James Tebi is a cocoa farmer in Ghana. He does not own his own land, so he works as a sharecropper on someone else’s land and has an agreement with them to share the profit from the beans that are harvested from the land. In order to secure inputs for the cocoa farm, like fertilizer, James needs the landowner to approve and invest in the inputs. He has expanded the amount of land under cultivation, planting new seedlings which he intercrops with plantains. On this land, he earns a greater percentage of income from the crop.

When I met James he was pruning his trees, a laborious process that involves using a saw blade attached to a long pole, and reaching high into the trees to remove branches that can limit shade that is needed for pollination, and to generally maintain tree health. Being a cocoa farmer is labor intensive, especially when trees are being pruned and fertilized before the rainy season, and during harvest.

The average cocoa farmer earns $0.78 per day, and is typically paid in a few lump sums that must be managed during periods of no income.

This income must cover not only the family’s basic needs, but also any investments they need to make to increase their productivity. The reality in Ghana and Côte d’Ivoire is that farmers rarely have the resources to fully optimize production of cocoa, and that even if they did, they would still earn less than what is considered a “living income.”

James’s story raises questions about the ways in which we are interconnected. Questions about our shared accountability. The world can be a fragmented place, rife with divisions built by physical, ideological and generational distances. But cocoa is something with the potential to bridge these distances, as a product that is globally enjoyed, and produced through a complex value chain that spans every corner of the world.

Cocoa is something that challenges us to work together, as social and environmental issues across cocoa growing regions reveal vulnerabilities in our current systems. Ignoring these issues, ranging from poverty and child labor to climate change and deforestation, will only lead to bigger challenges down the road. Leaders across the cocoa industry recognize this. Despite this, effective and scalable solutions have been elusive.

This report is the result of Acumen’s Cocoa Interrupted Initiative, our partnership with Hershey. It is a call to action to support new solutions to the challenges of poverty that face cocoa growing communities in West Africa through partnership with social enterprises. At Acumen, we find innovative and purpose-driven entrepreneurs who design and deliver solutions to the many problems associated with poverty. These entrepreneurs start by understanding the needs of local communities, and then create products and services to meet those needs, ultimately treating individuals as customers and as agents in the transformation of their own lives.

An entrepreneur sees a challenge like the persistent poverty faced by cocoa growing
communities as a chance to engage with people as potential customers who seek products and services that can boost their incomes and well-being. In Latin America, Acumen has learned from cocoa industry disruptors like Cacao de Colombia and Uncommon Cacao that work directly with smallholder farmers to source high quality cocoa beans that can be traced to a “single origin.” Their business models first drew our interest to the cocoa industry. When we learned of the two million cocoa farmers in West Africa and the monumental challenges they face, we wondered how our experiences investing in West Africa, and engaging with cocoa industry innovators, could be of value to the cocoa industry.

Cocoa Interrupted is seeking to partner with the cocoa industry to bring new ideas, new solutions, and the contributions of local social enterprises into the story of cocoa. Social enterprises will not save the day, but they have tremendous potential to change the storyline – to discover and scale solutions that will have a meaningful and measurable impact on cocoa farmers, often through close collaboration with industry actors and local governments.

We believe that this kind of collaboration is critical to designing sustainable solutions to poverty and to business challenges. It is our hope that through this report, corporations can see the potential for social enterprises to play a growing role in making cocoa a product that is associated with human dignity and prosperity. It is a first step and we want to work with others who read this and want to go further to determine what we can achieve together.

Yasmina Zaidman
Chief Partnerships Officer, Acumen
OPENING LETTER: HERSEHY

Chocolate is a simple product that means so much to so many people around the world. For many of us, cocoa, milk and sugar come together in a wonderful alchemy, which helps explain why cocoa beans have historically been used as currency and the Mayans referred to it as the food of the gods. For cocoa farmers, it means much more as cocoa equals livelihoods and opportunity.

But working in the cocoa sector is complicated. Cocoa grows in very specific locations, requiring a very narrow tolerance across multiple factors, including temperature, humidity and rainfall. Conditions so specific that two countries (Côte d’Ivoire and Ghana) grow about 70% of the world’s cocoa. The challenges to cocoa in this part of the world are well known and publicized – labor intensive farming process, fluctuating global prices that affect incomes, aging trees, aging farmers, limited opportunities for youth, child labor, limited local infrastructure, unsecure land rights, and the list goes on.

The chocolate industry has been actively working to address these issues by engaging across manufacturers, suppliers, origin governments, and civil society. For Hershey’s part, our Cocoa For Good strategy is focusing on four areas which we believe are interconnected: helping children reach their full potential, equipping youth with the skills and resources they need to build successful futures, increasing household incomes for men and women, and

Credit: Hershey.

zero deforestation and promoting agroforestry. But most of our collective approaches to date have been outside-in thinking, bringing in support, training, and funding from outside sources to be applied to the situations we face.

What about an inside-out approach? As the members of the cocoa and chocolate industry continue to look for new ways to achieve our collective ambitious goals, perhaps local entrepreneurs are a key piece in this complicated puzzle. Entrepreneurism has always been the drive-engine of innovation and commerce. In 2018, U.S. small business accounted for half of overall GDP growth. The Hershey Company was started by Milton Hershey, a lifelong entrepreneur who failed at his business ventures multiple times before ultimately having the success that is now The Hershey Company. All great companies start with an individual, an idea and a dream.

Hershey believes that entrepreneurs can help solve many of the issues we are confronting – more efficient services for cocoa farmers, youth employment, income diversification opportunities, goods and services that can improve lives in communities, and local solutions that have less impact on the environment vs. imported goods and services. Acumen has a history of investing in social enterprises that serve low-income communities across Africa, South Asia, Latin America and in the United States. They’ve shown that these entrepreneurs just need some support. A small amount of capital combined with business expertise and coaching can result in thriving enterprises that serve vast numbers of people in developing countries. We are excited to be working with Acumen on Cocoa Interrupted to bring their proven model to positively impact cocoa farmers and communities.

However, we cannot do this alone. The best sustainability work is shared and collaborative. There are many people across the cocoa supply chain – other manufacturers, a network of suppliers, national and local governments, other social impact groups, and, of course, the cocoa-farming families – that will have roles to play in achieving our mutual objectives of championing entrepreneurship and the resulting impacts this can create, stimulating economic activity and improving the lives of thousands of individuals.

We are hopeful, we are determined, but most importantly we are confident that together we will find the solutions needed to make a positive difference for entrepreneurs, for farmers, for communities and for everyone who loves chocolate so much.

Cocoa Interrupted builds on the premise that West Africa is full of individuals with ideas and dreams, who have the potential to start great businesses with meaningful impact on their communities.

Jeff King
Sr. Director Global Sustainability and Social Impact,
The Hershey Company
EXECUTIVE SUMMARY

COCOA INTERRUPTED

The story of cocoa growing communities in West Africa is largely a story of poverty. *Cocoa Interrupted: The Role of Social Enterprise in Cocoa Sustainability* is seeking to partner with the cocoa industry to bring new ideas, new solutions, and the contributions of local social enterprises into the story of cocoa.

In this context, we are defining a social enterprise as a for-profit business with a social purpose at its core that is designed to scale and achieve financial sustainability.

Acumen launched this project because we had understood that there are many actors within the cocoa industry that want to see more progress and more impact, and are open to bold new ideas, even if they are risky and unproven. This report is a first step.

After nine months of research and 40 interviews with corporations, social entrepreneurs, cocoa experts and intermediaries focused in West Africa, we have seen and believe there is tremendous opportunity for corporations to work with social enterprises to tackle many of the highest priority issues impacting cocoa communities and the health of the industry. Our research uncovered examples of partnerships between chocolate industry leaders and social enterprises, demonstrating the potential of this approach as well as its complexity.

This report highlights the stories of four social enterprises in Ghana and Côte d’Ivoire and seven other organizations that use for-profit models to creatively and sustainably address the varied needs of cocoa growing communities. It includes concrete recommendations for how to add social enterprise to a corporate sustainability toolkit. It is our hope that through this report, corporations can see the potential for social enterprises to play a role in making cocoa a force for good.
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A round the world, the challenges of sourcing food and commodities to meet rising global demand in a sustainable way are growing. These challenges are felt more acutely by smallholder farmers, with cocoa being a prime example, particularly in Ghana and Côte d’Ivoire where the majority of cocoa is sourced.

The perfect storm of government policies, volatile commodity pricing, and a complex value chain with many steps between harvest and consumption has resulted in farmers receiving only 6% of revenue from the price of a typical chocolate bar.¹

This distribution of value is not uncommon, but has had an especially negative impact for cocoa farmers as commodity prices for cocoa have fallen in recent years. The world market price fell sharply between September 2016 and February 2017, which reduced already-low incomes by 30-40%.² The 2018 Cocoa Barometer Report estimates the average farmer income to be just $0.78 per day.³ For two million cocoa farmers, low income exacerbates the issue of persistent poverty, made more acute by low levels of productivity. Low productivity and poverty form a vicious circle as farmers struggle to invest in farm improvements or rehabilitation without sufficient financing and unclear land ownership rights.

The cocoa industry is on high-alert, aware of the challenges, and taking a proactive stance to address them. But some of the underlying challenges in the system are proving difficult to tackle. In both Ghana and Côte d’Ivoire the government regulates the industry and sets farmgate (the price farmers receive) prices based on global commodity markets, often drawing from unreliable predictions about supply and demand. Income from cocoa and export taxes are a significant portion of government revenue, which leaves government bodies with little incentive to change their approach in favor of farmers and their long-term well-being.

The political and economic context for cocoa production in these two countries creates a challenging environment for industry to play a role in engaging with farmers – in Ghana for example, all cocoa must be sold by farmers to Licensed Buying Companies, which must agree to operate within government pricing

policies. The heavily regulated nature of cocoa in Ghana and Côte d’Ivoire can be a hindrance, but it is the reality, and cocoa industry stakeholders are looking for ways to have an impact in partnership with, or alongside, government engagement in the industry.

Huge efforts are underway by industry, from chocolate brands to the cocoa traders that provide them with ingredients, to address issues on the ground, with a major focus in the past decade on increasing productivity. The logic was that if farmers could reach their potential to produce three to four times as much cocoa through better inputs and growing practices, they would see growth in their incomes even if prices remained low.

However, based on reports like the 2018 Cocoa Barometer, which looks at income levels and social issues in cocoa growing communities, little progress has been made. Productivity enhancing measures have often failed to change farmers’ growing practices, which is linked to the fact that lack of access to secure land tenure or agricultural finance makes it hard for farmers to take advantage of opportunities to increase their output. Technical fixes are not having the desired outcome, and many in the industry are frustrated by the lack of progress.

The role of government and the global pricing structure for cocoa, which is based on global demand and supply, is not going to change any time soon. Industry is adapting their efforts with programs focused on income diversification and agroforestry alternatives as a means to increase overall income.

There is a third critical issue that shapes and defines so many of the challenges surrounding unsustainable production of cocoa, and it is
poverty itself. Recognizing poverty as the root cause, and not a symptom, of many of the issues addressed in the cocoa sector, is an important shift in the dialogue about cocoa.

The challenge of poverty, while complex, also opens up huge possibilities for new creative solutions that, when aggregated, begin to change the day to day realities for farmers.

