

Private Sector Engagement in the FCPF and BioCarbon Fund

Paris, December 2015

The Forest Carbon Partnership Facility (FCPF) and BioCarbon Fund (BioCF) and its Initiative for Sustainable Forest Landscapes (ISFL) recognize the important role that the private sector plays in encouraging smarter land use and reducing deforestation and degradation. The private sector can have a pivotal role in scaling up sustainable practices. In particular, the ISFL is designed to maximize private sector engagement and financial leverage, and to partner with private firms to help “forest-proof” the sourcing of commodities and redirect market forces towards more sustainable land management practices.

Countries participating in the FCPF and BioCF are in early design stages of Emission Reduction (ER) Programs. However, tangible pathways of partnership have been identified. These funds leverage the comparative advantages of different agencies of the World Bank Group, including the International Finance Corporation (IFC), the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

Concrete cooperation and partnerships are emerging with the private sector that will contribute to reducing emissions in targeted FCPF and BioCF countries:

- In **Cote d’Ivoire**, Mondelēz International and its suppliers have a commitment to improve the country’s cocoa sector. The Government, through the Ministry of Environment and in coordination with the Conseil du Cafe-Cacao, is exploring with Mondelēz how to implement zero-net deforestation agriculture, including a monitoring and verification system and how this effort can contribute to an ER Program. The country will also receive finance from the Forest Investment Program (FIP) including investments to promote sustainable cocoa production within the ER Program area.
- In **Ghana** the government, including the Cocoa Board, are discussing opportunities with companies (e.g. OLAM, Mondelēz, Touton) to jointly promote climate-smart cocoa practices to meet evolving global industry demands for sustainable cocoa. The program will also build on private sector activities funded by the FIP, including investments in the cocoa sector, and commercial plantations in partnership with the IFC.
- In the **Republic of Congo**, CIB-OLAM has been a partner (including providing funding) in the development of the country’s ER Program. CIB-OLAM has partnered with the Ministry of Agriculture and Ministry of Forestry and Sustainable Development to rehabilitate the cocoa market in Congo by harnessing OLAM’s strategic market position in the global cocoa sector.
- In **Zambia**, discussions have been initiated with several cotton companies, including Cargill, on a proposed partnership to produce zero deforestation cotton. In addition, several partnerships are also being discussed with COMACO, an NGO that has been successful in providing farmers a premium for produce if they comply with a “conservation pledge”; and with ecotourism companies that have shown interest in the BioCF program.

Additional details on the private sector partnerships developed in Cote d’Ivoire, Republic of Ghana, Republic of Congo, and Republic of Zambia can be found on the following pages.

Aligning Public and Private Actions to Improve Cocoa Farming

Cote d'Ivoire is the world's leading cocoa producer, with 40% of global production. The industry comprises 15% of the country's GDP, 40% of its export earnings, and is the main source of income for 800,000 farmers. The development of this industry, however, has been achieved at the expense of forest reserves. Cote d'Ivoire has one of the highest rates of deforestation in the world. In 1960, forests covered 16 million hectares, but by 2014 had declined to less than 3 million. Each year approximately 30,000-40,000 ha of forest are cleared for expansion of cocoa. If this trend continues, in 15 years the country will have completely exhausted its forest resources.



Cote d'Ivoire has high level political support to reverse this trend. At the 2014 UN Climate Summit, the country endorsed the New York Declaration on Forests and President Ouattara launched the concept of producing “zero net deforestation cocoa” by 2017. A new Forest Code has the goal of increasing forest cover to 20%, and the Council of Coffee-Cocoa has launched a new program: “Quantity, Quality and Growth” (2QC) that aims to improve the productivity and quality of cocoa while securing income along the value chain and contribute to the well-being of producers alongside development of a national cocoa sustainability standard.

