestlé, Tony's Chocolonely, Hershey, and Barry Callebaut – started to disclose the number of children found in parts of their cocoa supply chain and the number of children taken out of child labour. These systems have come to be known as Child Labour Monitoring and Remediation Systems (CLMRS).

However, other companies also use CLMRS without disclosing any information on its impact. Furthermore, increasingly, CLMRS are not providing clarity on a supply chain basis, instead favouring community-based systems. This further reduces the transparency of cases found and the accountability of companies for their supply chain. **The publication of CLMRS data**, at the very least on households covered, number of children and cases found, support provided and number of children who benefited from remediation, is needed to demonstrate impact.

Collective reporting and commitments

Child labour is not only a question of individual corporate responsibility. It also requires collective action by all stakeholders involved, including corporations and governments. This collective action has often been hampered by a lack of credible data, vague commitments and inconsistent reporting on progress. In addition to individual reporting as outlined above, collective action requires **a strong reporting framework on sectoral progress at the national level.** This involves **consensus on definitions and methodology** of data collection. It also requires regular **large-scale research on the scope of the challenge**. So far, attempts have been made to discredit the results of such efforts (including the various reports undertaken by Tulane and NORC). Although there might be grounds to dispute the

methodologies of such research, it will be important going forward to find common grounds, acknowledge the issues, and bring transparency to the results. The biggest challenge at the level of sector-wide transparency on child labour is not technical, but political in nature.

Part 3: Access to information and accountability

Having transparent and accurate information about the nature and scale of the issues at stake provides a strong basis for action and remediation. To be fully effective, transparency needs to be mediated and managed by trusted intermediaries (Gardner et al., 2019).

Public disclosure and independent observation

The development of traceability systems in the cocoa sector is only one part of the challenge. For building trust in markets and accountability, the accessibility of such information is key. This doesn't mean, however, that all information shall be made accessible to everyone all the time.

Where national cocoa supply-chain information systems create reporting obligations to supply chain actors (for instance, mandatory disclosure of farm-level traceability information) that involve confidential or sensitive information, **the information may be disclosed only to a mandated independent observer**, tasked by the government to verify the information provided and to hold the supply chain actors accountable.

Even when the principles of data transparency and effective stakeholder involvement are met, the role of independent monitoring remains key for the success and credibility of the approach. Its important contribution has been recognised in various trade agreements between the EU and timber-producing countries in the context of forest law enforcement, governance, and trade (FLEGT) (Box 5). It contributes

to holding actors accountable to their respective responsibilities and improves information systems over time.

Box 5
Ghana's Timber Information Portals

In 2009, Ghana entered into a bilateral Voluntary Partnership Agreement (VPA) with the EU under the EU Forest Law Enforcement, Governance, and Trade (FLEGT) initiative. As part of their efforts under the VPA, Ghana developed a national traceability system, the Ghana Wood Tracking System (WTS), to track the trade of timber and to ensure that timber entering the supply chain is legally sourced. The electronic system monitors chain of custody from forest to export or placing on the domestic market, collects data on compliance by operators at critical control points, and raises potential breaches allowing for controls and field verification.

Information collected through the WTS is shared with stakeholder groups through various data portals. The Forestry Commission has developed an internal dashboard to support compliance monitoring, decision making, and to inform policy. With CSOs, the Forestry Commission also developed portals to make information available for use by industry actors and the public. EU competent authorities can also access information from the WTS through a designated portal to validate issued legality licences.

The Ghana WTS has been lauded as a major success in the sector, with many commending the participatory, deliberative, multistakeholder process that was established in its development. Functionalities with varying levels of information disclosure – such as data portals – were developed to meet the needs of stakeholder groups, facilitating independent monitoring and more effective enforcement.

Through this inclusive process, the relationship between the Forestry Commission and CSOs transformed from being adversarial to collaborative, with CSOs ultimately contributing to the development and operation of the WTS and its functionalities, as well as in promoting the WTS as a credible tool to ensure legality in national and international arenas.

There may be different levels of access for different users especially for sensitive or commercial data. Public disclosure is not always a necessity where a trusted group of key stakeholders –especially independent monitoring organisations – has access to the critical information.

Central collection and access point of information

In recent years, there has been a proliferation of transparency instruments, including databases, dashboards, scorecards, traceability platforms, interactive maps and independent monitoring organisations. The cocoa supply chain is no exception to this trend, even if the general sentiment remains one of opacity. And an increasing number of actors, especially in downstream stages of the supply chain, can feel disoriented by the increasing variety of information sources.

Having the main reference information in one place recognised by the main stakeholders, in one online platform, organised, accessible and ideally hosted by an institution in government or mandated by it, is key to help supply chain actors navigate through the proliferation of information and data sources.

The creation of a central point of information hosted by a government institution can also become a concrete accelerator for improving the interoperability between different public and private data sources (including certification data), while recognising the primary source and ultimate data holder for each dataset. It can accelerate the development and use of common reporting formats.