This is why social enterprise should be seen as a major new source of opportunities to tackle the challenges facing cocoa growing communities. Social enterprises tackle problems faced by consumers by developing products and services that can scale, and will adjust and iterate until they hit on the right approach. The spirit of entrepreneurship, combined with a drive to tackle complex social problems, make social enterprises a natural ally in the effort to tackle the systemic issues associated with the cocoa industry in West Africa.

While West Africa represents a relatively nascent environment in which to try to develop a flourishing social enterprise ecosystem, we can draw lessons from examples further east in countries like Ethiopia and Kenya, where social enterprises are demonstrating their potential to produce large scale impact. A 2017 study by the British council estimated that there are roughly 40,000 social enterprises operating in Kenya, and the Global Impact Investing network reported that USD 650 million of non-DFI capital
With insights on what it takes to partner with a social enterprise and how to help build a stronger ecosystem of social enterprises, the goal of this report is to inject into the current dialogue on cocoa a new set of ideas, a new community of allies, and a chance to accelerate progress in addressing some of the biggest challenges in the cocoa sector.

and more than USD 3.6 billion of DFI capital has been invested into impact enterprises in Kenya alone.4 These social enterprises are tackling issues from access to healthcare, to energy, to agricultural development, and to education. In off-grid energy for example, 9 million people have gained access to renewable energy, powered primarily by local start-ups.5 Each country has its own unique context, but the potential to build a thriving social enterprise network that effectively tackles major social challenges locally is there. There are abundant lessons on how to accelerate this process, and they will be highlighted in this report.

This report also provides a high-level overview of the cocoa industry and efforts to date to address the challenges therein, but will focus primarily on the ways that social enterprises could play a larger role in addressing some of the intractable issues currently facing the industry and the communities they rely on for cocoa. The report endorses a model of partnership, where large industry, investors, entrepreneurs, and farmers themselves each play their part in working towards a more sustainable model.

The report will offer examples of social enterprises that are already demonstrating impact for cocoa farmers, and that are showing a path for scale or replication.

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Note: A development finance institution (DFI) is a financial institution that provides risk capital for economic development projects.
CHAPTER 2

THE STORY OF COCOA IN WEST AFRICA

The journey of a cacao pod into a conventional chocolate bar takes place in one of the most complex value chains in the food industry. In most cases after the farmers grow, harvest and sell the beans, the role of the farmer ends. From here, the cocoa value chain looks slightly different in the two largest producing countries, Ghana and Côte d’Ivoire, but both follow a similar pattern: cocoa beans are sold to intermediaries who sell them to trading companies. Trading companies sell to processors who turn the cocoa beans into value-add products like cocoa butter and cocoa liquor, which brands like Hershey, Mars, and Nestle purchase to create and sell chocolate products to retailers, which then market and sell them to consumers.
In this chapter, we note some of the major challenges that cocoa farmers face, while in the rest of the report, we highlight the opportunities for collaboration and social enterprise engagement within the cocoa supply chain and its complex set of actors. We are aware that this is not an exhaustive review of the cocoa sector, nor all of the approaches to collaboration and problem-solving that are underway. We focus on sharing the perspectives and opportunities we heard most throughout our research, and their relevance to opportunities to engage with social enterprises. Understanding the conditions within cocoa growing communities has been a focus of many industry groups and NGOs, and the information summarized below is reflective of the existing data and the perspectives shared in our research.

A CLOSER LOOK AT COCOA GROWING COMMUNITIES

There are roughly two million cocoa farmers in West Africa, and the vast majority of them face a range of challenges associated with poverty. Cocoa growing communities are largely spread out across Ghana and Côte d’Ivoire, often in remote areas lacking access to basic infrastructure and opportunities outside of the farm. Cocoa is a key source of income for most, but this reliance brings its challenges, the extent of which is born by the entire family. A 2018 report from Fairtrade International found that the median income for cocoa farmers in Côte d’Ivoire is $2,707 per year. This is significantly below the living income of $7,318 per year. In Ghana, the International Cocoa Initiative estimates the annual cocoa farmer income fell between $983 to $2,627 per household in 2017. Income levels have been a major area of concern, because of the links between income and other issues at the community level.

Below we highlight several cocoa community challenges which have driven action on the part of the cocoa industry, and to set the stage for discussion of collaboration opportunities between corporations and social enterprises. The greatest of these is farmer income, which is a complex issue on its own, with a variety of contributing factors:

+ Over-reliance on income from cocoa, a volatile and seasonal crop
+ The role of government, which sets prices and regulates almost every aspect of the cocoa sector in Ghana and Côte d’Ivoire

“The route to impact really comes from other types of interventions in rural areas. The best choice is to think about other areas of life that impact the business of growing cocoa.”

- Kristy Leissle, Cocoa Expert and Author of Cocoa

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1 2018 Fairtrade International Report, Cocoa farmer income: the household income of cocoa farmers in côte d’ivoire and strategies for improvement: https://www.fairtrade-deutschland.de/fileadmin/DE/01_was_ist_fairtrade/05_wirkung/studien/fairtrade_international_response_study_cocoa_farmer_income_2018.pdf
“There is not one cocoa farmer I know who doesn’t want to diversify income. They know how precarious the industry is and that you cannot function with just cocoa as the main source of income.”

- Kristy Leissle, Cocoa Expert and Author of Cocoa

+ Lack of access to finance, which farmers could use to invest in their productivity
+ Lack of organization among farmers, which would give them the ability to pool resources and negotiate collectively

We explore each of these in greater detail below.

OVER-RELIANCE ON COCOA

Cocoa accounts for 74% of total income for the average cocoa-growing household in Côte d’Ivoire, creating a great reliance on the crop. Our research suggests that this reliance on cocoa creates a shared financial burden for families of farmers and larger cocoa growing regions. Farmers often rely on cocoa bean income to last them throughout the year, and having a poor harvest due to weather patterns, poor farming techniques, or limited access to labor can be devastating for farmers and their families. While many cocoa farmers seek other forms of income, few other crops have the international market that cocoa does, so additional crops are sold into local markets alongside the crops of their neighbors, and with little impact on income.

Value added activities for non-cocoa crops, including bananas, cassava, palm, coconut and others are somewhat limited, but are needed to convert low value crops into higher value products to improve farmer incomes. Aggregating crops and increasing their value through local processing at scale is an underdeveloped area where new opportunities are emerging that could be explored in the context of social enterprise development and farmer income diversification.

THE ROLE OF GOVERNMENT

In both Ghana and Côte d’Ivoire, governments play a large role in the regulation of cocoa production and trading - in ways that both support and restrict opportunities to improve the livelihoods of cocoa farmers. In both countries, government involvement has an impact in two areas: farmer income and community infrastructure.

Farmers receive a fixed price for their cocoa, set by the respective governments, and based on factors including global commodity prices and national policies and objectives with regards to

3 2018 Fairtrade International Report, Cocoa farmer income: the household income of cocoa farmers in côte d’ivoire and strategies for improvement.
cocoa production. Farmers have no individual or collective rights to negotiate on cocoa prices. In both Côte d’Ivoire and Ghana, the government pre-sells part of the current year’s harvest to local cocoa traders before it occurs, which can benefit farmers who know the government will buy their cocoa. However, these systems are sensitive to global market prices and farmers can end up bearing that risk. In April 2017, Côte d’Ivoire’s Conseil du Café-Cacao cut their prices to farmers by 36% as a result of a global price decline, passing the losses to farmers directly.⁴

Cocoa growing communities also sometimes lack rural infrastructure including roads, energy, clean water, healthcare and internet access. These infrastructure gaps have a tremendous impact on farmers’ lives and present a shared challenge for farming communities and the industry that relies on farmers. Some believe that corporations should have more influence with the government to address infrastructure gaps and be a voice for farmers in this regard, and others believe that the government needs to change the structures of the cocoa system to give farmers power as citizens and microentrepreneurs.

While it is not useful to single out any one type of organization as being at fault for the complex problems associated with cocoa production in West Africa, the major role played by governments in Ghana and Côte d’Ivoire often draw criticism. According to Warren Sako, the CEO of the Farmgate Cocoa Alliance and a former cocoa farmer, “The biggest enemy to a farmer as far as we’re concerned are national governments of cocoa producing countries. When the government protects their citizens, then industry will follow regulations. We believe that the system should be changed in a way that the industry has access to deal directly with the farmer.”

Some of the ways that the government can support efforts to address cocoa community challenges are through extension services, investments in infrastructure, and support for local businesses that want to engage with cocoa farmers directly. In Ghana, for example, Farmer’s Hope is a company providing organic fertilizers to farmers that are cheaper than imported synthetic fertilizers, and better for long-term soil health. In order to get certified by the government for use on cocoa farms, Farmer’s Hope must go through an 18-24 month evaluation process, which presents a major barrier to their growth. They have received some funding to support the certification process from USAID, who are helping the company to meet government requirements. At the same time, Farmer’s Hope is starting to work with an international cocoa trader that can serve as a buyer once certification is achieved. Often, corporations have knowledge of government policies and resources to engage with governments that a social enterprise does not, and in a heavily regulated environment such as the cocoa market in West Africa, this becomes an extremely important asset.

Government policies intended to help farmers can also sometimes backfire. Programs to subsidize or provide free fertilizer often reach only a limited number of farmers, but can send the wrong signal about the value of fertilizer, suggesting that fertilizer should be free, and making it difficult for a local market for fertilizer to develop. Farmers that are offered credit for fertilizer will turn it down, but miss their opportunity to fertilize their trees when the free fertilizer does not materialize before the rainy season.

Many of the solutions that have been identified and prioritized by the cocoa industry are in areas where the government has an important role and responsibility to play a part. Primary education, nutrition and extension services for farmers are all areas where governments in Ghana and Côte d’Ivoire play an active role. Currently, there are gaps in the quality, consistency, and coverage of government programs in these areas. The cocoa industry often steps in to address these gaps, but ultimately, they too recognize that government policies and practices are needed to create the right enabling environment and deliver certain basic services at scale.

ACCESS TO FINANCE
Cocoa farmers generally receive the bulk of their annual income within several months. They have to budget throughout the year and carefully preserve cash on hand. Farmers are often constrained by competing priorities to take care of the farm or take care of the family, and in 2017, the International Cocoa Initiative (ICI) reported that only 36% of farmers in the 29 cocoa growing communities they support could afford to purchase farming inputs. In 2010, ICI found that cocoa farming households’ expenditures, excluding farming inputs, exceeded their mean total income.5 Compounding this struggle, the majority of cocoa farmers are unbanked, forcing them to take financial risks to invest in the farm, often at the expense of their quality of life. According to the 2017 Global Findex report created by the World Bank, the percentage of poor adults with access to a bank account or a mobile money system was 29% in Côte d’Ivoire and 42% in Ghana.6 These figures are likely much lower in hard-to-reach cocoa growing communities. One study by IFC saw that in their survey of Côte d’Ivoire cocoa farmers, just 6% held a bank account.7

“Even if we give the farmers great suggestions [for their farms], there are challenges for them to find access to finance and credit to be able to adopt the practices that are recommended.”
- Alfred Kojo Yeboah, Grameen Foundation

Further in the report we highlight Advans, a social enterprise that supports cocoa farmers specifically through a loan that helps families budget for school fees, and BanQu, PEG Africa and Mosabi, who are thinking creatively about how to build alternative credit profiles for farmers.

