
Interlinkages between ARS-1000 & EUDR need to be realized for the benefit of sustainable, deforestation-free cocoa.

An explainer

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Bringing policy frameworks together

The ARS-1000 regional standard on sustainable cocoa ('ARS-1000') and the EU Deforestation Regulation ('EUDR') are both set out to guide value chain actors in the cocoa sector towards sustainable, deforestation-free cocoa production. Both policies are being finalized and the relevant authorities are preparing for roll-out and enforcement. A closer interlinkage between the two policy frameworks will strengthen the impact of both the ARS-1000 and the EUDR. This explainer outlines how the cocoa sector can benefit from complementarity between these two policy frameworks and suggests next steps to reach that potential.

There is broad consensus on what a sustainable cocoa sector looks like and the need to address living income, child labor and deforestation, among other challenges. Well over two decades of investments by private sector, mostly on voluntary basis, driven by the license to operate and reputational risks and supported by public institutions and civil society, have not achieved the necessary impact¹.

This has moved the sector to be supportive of more stringent policies and legislation from governments from producing and consuming countries. It is in this context that we should understand the development and adoption of the EUDR² and the ARS-1000.

The parallel development of both policy frameworks shows a shifting trend in sustainable trade, where governments are set out to take a stronger role in orchestrating the sector's sustainability investments. At the same time, it raises the question on how to assure useful interlinkages between them for the benefit of sustainable, deforestation-free cocoa. This explainer provides an overview of the ARS-1000 and the EUDR to promote a common understanding of the policies and to serve as basis for discussion on the potential for complementarity. A technical overview of both the ARS-1000 and the EUDR in terms of objectives, scope, tools, timelines and the key actors involved is followed by an explanation of how they fit together and suggested next steps.

¹ Cocoa Barometer 2022: <https://cocoabarometer.org/en/>

² Final proposal of the EUDR (Dec 2022): <https://data.consilium.europa.eu/doc/document/ST-16298-2022-INIT/en/pdf>

EU Deforestation Regulation - EUDR

Objective

The EUDR is a regulation that stipulates rules for the trade of products, including cocoa, with the objective of the EU to contribute to halting deforestation, reducing GHG emissions and reducing biodiversity loss. The EUDR has a prohibitive character: products are not able to enter the EU unless they can be proven to comply. The EUDR is of a compulsory nature for all trade of the seven commodities to and from the EU.

Key principles

Products may only be traded to and from the EU when:

- they are deforestation-free (cut-off date Dec 2020)
- they are produced in accordance to relevant legislation of the country of production
- they are covered by a due diligence statement

Scope

The EUDR focuses on seven commodities and their derivatives



Tools



Operators should put in place due diligence that includes:

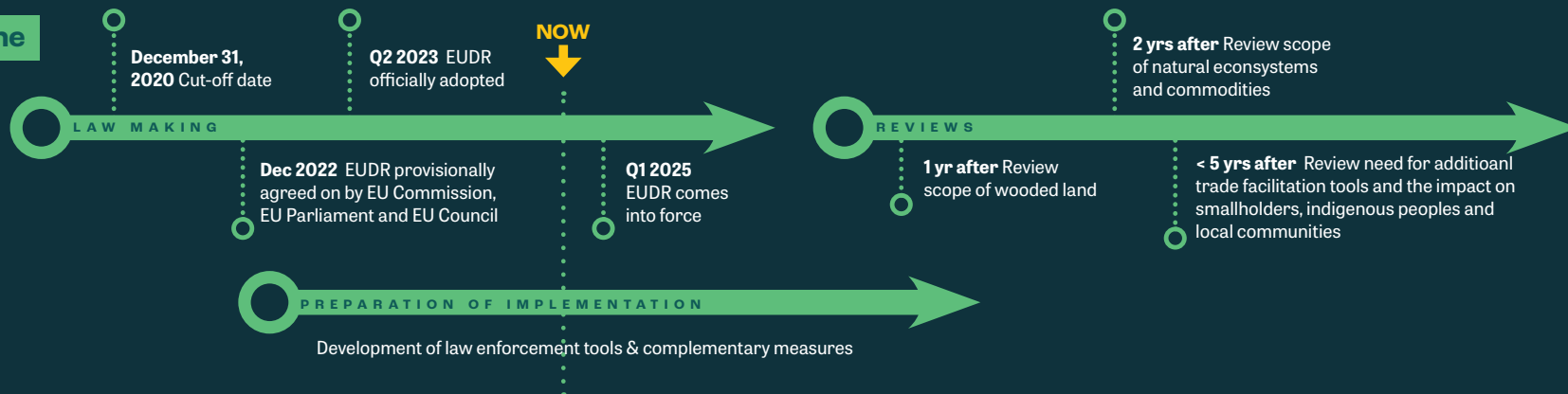
- Geolocalisation of plot of land (polygons above 4 ha)
- Risk assessment
- Risk mitigation actions



