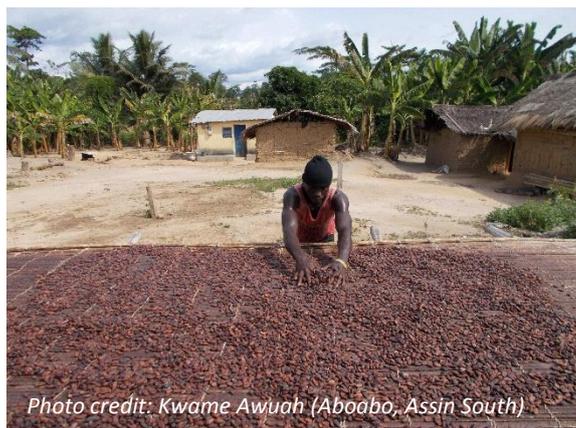


Cocoa and Poverty Alleviation – Policy Brief



Key message

Increasing cocoa income can play a significant role in addressing key dimensions of poverty in cocoa communities.

Attention on increasing cocoa production must be supported with policies aimed at addressing local governance issues and existing inequalities to maximise the potential of the sector to contribute to social wellbeing.

Summary

- Major climate-smart agriculture initiatives, including climate-smart cocoa under the Ghana Cocoa Forest REDD+ programme (GCFRP), include objectives to alleviate poverty by intensifying agricultural production to increase yields and incomes.
- Cocoa provides a significant source of income for most households in cocoa communities. Higher incomes are associated with better outcomes in key dimensions of poverty including in food security and ability to send children to school, but not with other dimensions such as access to basic needs or health care.
- However, factors such as inequality in land holdings, indebtedness, gender relations and local governance issues such as the mis-weighting of cocoa by purchasing clerks limit the potential of the sector to improve wellbeing across communities.
- HIAs could be used as a basis for testing policy innovations that address:
 - Specific and intentional efforts to target support towards women farmers
 - Access to credit and financial resources/services
 - Ensuring that efforts to increase yields are supplemented with efforts to address the provision of key communal infrastructure, e.g. health centres.

Poverty and the cocoa sector in Ghana

It is often said that ‘Cocoa is the economic backbone of Ghana’. However, poverty remains a concern of international importance and emerging efforts to address the sustainability of cocoa production, such as those focused on implementing climate-smart cocoa, are committed to increasing incomes in the sector. Poverty is a complex and multi-dimensional phenomena, with income being one among a number of relevant factors to consider. Others include health, education and food security. The ECOLIMITS project investigated the link between cocoa incomes and different dimensions of poverty to inform on-going discussions about how the sector can contribute to the social and economic wellbeing of cocoa farmers and communities.

Key case study statistics - Assin South household survey data	
Under 5 mortality	17% households experienced
Basic needs (water, sanitation, electricity)	41% not all needs met 3% no needs met
Household head literacy	54% literate
Mean total land (ha)	4.6 ha (S.E. 0.4; Min. 0, Max. 24.85)
Mean cocoa land (ha)	3.28 ha (S.E. 0.3; Min. 0, Max. 21.45) 71% of total land
Households getting income from cash crop	97%
Mean number of income sources per household	5.1 (S.E. 0.2, Min. 2, Max. 11)

Key findings

Indicators (see methods protocol of detail) for access to healthcare, the prevalence of children missing school and food security were significantly different between groups of higher and lower cocoa incomes.

Indicators for other important factors such as access to basic needs like clean water, electricity and improved sanitation, however, were not significantly different between income groups.

Increasing cocoa incomes will have a positive impact on many critical issues, but many important dimensions of poverty require communal provision of critical infrastructure and will not be addressed through increasing incomes.

Differences in income are significantly different for male and female headed households. Younger households also have lower income. This is partly because of different size land holdings among different groups. For example, male headed households have 3.9 ha on average compared with 1.9 ha for female headed households.

Inequality is a critical issue in cocoa communities. Increasing cocoa incomes will not have a uniform impact on the wellbeing of people in cocoa farming communities and could exacerbate inequalities.

Credit, debt and resilience

Borrowing money is critical for meeting needs during times of financial hardship. Most lending of money occurs informally within communities due to low trust in external microfinance institutions and lack of formal financial services.

The practice of *Awowa* (receiving a cash loan in exchange for cocoa from an area of land for a fixed number of years) was also widely reported. The terms of these loans can mean people lose land, or become trapped in debt. Interest rates of 100% interest is typical, and this may double in the event of non-repayment.

There is no course for addressing grievances or perceived injustices as cultural norms and beliefs such as fear of being cursed prevent people from taking up complaints. **The informal dynamics of credit and debt can lead to poverty traps.**

Policy priorities and prospects

1. To address poverty, investments into the cocoa sector and GCFRP/climate-smart cocoa programmes must be invested in ways which are accessible to and benefit poorer farmers who may be unable to engage with programmes that require literacy skills and large farms.
2. Recognise the importance of communal/government provision of key infrastructure for health, education and basic needs and continue to develop the potential of private sector investment and GCFRP benefit-sharing structures as a basis for improving livelihoods.
3. Climate-smart cocoa should recognise inequality in the sector, specifically focusing on female farmers so as to improve their wellbeing via better access to land, information/extension, inputs, financial resources, and opportunities for diversification.
4. Exploring how to address injustices in informal credit markets and providing well regulated alternatives is an important component of alleviating poverty.
5. Increasing transparency in cocoa purchases and ensuring that farmers are paid for what they produce will help to increase farmers' income (*see policy brief on purchasing clerks*).

Cocoa is a critical source of income with 97% of studied households deriving an average of 45% of their income from cocoa. Yet there are still challenges related to poverty in communities with 41% of households lacking access to either water, improved sanitation or electricity, nearly one-in-five households experiencing the death of a child and high rates of illiteracy.

See policy briefs on yields and purchasing clerks for recommendations on increasing income

For further information:
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