While income is one key issue, it is not the only challenge facing cocoa farmers. Our interviews with a variety of stakeholders, as well as data from reports including the 2018 Cocoa Barometer, reveals that low income is just one challenge faced by cocoa farmers and their families, who face a more complex range of challenges that can have an impact on their incomes and well being. Beyond income, the following issues have been identified as major areas of concern within cocoa growing communities.

LACK OF FARMER ORGANIZATION
Due to the remoteness of many cocoa communities and a lack of resources like internet and infrastructure, reaching farmers and organizing them is a challenge. Many cocoa farmers lack membership in large associations that can provide representative leadership. While co-ops and organizing groups do exist, they are

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5 International Cocoa Initiative, 1 December 2017, Cocoa Farmers in Ghana Experience Poverty and Economic Vulnerability.
7 IFC and Mastercard Foundation, Opportunities for Digital Financial Services in the Cocoa Value Chain, Côte d’Ivoire: https://www.ifc.org/wps/wcm/connect/2d3ae2fc-ae9a-45e1-bb9a-f039927a2f89/IFC+Côte+d%27Ivoire+Digitizing+Cocoa+Value+Chain+report+ENGLISH.pdf?MOD=AJPERES
small compared to the millions of unaffiliated cocoa farmers. Farmer-led organizations can lead to increased negotiation power, access to resources such as banking, legal support and agricultural inputs, and is a giant step towards legitimizing farmers’ role in the value chain.

“There is very rough rural infrastructure with loose connections or co-ops of farmers who are spread far out, deep in the jungle. It’s hard to drive efficiencies in terms of reaching them.” - Chris Czerwonka, Mosabi

Further in the report we highlight Divine Chocolate as an example of how creative co-op design supports cocoa farmers and how technology from AgroCenta, Mosabi and Farmerline can help bridge the physical distance between farmers to access markets and essential information.

CHILD LABOR AND LOW QUALITY PRIMARY EDUCATION

Growing and harvesting cocoa is a complex and time-consuming process, and it is often a family affair. It is known that children participate in the farming process for a myriad of reasons: lack of educational opportunities, a parent’s value judgment on their time on the farm versus school, forced labor, limited access to adult labor, and more. The 2018 Cocoa Barometer report estimates that there are 2.1 million children working on cocoa farms in Côte d’Ivoire and Ghana. Farming is often an activity that children participate in after school, or during the harvest season, and it is not always the case that children should be excluded from farming activities. At the same time, certain farm responsibilities, including carrying heavy bags of fertilizer or cracking open cocoa pods with machetes or cutlasses, are universally considered inappropriate for children, and efforts are under way to sensitize families about the right ways to engage younger members of the family.

There is widespread consensus that education needs to be a top priority for cocoa growing communities and is being addressed by initiatives like the Jacobs Foundation’s Transforming Rural Education in Cocoa Communities (TRECC) and partnerships we highlight later in the report between Eneza Education and Nestle.

GENDER DISCRIMINATION

While women play significant roles on the farm and in the households, they are often relegated to cocoa production roles such as harvesting and planting which are devalued compared to other parts of the process. Men typically lead mechanical and technical tasks and traditionally manage the revenue transactions. This results in women earning less income and being excluded from independent ownership of the cocoa production and sales process.

According to the World Cocoa Foundation, women cocoa farmers remain at approximately 20-25% of the total cocoa farmer population in Ghana and 5% of the total cocoa farmer population in Côte d’Ivoire. Though cocoa is still considered a “man’s crop” by traditional gender norms and constructs, women do provide an estimated 45% of the labor on smallholder family cocoa farms according to Oxfam. The specific activities that women most heavily engage in are cocoa harvest and post-harvest activities such as pod-breaking,

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As between 50 and 55, youth are seeking different lives and often moving to cities to find economic opportunity. According to the UN, between 2000 and 2013 the percentage of rural populations declined by 9% in both Côte d’Ivoire and Ghana. Experts on the ground are in agreement that this trend is especially prevalent in cocoa growing regions:

“A challenge is trying to convince the farmers to keep growing cocoa. We need to show that they can earn a fair amount and the social conditions in which they live are improved. The young generation just wants to go to the city.”

- Barbara Wettstein, Nestle

Throughout the report we’ll highlight several social enterprises and partnerships that are engaging youth as part of their strategy to grow their business in cocoa growing communities, including PEG Africa and Farmerline.

These issues, related to women, underemployed youth and children in cocoa growing communities underscore that cocoa sustainability relies not only on the health of a cocoa tree or cocoa farm, but on the health of the community that sustains agricultural activity. Taking a holistic view of the issues impacting farmer incomes and cocoa community well-being allows for a broader set of solutions to emerge, from local and international entrepreneurs, and from communities themselves, that can lead to lasting change.
The challenges in the cocoa sector are well understood by companies operating within the global cocoa industry, and this has prompted significant financial commitments and collaboration to address cocoa growers’ needs.
Cocoa companies have chosen priority areas to focus on, given specific opportunities for a positive impact in their supply chains. The four major priority areas that recur across many of the sustainability strategies of cocoa industry leaders and collaborative efforts are:

1. Achieving sustainable livelihoods for farmers, including living incomes,
2. Eliminating child labor and promoting the rights of children,
3. Advancing economic opportunities for women and underemployed youth, and
4. Stopping deforestation.

To address these issues, cocoa industry players have set goals and developed strategies to make measurable progress. Addressing the issue of low incomes and lack of economic opportunity in particular, strategies include efforts to improve cocoa productivity, diversify income from additional crops or commercial activities, empower women economically through savings and loans programs, and provide employment opportunities for youth, preventing mass urban flight. Too often, these issues are treated like technical challenges solved by implementing programs that offer a single solution - like training for farmers, or creating loan programs for women.

Over the past decade, the cocoa industry made productivity a priority, both because it was believed that greater productivity would lead to higher incomes for farmers, and because it would support industry goals to maintain a strong and high quality source of cocoa. The focus on productivity occurred during a period of strong growth in both the farmgate and international cocoa prices but in 2017 when the price retreated by over 30%, farmers and national governments were stuck with massive losses. As a result, discussions began on what
The traditional corporate-NGO partnership usually takes the form of a grant, which can lack long-term financial sustainability, and thus also lack sustained impact beyond the grant cycle. Grants are useful for piloting new approaches and building capacity, but in the long term, interventions that are financially self-sustaining will have a greater likelihood of scaling and lasting beyond a grant cycle.

Many companies are examining the role of microenterprise to help members of local communities to increase their incomes. These approaches can offer training and access to small loans, often for women who are otherwise excluded from the cash flows of their family cocoa business, official land tenure, and access to finance. Cargill, Mondelez and Mars have all worked with CARE to support programs to develop Village Savings and Loans Associations (VSLAs) that have collectively impacted over 250,000 women in Ghana and Côte d’Ivoire and linked 50,000 of them to formal financial services.1

While these programs have been subsidized through grants from multinational corporations, they could pave the way for additional opportunities to increase incomes and build productive assets at the community level through financially self-sustaining social enterprise models. Through VSLAs, women are able to invest in their own small businesses and can supplement household finances and achieve greater financial agency in the household. One of the challenges of such microenterprise programs, however, is that even when they are successful, they do not scale without additional grant funding. In addition, even when women utilize small loans to start a small business, they are not necessarily designed to have commercial viability because they are

Our interviews revealed a concern among industry players that a single-minded focus on productivity has not effectively moved the dial in terms of reducing poverty.

According to one industry representative, “I wouldn’t look at the cocoa issue by itself - its a rural development issue. It cannot be disconnected from other issues in rural areas where cocoa growing communities are located. Maybe we have been too focused on cocoa, not the whole ecosystem.”

With reducing poverty, rather than boosting productivity, as the foundational focus, the cocoa industry is exploring new approaches and new levels of collaboration. Below are some of the current activities and trends among chocolate industry actors.

BUILDING FINANCIALLY SUSTAINABLE MODELS

As corporations work towards long-term sustainability of the cocoa supply chain, they are also starting to look for approaches that have more potential for financial sustainability.

should be done beyond cocoa in cocoa growing areas, which has led to new thinking about how cocoa prices are set, cocoa within a landscape approach, and income diversification both on-farm and off-farm. Views are starting to shift towards an understanding that poverty is the cross-cutting issue, and perhaps the root cause of many of the priority issues just cited.

The report is the size of such impact compared to the scope of the problem. Finding solutions that scale is a difficult process and while corporations want to see the impact of their programs grow, they are also keenly aware that the number of individuals and issues in need of support exceed those they have been able to reach to date. For example, with an estimated 2 million cocoa farmers in West Africa, the plans laid out by CocoaAction in 2015 aimed to reach 300,000 cocoa farmers. The living income level set by Fairtrade International is $2.51 per day and current average farmer income sits at $0.78 per day in Côte d’Ivoire according to the Cocoa Barometer. While progress is being made, large gaps exist, and this increases the importance of scalable solutions.

It bears mentioning that many of the solutions that have been identified and prioritized by the cocoa industry are in areas where

not linked to markets outside of the village. As one example, there have been attempts to create local industries around soap making, but it is unclear if these initiatives can scale, or if they would exist without subsidies.

According to Kristy Leissle, who researches cocoa in Ghana, “Each region is different and there is a lack of robust research behind livelihood income diversification schemes. The most important thing to do is to know your customer and know what they’ll buy from you. The NGO approach is to provide the training, but not to build the market itself. But that’s exactly what you need.”

SEARCHING FOR SOLUTIONS THAT SCALE

After years of corporate sustainability efforts, industry leaders are assessing their impact. A topic addressed in the 2018 Cocoa Barometer report...
CocoaAction's role is to align the sector on regional priority issues, enable scale through common interventions and a results framework, support project design and implementation of social and environmental impact programs in cocoa communities, and to convene sustainability leaders from cocoa companies and other stakeholders (governments, NGOs, foundations, researchers, thought leaders, etc.) to share lessons learned and compile data to accelerate impact. In this way, companies are actively encouraged to make investments in an aligned fashion through their own supply chains, ultimately bringing the benefits of collective action together with the individual efforts of the leading companies in the sector.

Both within CocoaAction, and independently, given their direct engagement with cocoa farmers, trading companies and chocolate brands have taken on large and ambitious roles in creating, financing and delivering on-the-ground programs to tackle a range of issues facing cocoa growing communities in Ghana and Côte d’Ivoire. Each individual company program has their own strategy, impact goals, and set of implementation partners including NGOs and local agencies, as well as dedicated teams inside the corporations that work alongside implementing partners and internal sourcing and procurement teams.

The pre-competitive, collaborative approach of CocoaAction serves as an example to other industries facing sustainability challenges. It is an enormous task for corporations to build the internal and external capacity to tackle this wide range of challenges and to do so with competitors in similar areas of operation. Delivering impact of this magnitude and depth is an ongoing process, and requires

the government has an important role and responsibility to play a part, if not lead. Primary education, nutrition, healthcare, infrastructure and extension services for farmers are all areas where governments in Ghana and Côte d’Ivoire play an active role. Currently, there are gaps in the quality, consistency, and coverage of government programs in these areas. The cocoa industry often steps in to supplement the role of government and partially fill the gaps, but ultimately, they too recognize that government policies and practices are needed to deliver certain basic services at scale.