The EU Commission will amongst others develop:

- Exchange of information and cooperation among authorities (Art 25)
- Electronic interfaces (Art 26)
- Assessment of countries (Art 27)
- Cooperation with third countries (Art 28)

Timeline



African Regional Standard for Sustainable Cocoa - ARS 1000

Objective

The ARS 1000 is a series of African standards for cocoa to achieve the goal of economic, social and environmental sustainability and traceability of cocoa. The ARS-1000 is a certification standard, which is likely to become mandatory country-wide in Ghana and Côte d'Ivoire.

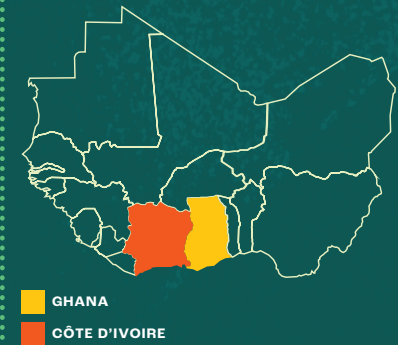
Key principles (environment)

With its environment pillar the ARS-1000 aims to "prevent deforestation and combat climate change" as such the requirements include:

- No deforestation or degradation of primary forest (cut-off date June 2021)
- No deforestation or degradation secondary forest unless legal land title, landowner permission and/or customary land rights, and government permits, are available;
- No farming in protected areas, unless the 'national context allows it'

Scope

ARS-1000 is an African regional standard focusing on sustainable cocoa production. Côte d'Ivoire and Ghana have commenced drafting the national implementation guides.



Tools

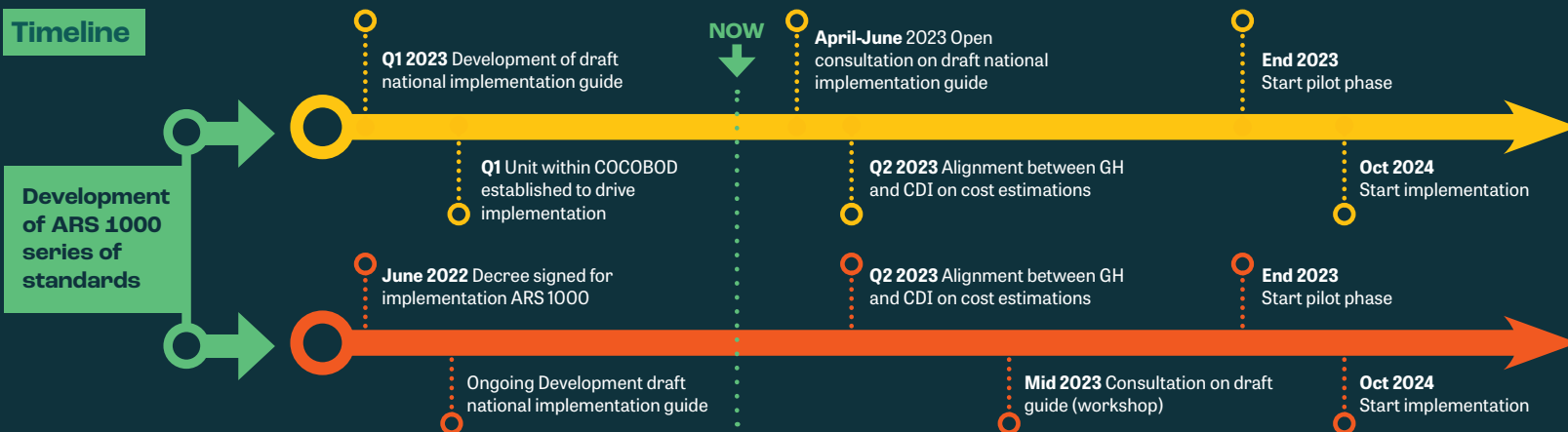
Regional standard ARS 1000 series of standards



At country level Ghana & Côte d'Ivoire are developing:

- National implementation guide;
- Key support frameworks for implementation
 - National traceability systems
 - Framework for data collection, storage and security
 - Framework for supporting farmers in the implementation of the standard
 - Framework for verification/certification

Timeline



The link between the EUDR and the ARS-1000

Both policies are set out to guide farmers and value chain actors in the cocoa sector towards sustainable, deforestation-free cocoa production. The ARS-1000 covers a full range of sustainability topics with economic viability for farmers as a precondition for social and environmental sustainability. The EUDR focuses on halting deforestation and includes requirements on legality. As such the two policy frameworks have a clear overlap on specific topics of sustainable trade. There is a shared vision of where the cocoa sector should go in the future, especially when the EUDR is understood to be part of a wider range of EU due diligence regulations and directives (see textbox).