Private sector engagement: Mondelez International and its suppliers are actively supporting the improvement of cocoa farming in Cote d'Ivoire. In 2016, Mondelez will roll out two pilot programs to test the concept of zero-net deforestation in two of its main cocoa sourcing regions as part of their Cocoa Life program. In recent years, cocoa activity has been decreasing due to aging orchards; however, Mondelez has made a \$100 million commitment to help 75,000 Ivorian farmers double their productivity through training of new techniques, increased access to inputs (e.g. fertilizer and pesticides), as well as improving the quality of their cocoa.



Mondelez International, Inc. (formerly Kraft Foods) is a global snack and food company that includes well-known brands such as Nabisco and Cadbury, with pro forma 2014 revenue of more than \$30 billion. In 2012, it launched its Cocoa Life program—the company's largest, most comprehensive cocoa sustainability effort to date which includes a commitment to spend \$400 million over 10 years to assist 200,000 farmers in six countries (including Ghana and Cote d'Ivoire). Mondelez aspires to source all their cocoa sustainably, mainly from the Cocoa Life program. In October 2015 it launched new 2020 Global Sustainability Goals that include reducing deforestation in key agricultural supply chains, primarily in cocoa and palm oil – and, as progress is made on the ground, to measure and report publicly the resulting end-to-end carbon footprint reduction.

For its part, the government is in the process of defining “zero-net deforestation cocoa” including endorsement of a High Carbon Stock methodology to identify critical forests and outlawing their conversion to agriculture lands. The government also intends to support a monitoring and verification system that will lend credibility to zero-net deforestation production. This includes independent monitoring and a national registry that will update results annually.

Cote d'Ivoire is also working on improvements in the rubber and palm oil sectors, which also driver deforestation in the country. A formal collaborative framework is being discussed among the national REDD+ coordination unit, the Inter-professional Association of Oil Palm and the Natural Rubber Business Association. Cote d'Ivoire announced in December 2015 its intention to join the Tropical Forest Alliance 2020 (TFA2020). It has been participating in the TFA2020 Africa Palm Oil Initiative to develop regional principles for responsible oil palm development, including development of national guidelines for responsible palm oil that includes a goal of zero-net deforestation palm oil by 2020.

Cote d'Ivoire is developing an Emission Reductions program that will measure the climate impacts of its actions. It was recently accepted into the Forest Carbon Partnership Facility's Carbon Fund which—if the country is successful in reducing deforestation—will allow it to access up to \$50 million in performance based payments.

Promoting environmentally and economically sustainable cocoa

Ghana's economy is dominated by the US\$2 billion (annual) cocoa industry which has been a key pillar of the national economy for decades. It employs 800,000 farm families, the majority of which are small-holder farms. Cocoa generates around 10% of the country's GDP, and 30% of its export value. Ghana has become the second leading producer of cocoa in the world—but it has come at a cost. A century of forest conversion, predominantly from cocoa expansion, has reduced the area under natural forests by 80%. Ghana's forest cover has almost halved since 2000, and only 4.6 million hectares of forest remain.

Ghana's cocoa production faces economic, environmental and sustainability challenges. Cocoa is highly dependent on the forest's ecosystem services and highly vulnerable to a changing climate. Yield shortages from traditional farming methods and low shade cocoa farming systems as well as increasing global demand for sustainable cocoa is creating a positive incentive and common interest among cocoa producers, buyers and regulators to move to more sustainable and climate-friendly production practices. Several initiatives, funded both by the private sector and Ghana's development partners, are working in the supply chain to increase dialogue, improve productivity and returns to farmers, and reduce environmental degradation.



Ghana is currently developing a forest-related emission reductions program in its "Cocoa Forest Mosaic Landscape". The program seeks to maintain Ghana's position as a major producer of high quality cocoa beans sourced from sustainable, climate-smart land-use practices that will significantly contribute to curbing climate change. The program covers approximately 5.9 million ha and aims to significantly reduce emissions driven by expansion of cocoa into forest areas, coupled with illegal logging, whereby over 820,000 ha of forest have been lost between 2000 and 2010. By tackling these drivers of deforestation and forest degradation Ghana aims to secure the future of its forests, significantly improve income and livelihood opportunities for farmers and forest users, as well as enhance ecosystem services across the program area.