In developing long-term solutions, multi-stakeholder partnerships across sectors, including with governments, civil society, and the private sector often prove to be the most successful. In the case of the Energize Learning project, a school feeding program in Ghana launched by Hershey (see sidebar), partnership with government has been a critical success factor. However, developing a robust and sustainable local market for fortified food, both for schools and private consumers, would require a significantly greater commitment of resources over the long term from government.

COLLABORATING FOR IMPACT

CocoaAction, one of the most collaborative and progressive pre-competitive initiatives in cocoa, was spearheaded by nine industry members of the World Cocoa Foundation. To date it is the most significant industry-wide effort designed to “align complementary roles and responsibilities, leverage scale and efficiency through collaboration, and catalyze efforts to accelerate sustainability in the cocoa sector.” It was one of the first initiatives to combine productivity and community development for a holistic focus.
Continual learning and experimentation. CocoaAction itself is evolving, and this represents an opportune moment to bring fresh insights and approaches to the process.

ADDRESSING CLIMATE CHANGE RISKS

Cocoa farms are particularly sensitive to climate change, relying on rainfall rather than irrigation, and requiring specific conditions of shade, temperature and moisture for seedlings and young trees to thrive. Small climatic changes could have a devastating impact for farmers who are already seeing thin margins and volatile incomes. Cocoa buyers are doing more to understand the potential impacts of climate change on cocoa productivity, and developing innovations including climate resilient hybrids, data collection and sharing models to help governments and farmers plan for shifts in climate. They are also supporting best practices in agroforestry that can mitigate climate shifts. This year Hershey launched the Kakum Cocoa Agroforestry Landscape Program to protect forests, encourage shade grown coffee, and support livelihoods for farmers living in buffer zones around the national forest.

One of the most significant collaborative efforts launched by the World Cocoa Foundation is the Cocoa and Forests Initiative which
encourages companies to develop deforestation commitments and related action plans, develop strong traceability systems for cocoa, and ensure that cocoa does not encroach on remaining forests that need to be protected and reforested.

In order to address climate change and its impact on farmers, large companies are exploring ways to reach farmers through mobile technology, training and distribution of better planting material. Mondelez and other members of the World Cocoa Foundation are working with Tree Global (see sidebar), to support nurseries for climate resilient and generally more robust cocoa tree seedlings, helping farmers transition to more productive cocoa trees. The World Cocoa Foundation and Rainforest Alliance with support from USAID, CGIAR and the Ghana Cocoa Board, have developed best practices for extension officers to share with farmers on climate smart agricultural practices. The challenge lies in how to make this information more widely available, and to provide support to farmers who wish to adopt better practices or invest in farm improvements.

**ADDRESSING DATA GAPS**

As cocoa industry actors work to develop programs focused on improving farmer livelihoods, there is growing interest in securing data and metrics that can illustrate which programs and methods of impact are most effective. Reports abound that describe active programs and the number of farmers reached, including CocoaAction, the Cocoa Barometer, and more specific reports on issues like gender, climate and mapping of the industry. We share many of these reports, which we consulted for this research, in our bibliography.

While most programs are meticulous about monitoring the number of farmers reached and estimating expected changes in land use and productivity to gauge their effectiveness and impact, specific data on farmers and their experiences is harder to come by. Securing this type of data has been an expensive endeavor, which means that only a few organizations can afford to collect it.

These gaps limit our understanding of progress towards outputs that industry players are striving to influence, such as improvements in income, empowering women, and protecting children. Even more difficult to assess is whether farmers feel that their lives are improving due to the various interventions by corporations and other stakeholders.

Efforts are underway by the World Cocoa Foundation and member companies to develop improved company reporting of outcome indicators and to conduct specific periodic studies designed to fill knowledge and understanding gaps.

With such a large number of cocoa farmers spread across many regions, collecting unbiased meaningful data presents a real challenge. Acumen is currently exploring the use of Lean Data as a tool to capture the farmer voice in the context of cocoa farmer livelihood improvement. By creating the space to understand the farmers’ lived experiences of being participants in livelihood programs, we will understand quality of life improvements grounded in customers own voices and experiences.

Over the past 4 years, Lean Data has surveyed over 15,000 agriculture supply chain actors, primarily farmers, associated with 35

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agricultural businesses and non-profits in 16 countries. These voices are bringing to life the importance of measuring performance milestones in agriculture value chains. For instance, from speaking to farmers associated with a cacao company that Acumen invested in in Latin America, we learned that farmers value timeliness of payments, savings in time, effort and costs, and the relationship with the buyer just as much as they value absolute increases in income.

The data, whether collected through big data efforts that can spot critical trends and underlying problems, or through direct engagement with farmers and measurement of changes over time, needs to be more publicly accessible so that it can inform policies, strategies and action on the part of all the relevant stakeholders, including farmers themselves.

The increasing interest in financial sustainability, scalability, collaboration and impact measurement in addressing issues in the cocoa supply chain is tremendously encouraging, and suggests growing opportunities for the cocoa industry to partner with social enterprises to tackle their top priorities and leverage these powerful trends.

Tree Global establishes and manages tree nurseries, grows high performance trees, and offers advisory and management services to clients in tree management. Cocoa, like other tree crops, suffers from lack of availability of high quality seedlings on a large scale. Tree Global aims to address this critical gap in the value chain by ensuring adequate investment at the very beginning of the planting or replanting cycle. In West Africa, Tree Global works with partners, including Mondelez International, to design distribution systems to get plants to farmers in remote areas, supply cocoa farmers with top quality cocoa plants, and secure sustainable financing to help meet the demand for better planting materials. In Ghana, Tree Global receives seed pods from relevant government bodies, and has created a distribution system of Community Distribution Nurseries (CDNs) to ensure cocoa farmers receive plants when and where they need them. CDNs operate as locally-owned businesses and can scale as demand scales or new projects are developed to support farmers.
CHAPTER 4

SOCIAL ENTERPRISE - A NEW ALLY IN COCOA

THE ROLE OF SOCIAL ENTERPRISE IN TACKLING ISSUES OF POVERTY

The dominant paradigm for addressing issues in the cocoa supply chain, as discussed, has been to identify specific challenges and then focus on technical solutions for them. Underlying this approach has been a belief that improving cocoa productivity would lead to a living income for farmers. It is now understood that a singular focus on improving cocoa productivity will not lead to a living income for farmers, even if the interventions designed to improve productivity were fully utilized by farmers, which they are not.

Poverty is not purely a function of income, but a variety of complex issues that compound and cut across policy, economy, environment, and even culture. Poverty is in fact at the root of many of the priority issues that the cocoa industry has identified. It is now clear that over-reliance on income from cocoa makes farmers vulnerable to poverty due to price volatility and the seasonality of cash from cocoa. Child labor is tied to poverty because it makes it hard for farmers to access adult labor and pay school fees. When children don’t attend school, or face malnutrition, it impacts educational attainment, which can perpetuate the cycle of poverty. Economic opportunity for women and youth need not necessarily depend on cocoa, but could come from other entrepreneurial opportunities at the community level. Deforestation is driven by a need to expand crop cultivation or source cheap fuels, and would be mitigated by improved incomes and better fuel alternatives.
The complexity of challenges facing cocoa farmers will require new ideas and systemic solutions. Many of the challenges discussed above lend themselves to entrepreneurial solutions that could lead to lasting and meaningful impact. This is why a growing number of cocoa industry players are taking an interest in working with social enterprises. As one told us “If you create an ecosystem for social enterprises you will lift up cocoa growing communities as well. The whole community will benefit.” As a leading social entrepreneur in the cocoa industry shared, “We don’t just want farmers to survive – we want them to see a sustainable future in growing the crops on which the world’s food supply depends. They deserve, and should have, an income which allows them to invest in the future – and attract the next generation of farmers.” - Sophi Tranchell, Divine Chocolate CEO (see sidebar).

Over the last two decades, social enterprise has gained traction as a new way to build companies, innovate within sectors, and create access and entry points for underserved communities. By developing a market-based approach to a social challenge, the social enterprise must strive to meet the combined goals of social impact and financial performance. Balancing social and financial objectives can require trade-offs, and this challenges social enterprises and those that support them to use hard data, financial metrics, and customer voice to evaluate what each trade-off means from a social and financial perspective.

**EXAMPLE OF A SCALED SOCIAL ENTERPRISE**

EthioChicken, a poultry producer in Ethiopia, offers a powerful example. EthioChicken offers smallholder farmers highly productive and resilient chickens for egg production across four regions in rural Ethiopia while also creating business opportunities around the care and management of the chickens and feed development. EthioChicken’s chickens grow faster, produce four times as many eggs as indigenous Ethiopian chickens, and can thrive in a harsh rural environment (at high temperatures and with risk of infection) with significantly higher survival rates. To date, the company has sold 30 million chickens and impacted 6.3 million lives. EthioChicken’s business model also helps to increase food security, the protein intake of children, and smallholder farmers’ incomes in one of the poorest parts of the world. EthioChicken has had significant impact increasing climate resilience for farmers, because chickens can thrive even when climate change puts rainfed crops at risk. It creates economic opportunity for women, who represent the majority of the smallholder poultry farmers that buy EthioChicken’s laying hens, and youth employment for the dealers and distributors of chickens, who are mostly young men. Poultry farming is a way to engage in agriculture that does not require significant investment of capital or land tenure. The entrepreneurs who founded EthioChicken, despite not being native to Ethiopia, saw a true business need and executed in a way that intentionally put impact at the center of their business goals. This required them to partner with government, and work with capital from both investors and grant funders. It has also led them to invest time and resources in collecting massive quantities of data on the range of impacts their business is creating. Through their work with Lean Data they learned, for example, that 73% of their

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1 The World Bank has defined a “median” poverty level as an income of $3.10 per day in locally comparable price terms. At that higher threshold of poverty, 82.8% of the people in the world’s low-income countries are still in poverty. The share of people at or below the median poverty line is eight times more than the share living in extreme poverty at a global level. ([https://www.theglobalist.com/extreme-poverty-worldwide-today](https://www.theglobalist.com/extreme-poverty-worldwide-today))
One individual company, like EthioChicken, shows the potential for impact of a single business model, but social entrepreneurs cannot grow and deliver impact alone. They need an ecosystem of investors, advisors, partners and talent pools to support their work. The role of patient capital in supporting social entrepreneurs in environments like Côte d’Ivoire and Ghana is critical – these businesses need investors who understand the complexity of the problems and the needed solutions, and are capable of designing investment structures that set the company up for success.

EXAMPLE OF A SCALED SOCIAL ENTERPRISE ECOSYSTEM

Acumen has been working in the energy access sector for over a decade to understand how...
Though the West African landscape of social enterprises is not nearly as robust as East Africa’s, experience in other regions suggests that individual social enterprises, and a stronger social enterprise ecosystem across a large number of companies, could change the landscape of what is possible and transform the lives of cocoa farmers in West Africa. At the individual company level and for a broader ecosystem approach, the journey is a long and difficult one. We have seen ample evidence that in settings where social enterprises have taken root as a major actor to solve a social problem, meaningful, measurable and lasting change is the result.