Furthermore, it can be the opportunity for supply-chain stakeholders to set up practical and harmonised ways of connecting supply-chain information (traceability data) with sustainability information (data on forest protection or deforestation, for instance). Integrating traceability information with, for instance, impacts on forests - be they negative (deforestation) or positive (forest protection or reforestation), poses important challenges that are more likely to be addressed with a centralised traceability information system. For instance, in the absence of systematic farm-level deforestation data, deforestation risks can

be assessed at the level of a production landscape or region, which then can be linked to supply chain data when pooled together.

Finally, a central point of information can also support the existence of an effective complaint mechanism, which can further boost the trust and credibility in the cocoa sector.

Summary

The way collected data is reported requires careful consideration. Some sensitive or confidential data is best reported to **independent monitoring organisations**. Other data is best **disclosed publicly**. Additionally, a **central collection** of data by a **government agency** can **provide clarity** about the various streams of data that are reported, function as an **accelerator for more transparency**, help **connect sustainability** with supply-chain data while supporting **effective complaint mechanisms**.

Part 4: How can the different stakeholders contribute?

The above-mentioned action proposals require valiant and collaborative efforts from all actors in the supply chain. The recommendations below highlight some of the main contributions that each stakeholder group can bring to improve cocoa transparency and accountability.

Cocoa producing governments are recommended to:

- Implement national traceability approaches that respond to the needs of supply chain actors, ensure the interoperability with existing data management systems, and enable full traceability to the cocoa plot.
- Create a central point of information or a national platform that hosts reference data on traceability and sustainability in the cocoa supply chain and provides differentiated access modalities to supply chain actors, based on their needs.
- Disclose methodologies and approaches for supply chain data collection, including for farm

data, and clear data management and ownership frameworks.
- Publish and regularly update reference data related to cocoa production and trade that can support supply chain actors' decision making, such as cocoa production statistics at sub-national level, and aggregated and anonymised farmer data statistics on farm size, average yields, costs of production, diversified production, etc.
- Publish and regularly update relevant spatial information that can support cocoa supply chain actors' risk assessments, such as protected areas and forest boundary maps, forest and crop maps, aggregated annual cocoa production maps and cocoa asset maps (cooperatives, warehouses, etc.). Ensure that this data is accessible, verifiable and up to international standards and methodologies.
- Implement a national forest monitoring and deforestation alert system, associated with clear processes for ground verification, control mechanisms, sanctions and reporting.
- Establish a governance framework for traceability that guarantees the participation of supply chain actors, that includes the role of independent monitoring organisation(s) in providing third-party verification and foresees a complaint mechanism.
- Establish national reporting frameworks on sectoral progress to address child labour.
- Disclose annually the tonnages of cocoa sold, price received for cocoa sales, including all differentials, and price setup of farm gate price vs. world market price.
- Report annually on the use of cocoa tax revenues.

Cocoa consumer governments are recommended to:

- Disclosure cocoa import statistics and cooperate with producing countries' customs authorities.
- Establish mutually benefiting and ambitious partnerships with producing countries, that incentivise transparency and accountability while targeting the roots causes of cocoa-related deforestation and child labour, such as living income and poor land-use governance.

- Support multistakeholder engagement at producing country level and representation of civil society and farmers.
- Provide sustained financial and technical support to build producing country capacity, policies and tools for cocoa traceability and sustainability, with a focus on smallholders.
- Communicate clear expectations and guidelines for compliance with consumer country regulation.

Cocoa traders and manufacturers are recommended to:

- Annually disclose supply chain information, following norms established by the Accountability Framework initiative. These include the identity and location of tier-1 (traders) & tier-2 suppliers (cooperatives/farmer groups), volumes sourced per tier-2 suppliers, volumes sourced by certification system, and volumes sourced directly/indirectly.
- Publish aggregated annual cocoa production maps based on companies' traceability systems and share plot-level data with producing governments.
- Publish data and methodologies used for the spatial monitoring of their supply areas when company systems exist.
- Align company sustainability frameworks and forest monitoring efforts to nationally agreed definitions and standards, as well as to the Accountability Framework initiative guidelines on transparency disclosure guidelines.
- Report on risks identified, volumes sourced that are deemed non-compliant (e.g. not deforestation-free), and actions undertaken.
- Report annually on the number of children identified as being in child labour and those

remediated out of child labour in their supply chain, as well as how much of their supply chain is covered by their CLMRS.
- Report annually on tonnages of cocoa sourced by country/terminal market and disclose payments of Living Income Differential and other differentials, including country differentials and certification premiums.
- Disclose data to independent monitoring organisations when needed.
- Support farmer organisations' capacity to participate in traceability system design and management.

Certification bodies are recommended to:

- Publish the volumes and origin of certified cocoa.
- Publish farm gate prices and premiums received by cooperatives and farmers.
- Publish major risks identified per cocoa sourcing region and the incidence of these major risks.

Civil society organisations and academia are recommended to:

- Structure and implement third-party monitoring of cocoa traceability systems and sustainability risks.
- Support farmer organisations' capacity to participate in traceability system design and management.
- Support the continuous improvement of forest monitoring and cocoa detection methodologies and approaches.
- Make available open source and robust data to sustain the objectives and actions described in this paper.

Colophon

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