A Joint Coordination Committee has been established to oversee program development and is comprised of the Forestry Commission, Ministry of Lands and Natural Resources and the national Cocoa Board – the state institution legally mandated to regulate and exercise oversight responsibility for the cocoa sector. The Committee is discussing partnership opportunities with companies, including OLAM, Touton and Mondelez International, as well as Solidaridad West Africa and Rainforest Alliance (implementing bodies for the UTZ and SAN standards respectively). In a joint communique and through on-going exchanges, these companies have expressed strong interest and support for the program and making Ghana's cocoa sector more environmentally and economically sustainable.



Key players are actively exploring how to jointly promote climate-smart cocoa practices, for example, through extension services, provision of inputs and planting material, credit and financial/risk management, policy reforms, land-use planning, law enforcement, traceability and data management), agroforestry, and community-based approaches to increase cocoa productivity and meet evolving global industry demand for sustainable cocoa supply chains.

The program is leveraging national forums such as the Ghana Cocoa Platform (led by the Cocoa Board) and the Climate-Smart Cocoa Working Group to further private sector engagement. Ghana's program will also build on private sector activities funded by the Forest Investment Program, including climate-smart cocoa and commercial plantation development in partnership with the International Finance Corporation.

Republic of Congo

Promoting a durable and sustainable cocoa sector

The Republic of Congo began exporting cocoa in 1950. In 1977, its production rate was 2,500 tons but rapidly fell to 841 tons in 1986. Up to 1992, the government's policy and strategy regarding cocoa was to give priority to the development of state enterprises and parastatal offices to the detriment of rural agriculture. These public structures, made possible due to oil wealth, intervened significantly in marketing and supplying inputs. Agricultural research and training services were virtually non-existent and rural infrastructure, especially roads, were inadequate. By the early 1990s, a decline in oil prices led to significant budgetary restrictions. As a result, state farms were dismantled, agricultural organizations restructured, and state monopolies abolished in the early 1990s. With no buyers for crops, farmers ceased to maintain their cocoa plantations. Now only low quantities are still produced, mainly occurring in Sangha Department (700 to 1,000 tons/yr), and sold to Cameroonian traders.



Since 2012, the Republic of Congo has partnered with CIB-OLAM to implement, support and relaunch the cocoa sector in the Republic of Congo through a long-term financing project that will: (i) implement productive orchards, (ii) support research and development to improve agronomic practices and (iii) promote a durable and sustainable cocoa sector. The

project started with CIB-OLAM providing support to 707 small producers, prefunding small farmers' cocoa production and providing fertilizers. Jointly with the Government, CIB-OLAM gave micro-credit loans to 400 small producers and provided them with agricultural tools. CIB-OLAM also rebuilt the three "Office Café Cacao" shops and provided technical support and trained 500 small producers to manage cocoa plantations. Farmers in community agro-development zones in Sangha Department will be provided with 1.5 million cocoa plants from government tree nurseries and CIB-OLAM will help to buy and export cocoa produced from these zones.



Olam International, based in Singapore, is a leading agribusiness operating in 65 countries and involved with commodities including cocoa, coffee, cashew, rice and cotton. In 2011, Olam acquired Congolaise Industrielle des Bois (CIB), the largest logging company in the country. Today, they operate three forest management concessions (1.4 million ha) and a forest production concession in the Sangha and Likouala departments. These concessions are Forest Stewardship Council (FSC®) certified. CIB-OLAM currently employs over 925 workers and invests in infrastructure to ensure their well-being and community development.

The World Bank is exploring opportunities to provide technical and financial support to this project through the Projet Forêt et Diversification Economique (PFDE), which would support agroforestry approaches using cocoa and banana, as well as tools, training and plantation monitoring. Discussions on further funding with private financial partners are currently underway with World Bank facilitation.