We now examine the current state of the landscape for social enterprises in West Africa, to understand our starting point and what it would take to accelerate the growth of social enterprises in the region.
THE WEST AFRICAN SOCIAL ENTERPRISE ECOSYSTEM

Creating and scaling social enterprises that serve the poor takes a village – talented and determined entrepreneurs, impact-focused investors, business-friendly governments, willing customers and progressive partners of all shapes and sizes. Social enterprises benefit from the same conditions for doing business as a traditional business: access to and affordability of electricity, infrastructure, and government stability, to name a few.

With this in mind, it is no surprise that West Africa’s social enterprise ecosystem is emerging only now, by some counts nearly a decade behind East Africa. At a country level, many markets in West Africa struggle to establish the most basic conditions for a healthy business environment, let alone an ecosystem to support businesses serving the most vulnerable. For example, in Nigeria in 2016, fewer new businesses were registered than were registered in Kenya in 2008, 12 years earlier – despite the fact that Nigeria’s population is nearly four times that of Kenya. Zooming out on West Africa, you find a fragmented market, with linguistic and cultural differences, a high cost of travel between markets, and countries at varied stages of development and stability – factors that have also handicapped the development of a cohesive impact-oriented entrepreneurial ecosystem in the region.

When speaking with a budding social entrepreneur in Côte d’Ivoire about the ecosystem, his response was “I wouldn’t even say there is an ecosystem yet. That’s why even though I’m really interested in entrepreneurship, I would not create a startup now. You have small entrepreneurs doing small stuff, but to build something sustainable and with real impact, you’ll have to start from scratch.”

Representatives of UN, NGO and COCOBOD launching agroforestry partnership. Credit: Hershey.
And yet, there are places where the work of building these ecosystems has begun, innovations are being launched, and social enterprises are driving meaningful change.

In Ghana, the policy environment is more conducive to business and there is momentum to support social entrepreneurs, to help them overcome typical start-up challenges: lack of training for entrepreneurs, navigating government regulations, and of course, access to funding. A recently published ecosystem report by ANDE West Africa identified 33 grant-makers and investors active in Ghana, and more than 70 business development service providers, ranging from incubators to capacity development programs. In December 2018 the burgeoning ecosystem came together for the first Accra SDG Impact Investment Fair to connect entrepreneurs, investors and policymakers. The event was hosted by the Ghanaian Ministry of Finance and Ghana Investment Promotion Centre.

Acumen has been investing in social enterprises in West Africa since 2011. Since then, Acumen has invested $9 million in nine companies that have impacted more than 10 million lives, by delivering energy access, financial services, verified health products and smallholder support services. Acumen, alongside other partners and investors, is committed to continuing to strengthen the entrepreneurial ecosystem in the region. As Meghan Curran, the Director of Acumen’s West Africa office shared, “Whether it’s the rapid growth of Ghana’s economy, watching Sierra Leone shift from aid to enterprise solutions, or the sheer number of young companies we meet in Nigeria, it’s an exciting moment for market-based solutions in West Africa. It is fertile ground for Acumen’s patient capital, as the path forward for these companies is neither linear nor easy, but there are bets worth taking that we believe will bring meaningful change to the most marginalized.”

Strengthening the West African social enterprise landscape will require support for promising individual businesses that can serve as role models and proof points for other stakeholders. But it will also involve investments in the ecosystem itself, with programs that address the needs of entrepreneurs at different stages, flexible forms of capital being made available, and support for policies that enable local entrepreneurs to succeed, whether by reducing barriers for registrations, certification and permits that companies need, or avoiding subsidy programs that penalize local businesses.

Corporations can play a vital part in this process through their capabilities, assets, networks and buying power. In some cases, a single large contract with a corporation can be transformative for a social enterprise, and help it to establish credibility in the market.

Within the cocoa industry there is a strong network based on linkages between traders, brands and retailers, as well as the non-profit partners that support sustainability goals. By

First, we explore two companies working with corporations to support cocoa farmers through a social enterprise model and examine the challenges and opportunities for such partnerships in the region. Then, we learn about two enterprises developing innovative products and services that can bring positive impact to farmers at scale if they can secure the right partnerships. It is our hope that through these stories and examples, corporations can begin to understand the impact of social enterprises on communities and consider how they might learn from and partner with these path-breaking entrepreneurs. We will also highlight how social enterprise models and partnerships can tackle challenges across sectors and communities, keeping in mind some of the major priorities that we discussed earlier.

Creating access to those networks, corporations can create new growth opportunities for social enterprises. As Adrien Bouillot of Chalkboard Education (see sidebar) said: “Corporations shouldn’t be afraid to talk to us: we believe all types of actors have a role to play in tackling the skills gap on the continent - and corporations in particular. We are relevant to their problems and are already working at scale.”

Through our research we connected with a variety of entrepreneurs who are working and living in Ghana and Côte d’Ivoire to build social enterprises that serve and empower the poor, and in particular, cocoa farmers. These companies are highlighted throughout the report, and we’ve provided four case studies to illustrate the impact and approach these companies are taking to solve different problems of poverty, as well as the ways they are seeking to partner with corporations.

CHALKBOARD EDUCATION: CUSTOMIZING MOBILE PLATFORMS TO GIVE PEOPLE EVERYWHERE THE CHANCE TO LEARN

Through its unique digital platform, Chalkboard Education “makes mobile learning easy” for its partners in West Africa and their students or trainees. Chalkboard Education partners with universities and NGOs to deploy their customizable platform into various learning communities, allowing for offline content access, compatibility with all devices, and extensive data analytics to improve curricula and program outcomes.

Chalkboard Education is working with the International Cocoa Initiative (ICI) to bring its technology to support poverty alleviation in cocoa growing communities in Côte d’Ivoire and Ghana. ICI is contracting with Chalkboard Education to build a custom curriculum and platform to educate its staff and partner beneficiaries on sensitive topics such as child safeguarding, child labour prevention, and internal values.

Credit: Chalkboard Education.
CULTIVATING A HEALTHY SOCIAL ENTERPRISE LANDSCAPE
We have compiled several key needs that must be met to facilitate the development and scaling of social enterprises, and this applies to those we interviewed in West Africa as well as other emerging markets.

Need for Ecosystem Support
Building an ecosystem of supporters of social enterprises - including investors, corporations and governments - is key to helping these entrepreneurs as they build products that offer innovations to the market. As Fred Asem of MBC Africa shared, “The ecosystem needs more support for businesses that go beyond proof of concept. Companies need money, technical assistance and growth partners. If there’s nobody to give them a helping hand, how can they become big a business?” MBC Africa supports business development for agribusinesses in Ghana, Côte d’Ivoire and Mali. Helping to support and build the required ecosystem of support is a long journey, but West Africa holds tremendous potential for this ecosystem to take shape to unlock the impact of social enterprises.

Access to Capital and the Right Investors
It is difficult for social enterprises in developed economies to secure funding, and it is even more difficult in Ghana and Côte d’Ivoire. Most young startups reach the pilot phase and then can’t find an investor, or the right investor, and run out of money. Part of this challenge is finding investors who are genuinely interested in supporting entrepreneurs with both social and financial goals. It also stems from risk-averse entrepreneurs who may be hesitant to accept equity investments that require them to formalize their governance and give up shares in the company.

Another challenge is managing cash flows and accessing working capital. Most social enterprises don’t have access to lines of credit with banks, and must seek loans to support their growth, especially when working with cash-strapped farmers. Many social enterprises we identified offer some form of product financing, or development of services or products in advance of payment, and this requires access to working capital.

Access to Talent
As with any business, hiring top talent to fill specialized roles and leadership positions can be a true catalyst for growth and scale. However, in West Africa, many growing social enterprises face a dearth of talent for key roles. Highly skilled workers are relatively few, which drives up their value in the market, or cost to companies. They are also often employed by large corporations, and unwilling to take the pay cut, or risk, offered by social enterprises. In the case of young talent, they may join a social enterprise at an entry level, and after benefitting from training and growth within those roles, become prime poaching targets for large corporates. In addition to challenges related to competitive compensation, social enterprises also often struggle to recruit talent for specific technical roles, such as finance, credit management, and product development. Local programs to develop talent, and provide ongoing training and mentorship can help develop talent and address skill gaps.
A strong ecosystem of support gives entrepreneurs the environment to take root.

Fast-growing enterprises need skilled talent to thrive and scale.

Access to diverse sources of patient capital allows social enterprises to stabilize and grow.

A strong ecosystem of support gives entrepreneurs the environment to take root.
CASE STUDY: FARMERLINE + HERSHEY

Unleashing Technology to Empower Farmers

BACKGROUND
Farmerline is leveraging mobile phone technology to help transform smallholder farmers into successful entrepreneurs by increasing their access to information, farm inputs and resources to increase productivity. Using its proprietary Mergdata platform, Farmerline offers subscription-based information services to rural farmers and licenses its software to agribusinesses to bridge the information gap between organizations and farmers. Its services range from traceability, certification audit, farm mapping, farmer education, and analytics solutions that allow organizations that work with farmers to operate with better information and greater scale. The rise of mobile access across Ghana, which has the second highest rate of access in West Africa, allows Farmerline to reach hundreds of thousands of farmers and attract young people to the agriculture sector with its technology and mobile-first approach.

In parallel, a key part of The Hershey Company’s (“Hershey”) sustainability strategy in Ghana is to engage youth in cocoa farming and lower the barriers to information and technology for farmers in its supply chain. As an initial effort, in 2011 Hershey, in partnership with the Ghana Cocoa Board (COCOBOD) and the World Cocoa Foundation, launched CocoaLink, a text and voice messaging service to provide farmers with consistent agricultural tips in their local language.

THE INNOVATION
To take CocoaLink from its existing text and voice only technology platform to the next level, Hershey partnered with Farmerline to launch a CocoaLink mobile application for smartphone-empowered farmers. This free Android application provides farmers with access to valuable knowledge to help them run a profitable business through customized advice including educational content related to planting, proper
agri-input usage, and the training required for sustainable cocoa farming and certification. It also provides access to finance, discounts on agri-inputs and social media linkages to make the experience of cocoa farming interactive and dynamic. Progress and knowledge retention can be tracked through quizzes that operate on a point system, adding a competitive incentive for continued use. The CocoaLink app is not limited to farmers in Hershey’s supply chain, making sustainable farming knowledge accessible to any cocoa farmer. To meet the demand for CocoaLink outside of Android users, Farmerline and Hershey developed an AI-powered chatbot “Farm Assistant Bot” that users can access through Facebook Messenger to ask questions and connect to CocoaLink resources.

“Africa has the youngest population in the world and her youth are poised to create wealth for themselves and their communities. CocoaLink will help this smartphone-empowered generation to make money through agribusinesses and, in particular, cocoa production,”

- Alloysius Attah, Farmerline CEO

Credit: Farmerline.
PARTNERING FOR SUCCESS

Part of Farmerline’s strategy is to work with corporations directly through a B2B model, creating contracts that allow for companies to pay for farmer access to its subscription services, as well as to gain insights from its agricultural platform that has collected data from over 200,000 farmers across 11 countries, and mapped over 700,000 acres of land. Teaming up with Hershey for this initiative was an exciting opportunity for Farmerline to offer its technology to cocoa farmers who already have a built-out market with high local and global demand and the opportunity to significantly improve their livelihoods. For Farmerline, having a double-bottom line approach is essential to their brand identity and operational success. According to Alloysius Attah, CEO of Farmerline, ”Our impact sets us apart. Companies can work with other providers, but our customers choose to work with us because we are truly a social enterprise.”

