



# The Cocoa Production Cluster

## A new Business Model for Responsible Private-Sector Investments in Agricultural Land

### In Brief

The Cocoa Production Cluster (the “CPC”) is a fair, transparent and inclusive business model for responsible private-sector investments in agricultural land. Based on the principles of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Forests and Fisheries (the “VGGTs”) it secures the land tenure rights of the most vulnerable sections of rural society, promotes innovative farm management practices and generates sustainable returns for all stakeholders.

With the objective of strengthening people’s right to adequate food, reducing poverty and boosting the global fight against hunger, the Committee on World Food Security (the “CFS”) of the FAO endorsed the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Forests and Fisheries (the “VGGTs”) as a global consensus on minimum land governance standards on May 11<sup>th</sup>, 2012. Since then, many countries have launched initiatives to drive the implementation of the VGGTs and their integration into national legislation forward and have been promoting business models which enhance the potentials of large-scale agri-business investments in land and build social legitimacy by strengthening citizens’ rights to inclusive and consultative participation in decision-making processes, women’s tenure rights and rural Host Communities’ stake in all land-based business proceeds.

The Cocoa Production Cluster (the “CPC”) is an innovative approach which operationalizes the principles of the VGGTs into real change on the ground by institutionalizing “win-win partnerships” between Investors and rural Host Communities which give the Investors access to agricultural land and investment security while providing the Host Communities with access to capital, farm inputs and know-how.

Under the model a trust is set-up which holds land tenure rights to agricultural land over a period of 30 years. During this time the trust is administered in two phases:

- 1) In Phase 1 the Trustee (i.e. the Investor) establishes a cocoa plantation (the “CPC”) on the trust’s land and organizes vulnerable community members (the “Beneficiaries”) into Labor Groups who cultivate the CPC under his overall supervision. The Investor manages the CPC, provides all necessary farm-inputs, pays for labor and lease, markets the produce and carries the risk of the investment. A revenue sharing-arrangement ensures that the trust’s stakeholders (i.e. the Settlor, the Trustee, and the Beneficiaries) benefit appropriately from the proceeds of the CPC. Phase 1 has a duration of 20 years (i.e. a pre-harvesting period of five years plus 15 years).
- 2) In Phase 2 the Investor withdraws from active management of the CPC and, in consultation with all trust stakeholders, divides the CPC into Small Scale Commercial Farming Divisions (the “SSCFDs”) of similar pre-defined characteristics and size and transparently allocates such SSCFDs to selected Beneficiaries (the “Production Unit Chairpersons”) who henceforth take over the Investor’s role as Trustees and manage the SSCFDs according to the principles of the CPC-Model for the benefit of the remaining Beneficiaries. The Investor integrates the SSCFDs into its supply chain and buys and markets the produce (under a Contract Farming-Model). Phase 2 has a duration of 10 years.

After 30 years the trust is dissolved and the land restituted to the Land Owners.

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# Responsible Investment Partnerships

## Testing the CPC-Model in the Sierra Leonean Cocoa Sector

### In Brief

The UK Department for International Development (the “DFID”) plays a strong role in driving changes towards improving land rights protection, land-tenure information and responsible private sector land investments in developing countries. With funding from DFID’s LEGEND Challenge Program, Deutsche Welthungerhilfe (“WHH”) currently tests the CPC-Model in partnership with a Sierra Leonean Investor under the SPIRAL-Project (the “Project”).

In an inclusive engagement process the SPIRAL-Project has identified production sites of 1.000 hectares in four geographically distinct Investment Target Areas (the “ITAs”) across three Chiefdoms in Eastern Sierra Leone. Together, the four ITAs include 1.151 rural households from 16 villages. From October 2016 to September 2018 the Project supports the Investor and the Host Communities in setting the stage and preparing the framework for the establishment and sustainable implementation of the CPC-Model over 30 years.

### Land Acquisition and Consultation

The Project takes an inclusive approach to the identification of production sites: Together with the Investor it engages Traditional Leaders, Land Owning Families and the wider community to secure land pledges and conduct participatory site assessments verifying the suitability and size of the pledged land before demarcating, surveying and mapping the individual parcels. Consultations form an important aspect of the acquisition process. The Project creates platforms for the exchange with civil society and establishes a grievance mechanism which serves as a tool for stakeholders to voice and address concerns and discontent. The regular dissemination of information in meetings, trainings and radio programs complements the approach.

### Community Empowerment

Informed by a comprehensive Household Vulnerability Assessment, the Project selects the most vulnerable

members of society as Project Beneficiaries and supports them in setting up an association. The Project conducts Constitution Development Workshops, strengthens the members’ understanding of the VGGTs and fair land acquisition processes and links them with legal experts who help to negotiate a Land Lease and Partnership Arrangement which meets the requirements of the VGGTs and ensures the viability of the investment.

### Corporate Social and Environmental Responsibility

The Project determines the potential social and environmental risks associated with the investment and designs appropriate mitigation-, management- and monitoring measures to address unintended impacts that could affect Host Communities’ livelihoods, the Investor’s sustainability performance or ecosystems.

### Advocacy

In order to identify land-use opportunities and challenges, understand existing land tenure conditions, document the legitimate tenure rights of community members, and elaborate local development strategies the Project engages Host Communities, Beneficiaries, local government, Traditional Leaders and other stakeholders in a Tenure Assessment and a Participatory Land-use Planning (PLUP) Exercise. The exercise gives the Host Communities the opportunity to present their problems to decision makers at all levels.

The Project promotes the CPC-Model as a responsible land-use option on local, regional and national levels. It works closely with regional government authorities and lobbies for the inclusion of key-points of the VGGTs and other standards into the respective District Development Plans. All consultations follow a participatory approach and involve civil society as well as government bodies and the private sector. The main aim is to influence the overall land tenure and investment debate in Sierra Leone and to establish the CPC as a new rights-based investment model in the agriculture sector.

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