In addition, the Forest Carbon Partnership Facility Carbon Fund will provide access of up to \$60 million in performance-based payments over five years if the Republic of Congo successfully reduces forest-based emissions across Sangha and Likouala departments. The funds could help to promote cocoa plantations and agroforestry approaches as an alternative to slash and burn agriculture. Cocoa production has been defined as the main emissions reduction activity since the validation of the early idea note Republic of Congo submitted to the FCPF in 2014. CIB-OLAM is a key partner in the development of this program.

Zambia

Tackling multiple causes of deforestation with an integrated forest landscape program

Zambia has experienced a decade of rapid economic growth, achieving an average annual growth of about 6.4% during the last decade. However its economic growth has not translated into significant poverty reduction, particularly in rural areas where over 70% of the population lives in poverty. Food insecurity and low productive farming practices are underlying causes driving natural resource depletion—Zambia loses around 166,000 hectares of forest per year. Zambia has developed a national strategy to address deforestation, and has initiated the *Zambia Integrated Forest Landscape Program* in Eastern Province, which will help pilot the strategy that intends to improve rural livelihoods while conserving valuable forest, agriculture, and wildlife resources of the country.

Much of the agricultural sector in the Eastern Province involves large multinational corporations who purchase cash crops (cotton, tobacco, soybeans, and oil seeds) as well as food crops (mainly maize, but sometimes sweet potatoes and cassava) from smallholder farmers following simple out-grower schemes. This presents opportunities for the program to use its resources to influence larger farmer networks by creating commercial partners in the program area who agree to increase promotion of sustainable, climate-smart, and “intensified” agricultural practices, encourage crop diversification, improve soil conditions and encourage decreased pressure on forested landscapes. Two such potential partners are:



Cargill provides food, agricultural, financial and industrial products and services to the world. Cargill has 155,000 employees in 68 countries who are committed to feeding the world in a responsible way, reducing environmental impact and improving the communities where Cargill works. At the New York Climate Summit in 2014, Cargill’s Chairman and CEO, David MacLennan, endorsed the New York

Declaration on Forests, and in September 2015, Cargill announced a new Policy on Forests and Forest Protection Action Plans which outlines a multi-stakeholder approach, from grower to consumer to find solutions that allow forests and agriculture to thrive. The Action Plans include sustainable cotton and maize in Zambia. In Zambia, Cargill works with a large farmer base, operates 1,600 Farmer Field Schools; is a member of COMPACI (the Competitive African Cotton Initiative that enables smallholder farmers to enhance productivity and improve livelihoods); and a participator of the Chipata Roundtable, a multi-stakeholder forum that has engaged in sustainable landscape management in the Luangwa Valley. Cargill is providing ongoing support to help unlock resources from the program to help strengthen the Chipata Roundtable and helping to connect the program team with local stakeholders.

Comaco Ltd. is providing farmer support services in conservation agriculture and farm product development across the Luangwa Valley in Eastern Province. They are also supporting households to integrate carbon markets in the mix of economic incentives directed at communities demonstrating compliance to sustainable land use and agricultural practices. As a non-profit commercial enterprise, COMACO seeks to achieve \$25 million in gross sales of farm and off-farm products under the brand *It's Wild!* as a source of revenue to sustain farmer compliance to conservation agriculture and to community conservation plans.



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In addition, the program may also engage the private sector operating in the forest, rural energy, and tourism sectors. Such firms may include those involved with commercial plantation forestry, green charcoal production, and ecotourism. The program will therefore build upon the extensive work of private sector partners in the program area, which will provide a solid platform for engagement with critical agriculture, energy, and forest sector drivers of deforestation.

Results-based carbon finance is among the mix of incentives that can trigger change in land use practices towards greater forest conservation and improved land management, and can contribute to transforming the province’s development trajectory. The program covers over five million hectares of land and expects to achieve emission reductions by improving land-use planning, climate smart agriculture, rural energy generation, and laws and policies that enhance sustainable management of forests and wildlife.