For Hershey, partnering with Farmerline presented an opportunity to leverage the expertise of a local social enterprise with proven impact and traction while achieving a major sustainability goal of youth engagement. They contracted with Farmerline to develop this specific technology and also created off-platform experiences to further the mission to get youth excited about agriculture and technology. Farm Field Days give young people the opportunity to visit cocoa farms and experience the art and business of growing cocoa in Ghana. One hundred and forty students and young farmers have been hosted by experienced cocoa farmers on their farms, where they interact, observe farm activities and make suggestions based on what they have learned from the CocoaLink app. Another initiative, the CocoaLink Competition, launched in November 2018 to bring youth and experienced mentors together to engage with the CocoaLink app to increase their knowledge in farming and business model development. The next phase of the competition is to select participants to create farm business plans that can be funded by Farmerline and Hershey.

“Youth play a critical role in the future of cocoa farming, and we need to give them the tools and training they need to succeed. Farmerline, as our local partner, has brought CocoaLink to the growing number of smartphone users to give in-depth and customized content and support to today’s and the next generation of cocoa farmers,” Tawiah Agyarko-Kwarteng, Hershey Sustainability Sourcing Representative for West Africa.

CHALLENGES

Proving that Farmerline can compete with other similar product providers was a key hurdle to overcome through this initial work with Hershey. As a lean company, Farmerline understands that providing data and clear business metrics is essential to convincing Hershey and other partners that they are the best provider to work with for business and impact reasons. Collecting this data stretches Farmerline’s internal capacity, but has been important work to elevate the social enterprise more generally as a true business partner.

“Since working with Hershey, it’s clear to us that they really care and want to make a difference. Our contact is a straight shooter and that helps us be both honest about challenges and communicate our impact.” Alloysius Attah, Farmerline CEO
“We have learned from working with farmers on rice, grain, and veggies that if they want to increase income, they need access to a market. We’re excited to be working in cocoa because there already is a market. With global demand going up, there’s so much opportunity.”

- Alloysius Attah, Farmerline CEO

IMPACT

After piloting CocoaLink in the summer of 2017, the app was re-launched in May 2018 to target both farmers using feature phones and smartphone users. With the engagement of 1,400 active users to date, the app provides climate-smart content on cocoa production. Users are now able to get customized farm tips based on their farm location and cocoa climate adaptation zones. This is a huge step in promoting widespread adoption of best practices to improve the quality and sustainability of cocoa production. By providing information using not just text and voice messages but also video and interactive training activities, Farmerline improves services to the large number of smallholder farmers in Ghana who are illiterate.

WHAT’S NEXT

Hershey and Farmerline just renewed their contract for CocoaLink and look forward to expanding its offerings and reach. Farmerline is working with several cocoa corporations as it expands its B2B business. The award-winning social enterprise has been given funding from Mastercard to build out a last mile distribution platform using blockchain with the goal to create an “Amazon for farmers” stocked with cost-effective, high-quality farm inputs. They are actively looking to expand their work in the cocoa sector and will continue to focus on their social impact proposition as a competitive advantage and an expression of their core values.
CASE STUDY: ENEZA EDUCATION + NESTLE

Strengthening Rural Education in Côte d’Ivoire

BACKGROUND

Eneza Education delivers tutoring to rural communities through texting services to empower students who have limited access to additional educational resources outside of school. They have reached close to 5 million learners with products offered in Ghana, Côte d’Ivoire and Kenya. Through a partnership with Nestle, the social enterprise launched a program in Côte d’Ivoire in 2018 specifically to reach children in cocoa growing communities. The partnership will support 500 students in nearly 20 communities. This collaboration was facilitated through the organization’s connection to TRECC, an education-focused program launched by the Jacobs Foundation supporting rural Côte d’Ivoire.

THE INNOVATION: SMS TUTORING IN RURAL COMMUNITIES

Eneza has built a technology product to complement Côte d’Ivoire’s national curriculum for primary and secondary schools. The team collaborates with the Ministry of Education to create content such as quizzes, lesson reviews, and entertaining activities that reinforce the state curriculum. The content is delivered to students via SMS and acts as a virtual tutor to help students outside of the classroom. The technology can be used across devices, from basic and feature phones, to smartphones and tablets. The service includes live access to teachers, as well as courses for teachers to strengthen their classroom skills. The company is bridging a critical divide in access to tutoring and academic support to learners who could not otherwise access these resources.
PARTNERING FOR SUCCESS
The Eneza approach is attractive to Nestle due to its commitment to the reduction of child labor in the cocoa supply chain. The Nestle Cocoa Plan previously focused on building schools or supplying materials as incentives for students to stay in school. Eneza offers more – it gives children the opportunity to succeed in school.

Parent education and involvement are key to program success. Recognizing that the majority of adults in cocoa growing regions are illiterate, Eneza prioritizes having a physical presence in communities to educate parents on why they should educate their children. This opportunity for academic success is even more important in communities where children may be seen as more valuable or suited for the farm than the classroom:

“Being a child from a farm in Côte d’Ivoire is not that easy. Most of the time your parents don’t know how to read and are not able to help you do your homework or ensure that you’re properly going to school. When kids aren’t doing well parents remove them from school. This platform gives them a way to improve their learning because parents can’t help them. It’s a way to ensure that they remain at school and succeed.”
- Carole Attoungbre, Côte d’Ivoire Country Director, Eneza Education

Nestle has provided financial support to Eneza to sponsor cocoa growing communities on the platform, including sponsoring children’s access to mobile phones as well as for 500 students to access the Eneza platform. Since many of their parents cannot afford phones or allow their children access to their phones, the funding of platform access and mobile phone access is critical to ensure students have access to Eneza’s SMS tutoring services. Eneza partners with corporations to kickstart programs in rural areas and begin to create awareness and demand for their services. According to Eneza, “if rural parents do not understand the immediate interest of subscribing to our platform for their children, 77% of them end up doing so when they see their children improving their school performance after they have been sponsored.”

This approach has been critical to their ability to scale and establish themselves in the markets they serve. The Nestle partnership brings credibility to a growing social enterprise, and also supports a pathway to scale.

The Nestle partnership became possible through an introduction from TRECC, an investor in Eneza. If the relationship with TRECC did not exist, Eneza would probably not have targeted cocoa growing communities, nor be aware of cocoa companies’ interest in promoting education.

“It was the first time I understood that people from cocoa companies were this interested in education. I was very surprised in a good way to hear that they are working to ensure that communities in which they’re working are not employing children as workers.”
- Carole Attoungbre, Eneza Education

Eneza has great potential to influence educational outcomes in cocoa growing regions. The team is hopeful that more corporations, like Nestle, will be interested in partnering with them to scale their products, reaching even more children in cocoa growing communities. There are currently two main avenues for corporate collaboration: the “sponsorship” model illustrated in this case study, and
the “beneficiary” model where Eneza works to create specific content to fit a company’s sustainability goal, such as a curriculum for financial literacy or female empowerment. Working through partnerships, Eneza can not only reach more students more quickly, but can begin to develop a market for its services that can, in the long run, be self sustaining.

CHALLENGES
The partnership with Nestle is a natural fit given the corporation’s commitment to keeping children in school and helping them succeed academically. However, getting the partnership off the ground presented several challenges.

While Nestle sets regional social impact strategies, it partners with implementing agencies to manage local efforts. For example, in Côte d’Ivoire, Nestle partners with International Cocoa Initiative (ICI) to tackle the issue of child labour. ICI brings the field presence, collects and analyzes data, proposes local activities to Nestle, and implements and monitors these activities.

To launch the partnership, Nestle had to align ICI’s efforts with Eneza and Nestle’s goals, adding complexity to the partnership. This complexity can translate to delays in launching and scaling their programs with Nestle and other cocoa corporations in Côte d’Ivoire. The difficulties of scheduling meetings and handling negotiations with multiple layers of partner organizations takes up significant time and energy for a resource-light startup.

“Even if the cocoa company is interested in the product, you need to convince their partners who implement to add you as a new way to address the education of cocoa farmers.”
- Carole Attoungbre, Côte d’Ivoire Country Director, Eneza Education

Eneza faces another challenge in balancing a lean business model that can support rapid scaling, with a more hands-on approach required to engage directly with communities. As an education technology company, Eneza works to keep its costs low by investing in its platform and allowing users to subscribe independently. However, working with corporations on challenges in specific cocoa growing communities requires a more resource-intensive approach. In cocoa growing communities, Eneza has established a field presence to educate parents, demonstrate its product to students, support users consistently, and communicate with schools. These efforts can be made possible through a financial and mission-based partnership with a large, well-resourced company like Nestle, focused on empowering cocoa growing communities, but may not be a scalable part of their core business model.

IMPACT
Through this partnership, Eneza has reached 108 students to date who have logged onto the platform and are taking lessons and quizzes. The remaining students are expected to log on in Q1 and Q2 of 2019.

WHAT’S NEXT
Eneza targets students who are in school currently. So, what about the children who are not in school? Eneza is exploring offering vocational training or transitional material to those students already out of school. They are also exploring options for an app with voice, audio, and text so that people who leave school without the ability to read can begin to learn via other methods.
CASE STUDY: PEG AFRICA

Bringing Markets and Access to Rural Consumers

BACKGROUND
PEG Africa is an asset-financing company currently selling Pay As You Go (PAYG) solar energy products to off-grid customers in Ghana, Ivory Coast, and Senegal. PEG provides home solar kits and add-on products to underserved populations in West Africa that are financed using short-term leases and paid for using mobile money. PEG’s typical customer lives in an off-grid, rural area and earns between $5-10 per day, with up to 30% of their daily income spent on poor quality and polluting fuels such as kerosene. PEG’s 18-36 month rent-to-own plan—normally with daily payments of fifty cents—gives low-income customers the ability to purchase a solar home system, while simultaneously enabling customers to build credit. 70% of PEG’s customers are farmers, and many of these are cocoa farmers. After purchasing a solar home system, PEG’s customers can access PAYG financing for additional products and services, including efficient cookstoves, smart phones, and TVs. The company provides health insurance as a perk to customers in good standing.

THE INNOVATION
PEG is not a product nor an energy company, but rather a financing and distribution company. PEG is focused on delivering solar, as well as other useful and needed assets, to 3.5 million underserved West Africans by 2023. Because its cocoa-farming customers experience dramatic liquidity swings throughout the year, PEG adapted its PAYG approach to incentivize larger payments during harvest season, and minimize payments during the lean season. PEG sales agents market, sell and distribute directly to rural customers through a network of hundreds of field agents drawn from rural communities. These agents also help customers access mobile money. PEG operates 64 service centers to ensure efficient and quick customer support if there are any issues with products. PEG also employs village savings and loan schemes to promote inclusion and employment opportunities for women.
Customer with product outside of home. Credit: PEG Africa.
PARTNERING FOR SUCCESS
PEG was noticing themes behind the reasons why customers were unable to pay on time. PEG uncovered that unforeseen health issues were among the leading causes, requiring customers to go to the hospital, often depleting their finances and putting them out of action for months at a time. In order to address this issue, PEG partnered with BIMA, a leading microinsurance player that creates bespoke insurance products. BIMA, underwritten by Prudential, uses innovative mobile technology to bring insurance to people who have never accessed it before. If PEG’s customers pay on time, they are eligible for free hospitalization insurance, covering entire families up to $200 worth of hospital medical assistance. Initial results have found this insurance package improves PEG’s customer repayment rate, as customers value it and it gives them an extra incentive to stay on track and repay on time. Over 20,000 PEG customers have benefitted from hospitalization insurance since 2016.

CHALLENGES
PEG has faced challenges in acquiring female customers; only 9% of Ivorian and 19% of Ghanaian customers are female. In response to this, PEG has deliberately engaged with Village Savings and Loan Associations (VSLA) to learn how to better serve female customers and also empower them economically by creating more income generating opportunities via employment, training and skills development.

IMPACT
Access to energy improves PEG customers’ quality of life. Acumen’s Lean Data insights demonstrate that, on average, PEG customers have three extra hours of light every day.

For 91% of Ivorian and 79% of Ghanaian customers, PEG's home system was the first product they purchased on credit. PEG is providing access to finance for those who have not had access before and helping them build a credit record.
73% of customers surveyed felt their quality of life had ‘improved very much’. Customers mentioned having reliable access to light, improved standards of safety, convenience and happiness, and their children being able to study better and for longer hours. 99.7% of PEG’s customers eliminated kerosene usage. PEG serves a good proportion of low-income customers; 58% of PEG’s Ivorian and 40% of PEG’s Ghanaian customers live below the poverty line.

WHAT’S NEXT
PEG has demonstrated that it is possible to serve isolated markets once considered too far, too remote, or too poor. PEG’s positioning as a distribution versus a product company, enables it to focus on bringing quality of life enhancing goods and services to vastly underserved markets. With 30 million households lacking access to electricity and two thirds of West Africans lacking access to bank accounts and financing, PEG has a large potential market. PEG’s recent launch in Senegal further propels its journey to expand across the region in other West Africa markets; PEG will be in a position to enter three new markets by 2023. To support its growth, PEG Africa is actively seeking partnerships that can allow it to reach more customers, deliver more products valued by customers, and expand economic opportunity for the thousands of distributors and village-level ambassadors that they aim to engage in their business model.
CASE STUDY: ADVANS IN CÔTE D'IVOIRE

Financial Inclusion for Cocoa Farmers

BACKGROUND
Advans is a leading microfinance group providing financial services to small businesses in nine countries in Africa and Asia. From the start of its operations in Côte d’Ivoire in 2012, Advans Côte d'Ivoire began to focus on developing businesses in rural areas of the country, targeting the cocoa value chain. Advans created financial instruments delivered at the cooperative level to support the purchase of inputs and equipment before delivering financial products at the individual farmer level.

“Cooperatives ask their farmers the quantity of inputs they need and ask for a total credit amount based on these needs. The credit is delivered and monitored at the cooperative level.”
- Elise Perrin, Project Officer, Advans Côte d’Ivoire

Advans delivers products directly to farmers to mitigate the many financial risks they face, including access to financial literacy and financial products, cash insecurity after the harvest payments, and dependency on co-ops for financial aid during low season.

In 2016 Advans Côte d’Ivoire implemented a branchless banking service available to farmers on a basic mobile phone using USSD technology. This new service gives farmers direct access to an Advans savings account and to cash withdrawals or deposits through a Mobile Money agent. Cooperatives can pay farmers directly on this account through digital transfers rather than in cash. The service aims to both increase transaction security and encourage farmers to save during the harvest season for household needs or unexpected expenses in between harvests.

THE INNOVATION: EDUCATION LOANS THAT MATCH FARMER INCOME VOLATILITY
Advans' newest product delivered through its mobile banking service is the digital school loan,
inspired by an Advans market study exploring why it is so hard for farmers, who have on average four children, to save money for school fees and related expenses. The study revealed that school fees are often due right before the cocoa harvest, which is a cash-strapped time for most farmers. Farmers have simply not been able to save enough from their last earnings to have cash to pay for school fees. 40% of the farmers interviewed were sending their children to school 1-2 months late while waiting for revenues from the harvest. Previously, a third of farmers were borrowing from cooperatives to pay the school fees, creating a financial burden for the cooperatives. In response to this, Advans designed a digital school loan to work with farmers’ payment schedules.

This loan is only offered and disbursed in August and September when fees are due. The repayment period comes from end of October to end of December when farmers have cash to repay the loan. The loan amount ranges from $35-350 and is determined according to different criteria, such as the farmer’s savings history and past cocoa revenues.

To implement this program, Advans has ten financial inclusion agents working in the field every day. These agents work with the farmers to raise awareness of the importance of savings, and support them in the use of digital channels and how to access the school loan. Advans also trains the cooperative staff and partners (“delegates”) on its services, which according to Advans, “helps to build trust and expand Advans financial services to a wider number of farmers.”

Financial education sessions for groups of cocoa farmers on the benefits of saving. Credit: Advans Group.
"Having farmers in cooperatives is really helpful for us. The cooperatives share a small percentage of the risk, they know the farmers and they can help us in the field. Cooperative staff help the farmers with school loan disbursements and repayments."

- Elise Perrin, Project Officer, Advans Côte d’Ivoire

PARTNERING FOR SUCCESS

Cooperatives are Advans’ strongest partners in deploying this product and their presence in the cocoa value chain is critical for Advans’ success in Côte d’Ivoire. Advans works with more than 200 cooperatives supporting farmers.

From Advans’ perspective, cooperatives are motivated to work with them to provide better conditions for farmers and be relieved of disbursing loans and collecting payments themselves. They also understand the need for payment digitalization due to the security risk when transporting cash.

“They’re happy that we came to help them with the financial aspects. Now the cooperative leaders can do more in cocoa farm development or buy more from the cocoa farmers with their cash.” - Elise Perrin, Project Officer, Advans Côte d’Ivoire

CHALLENGES

Advans’ greatest challenges center on providing financial education to farmers who have previously lacked access to formal financial services. It focuses on educating farmers on why it is important to save money and how to do so through its mobile banking service. This, however, takes great time and effort. Advans is currently working on improving its financial education tools to help its agents communicate more efficiently with farmers and to increase the uptake of the service. It is also working with its partners, notably MTN, its Mobile Money partner, to improve access to transaction points for farmers.

Another challenge to enable farmers access to education loans is ensuring that the value chain actors who compensate farmers are encouraged
to enter into the digital payment ecosystem. This will allow farmers to receive their cocoa payments digitally via their Advans account and enables Advans to better assess farmers’ repayment capacity, limiting the risk for farmers.

IMPACT
As of late 2018, Advans was providing savings accounts to more than 17,300 farmers. 1,118 of these farmers received an individual school loan in 2018 to send their children to school, with an average loan amount of $190. By linking education and financial access, Advans hopes to create lasting impact on cocoa communities. Advans also believes their impact has a gender dimension. By helping to promote education for farmers and their families, they can help to improve adult and child literacy rates and reduce inequalities between men and women.

WHAT’S NEXT
Advans’ continued innovation in cocoa farmer financial access will strengthen as traders and cooperatives make progress towards fully digitizing the payment chain. As they work with industry players on that broader shift, they are improving their banking service and the digital school loan by developing new tools for field staff that will help make the solutions easier for farmers to access. With an ear to the ground for farmer needs, Advans is also developing new products, including a micro life insurance product, with a pilot launched at the end of 2018 that has already reached almost 200 farmers.
We are at the infancy of combining the power of social enterprises and corporations to tackle challenges in the cocoa industry, and many industry leaders believe it is an opportunity worth exploring. At the same time, examples of collaboration are few, and it is valuable to understand some of the issues which may be limiting these partnerships in the cocoa industry, as well as some lessons learned beyond cocoa on how to develop successful partnerships. In earlier reports, Beyond Dialogue: Building Sustainable and Inclusive Business Models in Partnership with Social Entrepreneurs, and Social Enterprises: Collaborating for Growth with Impact (written in partnership with Business Fights Poverty), Acumen first explored the potential for corporate and social enterprise collaboration, and highlighted case studies of four major
categories of partnerships - skills partnerships, channel partnerships, venture partnerships, and knowledge partnerships. Here, we build on these insights with a particular focus on the unique challenges and opportunities that entrepreneurs and corporations in West Africa shared with us. We begin with some of the fundamental issues that come up in corporate social enterprise partnership, and then suggest a step-by-step approach for corporations to engage social enterprises.

**FINDING COMMON GROUND BETWEEN CORPORATIONS AND SOCIAL ENTERPRISES**

Finding common ground between Corporations and Social Enterprises requires understanding how each one perceives the other, and how each one operates in the context of timelines, risk, and definitions of success.

**MANAGING PERCEPTIONS**

Many social enterprises don’t believe that corporations understand the business value of their social ventures. While impact is central to their operations and missions, social enterprises only work when the business model works, just like corporations. According to Ashish Gadnis, an entrepreneur who founded BanQu (see sidebar) “There are business cases for what purposeful enterprises do. We understand that corporations want to make money.”

Social enterprises use market-driven approaches to solve critical social issues in communities in need. Corporations are also thinking critically about how to expand this method of impact to cocoa growing communities. However, aligned philosophies do not always mean aligned business models. As Alloysius Attah from Farmerline puts it, “Within the global food and agriculture sector, there’s not just room for impact, there’s room to create profitable businesses that inspire thriving rural economies and a better quality of life for farmers everywhere.” Social enterprise is a relatively new approach to impact compared to the traditional approaches taken by NGOs, foundations and government agencies. Many cocoa industry representatives shared the challenges they faced when proposing or pursuing an approach that is still considered unproven.

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**BANQU: CONNECTING THE UNBANKED TO THE GLOBAL ECONOMY THROUGH A SECURE AND DISTRIBUTED LEDGER USING BLOCKCHAIN TECHNOLOGY**

BanQu’s goal is to bring transparency to the last mile of supply chains while empowering farmers to own a record of their transactions and acquire data that can bring the farmer visibility into their business. BanQu works with large corporations as customers to supply this technology throughout their supply chain, allowing them transparency into the entire process and giving them the opportunity to build an agro-economy around their farmers.
As one industry representative shared, “We are new to the space and we are doing what big companies traditionally have been doing - partnering with NGOs and developmental agencies. It’s more risky with social enterprises and startups, and we have no experience to manage these partnerships. This is scary for corporations.”

**TRYING TO REDUCE RISK IN AN UNCERTAIN ENVIRONMENT**

Developing any solution to the complex social and economic challenges faced by cocoa farmers in West Africa poses risks. Gaps in local infrastructure, volatility in the global cocoa market, policy shifts, and other factors make it difficult to execute an intervention under the best circumstances.

In seeking out the right partners to drive impact locally, it is only natural that a large company would seek out the largest and most reliable local partner, with existing infrastructure, relationships, and an understanding of local context, as well as the strongest track record of delivery. Reducing risk is a strategy that makes sense. According to one industry representative “You need to identify a business model that works, and that is cheaper than the existing partnership and offers more sustainable impact.” However, the lowest risk strategy, while understandable, will not necessarily yield the breakthroughs needed to address the challenges discussed earlier.

Nimble social entrepreneurs are certainly more comfortable with risk than large corporations, but they too aim to minimize risk due to the precarious position they are in as start-ups.
explaining timelines, and being responsive to the timing needs of their social enterprise partners.

HOW TO ADD SOCIAL ENTERPRISE TO A CORPORATE SUSTAINABILITY TOOLKIT

Corporations that want to engage with social enterprises are encouraged to approach this step by step. We suggest the following steps:

1. Define Needs and Priorities

The cocoa industry has been working to support cocoa growing communities, and can evaluate where there may be gaps, and where there are opportunities to build out more effective market mechanisms for long term sustainability. This kind of evaluation can lead to a clearer understanding of where social enterprises can make a difference in these communities. Any

NAVIGATING CORPORATE BUSINESS CYCLES

Representatives of corporations admit that their ability to partner with social enterprises, and even traditional partners, is inhibited by large-firm processes and bureaucracy. For startups that operate on limited cash flow and have short timelines to prove progress to investors, a long wait to start a partnership can have a major dampening effect on a willingness to partner. Corporations can keep this in mind, clearly

MOSABI: CREATING ANIMATED MOBILE EDUCATION TO IMPROVE RURAL LIVELIHOODS

Mosabi is a digital learning platform that uses custom video-based curriculums to train users on a variety of skills, primarily financial. It delivers content through an Android app that has been rigorously designed for low-bandwidth, low literacy settings to reach people in rural communities. As users complete the video and interactive media courses, they are connected with incentives and calls to action linked to the sustainable development goals. Mosabi’s mobile learning platform creates an alternative credit score using the data they collect through the education offered. Mosabi localizes each video for the community’s learning goals, and partners with institutions and companies to educate their suppliers and workforce while bringing them into the financial system. The company is also exploring partnerships with other social enterprises, specifically pay-as-you-go solar companies like PEG to provide customer education videos for their products and expand their customer reach.
engagement with social enterprises should focus on well-defined needs and agreed upon priorities.

Social enterprises are addressing gaps in some of the following ways:

- Developing sustainable and scalable employment opportunities for underemployed youth
- Leveraging technology to address farmer needs as well as supply chain gaps
- Delivering access to finance to the unbanked
- Linking women to cocoa production and other income generating activities
- Providing access to education through online services
- Developing new and innovative ways to provide inputs to farm communities
- Tracking impact via more transparent (and two-way) data mechanisms

2. Identify Social Enterprises

As part of a strategy to address supply chain gaps or tackle sustainability challenges, corporations can engage with social enterprises in a variety of ways. They can serve as vendors for innovative or sustainable products across technology, agri-inputs, and even raw materials for supply chains. They can serve as implementation partners, providing services like training, farmer outreach, education, and more, which can be paid for through a commercial arrangement or a grant. Finally, they can serve as strategic partners, working with corporations to help co-create a partnership built on shared goals that leverages the strengths of both.

See figure 1 for a summary of the ways that corporations and social enterprises can complement each other.

Social enterprises can be identified by reaching out to intermediaries that work with social enterprises, whether incubators, accelerators, investors, or enterprise development programs.

Many foundations, NGOs, and capacity building intermediaries can be valuable allies given the networks they have cultivated of local social enterprises and SMEs.

The social entrepreneurship world is tight-knit and communicating gaps and needs openly will help intermediaries make warm introductions to the right organizations. They may even be a good partner to support or broker a partnership with a social enterprise alongside a corporation.

3. Engage in Candid Dialogue

Once a social enterprise is identified that can help address a specific gap, real dialogue begins. Social entrepreneurs are creative, visionary business leaders and conversations for the sake of learning and sharing knowledge can be valuable to both parties. Social entrepreneurs work directly with communities and are on the cutting edge of technology and business model innovation, and therefore offer valuable insights on farmer needs, behaviors, and preferences.
# The Benefits of Collaboration Between Social Enterprises and Global Corporations

<table>
<thead>
<tr>
<th><strong>Social Enterprises</strong></th>
<th><strong>Benefits of Collaboration</strong></th>
<th><strong>Multinational Companies</strong></th>
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<tbody>
<tr>
<td><strong>Risk Tolerance</strong></td>
<td>• New products + services</td>
<td><strong>Opportunity Cost of Investment</strong></td>
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<tr>
<td></td>
<td>• New business models</td>
<td>Prohibitive hurdle rates often discourage radical innovation</td>
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<tr>
<td><strong>In-Depth Insight</strong></td>
<td>• Customer &amp; market insight</td>
<td><strong>Limited Insight</strong></td>
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<td></td>
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<td>May understand what sells + what doesn’t (or what is offered + what isn’t) but not necessarily why</td>
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<tr>
<td><strong>Small Scale</strong></td>
<td>• New channels + customers</td>
<td><strong>Large Scale</strong></td>
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<tr>
<td></td>
<td></td>
<td>Extensive operations, value chains + customer networks in multiple countries and economies of scale</td>
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<tr>
<td><strong>Limited Resources</strong></td>
<td>• Employee engagement &amp; development</td>
<td><strong>Considerable Resources</strong></td>
</tr>
<tr>
<td></td>
<td>• Better supply chains</td>
<td>Budgets + staff often with significant experience + qualifications, can be allocated for strategic purposes</td>
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**Growth with Impact**
The biggest barrier to a partnership is having both sides clearly articulate their motivations, needs, goals and capacity. Social entrepreneurs have very different resources, timelines and pressures from large corporations. Direct and candid discussion early in the relationship is essential.

“I’m so happy about the increasing conversations about the opportunities in the cocoa sector globally. Farmerline focuses on providing value across the agriculture value chain, not just for farmers. We are seeing an increasing number of companies moving from CSR projects into sustainable projects. Leaders like The Hershey Company, for example, are investing towards something that will still be providing a service and creating impact in the next 10 years. It’s not just about CSR for them or for us. We are using this opportunity to show that it’s possible for corporations to work with social enterprises like Farmerline to create lasting profit for farmers.” - Alloysius Attah, Farmerline

4. Define Clear Goals and Take Risks
We encourage all parties to set milestones, build in flexibility for unexpected changes and anticipate internal challenges early so that they can be addressed, and do not necessarily undermine the success of a partnership. In a true partnership both sides give and receive value. Rather than focusing on only one output, like jobs created, or income levels increased, we encourage stakeholders to look at multiple dimensions of impact, including learning, and measure progress on each. A partnership designed to improve incomes could have an unexpected impact on engaging youth, for example, and what looks like a failure could in fact be a new insight about customer behavior, or unanticipated challenges that need to be addressed in the next iteration of the model.

Any collaborative venture presents risks, and working with early stage social enterprises often exacerbates risk at first. Successful partnerships with social enterprises have the staying power and flexibility to manage through these challenges towards lasting impact and deeper market insights. Taking small risks to find creative, new approaches for partnership is worth the opportunity for long-term and sustainable change that is so needed.

5. Involve All Stakeholders
Getting buy-in for a new approach to partnerships and impact can be challenging, and multiple stakeholders are often needed beyond a corporation and a social enterprise. Government, as discussed, as well as local and international intermediaries, investors, or technical experts may all be needed to successfully develop a
scalable and entrepreneurial model. Bringing these stakeholders together requires a commitment to collaboration, and the patience to identify the interests of everyone involved. In our interviews, we heard from successful teams at large corporations that this often means going slow to go fast, and building collaboration skills within the team, or borrowing them from an outside resource that can facilitate partnerships.

6. Build the Ecosystem

Supporting the growth of social enterprises that serve cocoa growing communities does not mean that a corporation has to invest in social enterprises directly, though they can and some do. There are numerous ways to partner: sharing knowledge and expertise, leveraging distribution networks, cross promoting products, giving access to technology or equipment, supporting infrastructure development, and giving access to markets. If investment is a possibility, corporations can find ways to pool capital, and risk, supporting local funds that provide a variety of forms of capital, from grants, to loans and equity, as well as business development support or technical assistance.

Given that the ecosystems in Ghana and Côte d’Ivoire are in a relatively early stage of development, the broader African social enterprise ecosystem can also be a resource. There may be models from other countries or communities that can be brought into cocoa growing regions with the right kind of support and local partnerships. By the same token, taking an early success and helping to learn from it and amplify it is a powerful way to support ecosystem building.

Building the ecosystem often starts with taking a first step, looking deeply at the assets that a corporation can leverage and working to get buy in from across a firm to support this process.
CHAPTER 6

CONCLUSION AND CALL TO ACTION

Farmers in Ghana and Côte d’Ivoire produce cocoa for most commercial cocoa traders and brands, but they capture little of the total value of the cocoa market, and are by and large, very poor. This widespread poverty is at the root of many of the challenges the cocoa industry seeks to address, and work has begun to address this underlying issue.

Among cocoa industry players, a lot is already happening: farmer training, farm rehabilitation for aging cocoa trees, provision of inputs, and farmer finance, data collection and efforts to mitigate climate risk. On the social side, support for schools, income diversification and access to credit for women, as well as programs to monitor and reduce child labor. These efforts touch many thousands of farmers and their families, but it can be difficult to scale them or sustain them over time. It would be easy to criticize the organizations behind these projects for not doing enough. But that assumes that there’s some obvious alternative approach that would work much better. There isn’t.

The objective of Cocoa Interrupted is to inject new ideas into the mix of current models. Specifically, ideas from entrepreneurs that are building business models designed to improve the lives of cocoa farmers and their communities. This idea is based on more than 20 years of evidence that social enterprises can deliver sustainable and scalable solutions to poverty, based on efforts by Acumen and a number of other
widely respected organizations that have put entrepreneurship at the core of their efforts.

Taking action and building an entrepreneurial system that can help to address cocoa challenges won’t be easy. The social enterprise movement is still taking shape, and the challenge of matching the needs of cocoa industry players with what entrepreneurs are offering will require creativity and experimentation.

However, these locally-led, financially sustainable and scalable models are essential to lasting and meaningful change. Building them will take time, courage, and an even greater degree of collaboration among stakeholders. As this report shows, the work has begun – promising enterprises with breakthrough solutions are out there. Our hope is that each attempt at a corporate/social enterprise collaboration offers a learning opportunity for others, and that the examples shared here can spark new ideas for collaboration, and a willingness to continue to share lessons. Many more social enterprises are needed, and those that exist need support and partnership.

Extending the social enterprise movement to cocoa growing communities represents a tremendous opportunity. We hope this report encourages cocoa industry leaders and their partners to take the next step – to find ways to support individual social enterprises and the larger social enterprise movement. The tools and organizations already exist to identify, scale and measure results for social enterprises. What is needed is the will to do it, and the corporations prepared to partner in new ways. Their efforts, alongside other institutions such as governments at the local and international levels, foundations, NGOs, investors and intermediaries, could spur a robust social enterprise movement within the cocoa sector. With time and patience, and a commitment to cross-sector collaboration, the impacts for farmers, for their communities, and for the global cocoa sector will more than justify the risks taken now by pioneers in the industry.
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