There is not only strong overlap in vision and objectives, the two policy frameworks also put to use similar tools for gathering of information and evidence with traceability at the heart of both the ARS-1000 and the EUDR. The ARS-1000 series of standards will require a staged and gradual implementation and is expected to include both

social and environmental risk assessment tools. For the EUDR it holds that all products placed on the EU market need to comply after its entry into force.

Moreover, the ARS-1000 is strongly embedded in national policies, is governed by the countries' cocoa regulators and has the farmers' interest at the heart of its design, all of these factors contribute to local ownership. The ARS-1000 is planned to become mandatory country-wide in Ghana and Côte d'Ivoire and as such aligns with the compulsory nature of the EUDR. In other words, within the timespan of only a few years, both policies will stipulate strict criteria for sustainable cocoa production. It is therefore crucial to optimize the alignment between the two policy frameworks so as to assure clear guidance to farmers investments in-country and private sector investments at regional and global level. Discrepancies between the two frameworks could slow down the sector wide push to lift the bar on sustainability.

The Corporate Sustainability Due Diligence Directive (CS3D)

Next to the EUDR the EU has other due diligence legislation in the making, including the Corporate Sustainability Due Diligence Directive (CS3D). While the timelines of finalization and implementation slightly differs, there is a clear overlap between this directive and both the EUDR and ARS-1000. As such it will be useful to have a closer look at the CS3D when exploring the interlinkages between the EUDR and ARS-1000.

The CS3D aims to foster sustainable and responsible corporate behavior throughout global value chains. Companies will be required to identify and, where necessary, prevent, end or mitigate adverse impacts of their activities on human rights, such as child labor and exploitation of workers, and on the environment, for example deforestation, pollution and biodiversity loss. For businesses these new rules are expected to bring legal certainty and a level playing field. For consumers and investors, they will provide more transparency. The text of the directive is still being negotiated; the final text is expected to be adopted by the end of 2023. The entry into application by companies will probably not happen earlier than 2026.

CS3D & EUDR: Deforestation is mentioned in CS3D as one of the negative impacts that the companies will need to cover by their due diligence processes. In comparison to the EUDR the due diligence process required by the directive includes 6 steps in line with OECD due diligence steps and goes broader than the collection of information, data and documents and risk assessment and risk mitigation required by the EUDR. At the same time the CS3D does not specifically require full traceability of the commodities as required by the EUDR. EUDR covers all companies willing to place commodities at the EU market and prohibits access to the EU market of deforestation-associated commodities. The CS3D obliges the companies to conduct due diligence and progressively address the risks, while not prohibiting the access of goods to the EU market.

CS3D & ARS-1000: The CS3D has numerous intersections with ARS-1000 Part 1 in terms of social, economic and environmental risks that companies and producers need to look at and establish proper procedures to identify and mitigate them.

How to optimize synergy and suggested next steps

Three key aspects are identified that merit special attention of policy makers and cocoa sector partners. First is the alignment on definitions to understand difference and overlap in definitions to avoid confusion and contradiction in public policy guidance to private sector investments. Next as traceability plays a central role in both policy frameworks, efficiency in traceability should benefit all actors in the sector. And thirdly, to make sure that the policies do not remain a paper reality nor result in exclusion of cocoa smallholders, sufficient resources and time need to be made available for the value chain actors to adhere to the ARS-1000 and comply with EUDR.

Avoiding confusion or contradictions between the policy frameworks is key. Examples of aspects that need more attention include the definitions of forest and deforestation, as well as the interpretation of the EUDR's requirement of compliance with 'relevant legislation of the country of production'³. **Diving deeper with a comparative analysis** will be possible once the national implementation guides for the ARS-1000 are available. Creating clarity on differences and overlap will allow for a **dialogue between policy makers and competent authorities** to come up with suggestions on how to address and if possible, resolve divergences.

Farmers and their value chain partners all the way through to chocolate brands and retailers share responsibilities to meet the requirements of the ARS-1000 and the EUDR. Efficiency in reliable traceability and avoiding parallel systems is in everyone's interest and in particular those of farmers and farmer groups to reduce the number of traceability systems they have to work with. The development of the national cocoa traceability systems, that are in close connection with the ARS-1000, presents a clear opportunity for efficiency and coordination of traceability investments. **Close public-private collaboration** is needed to ensure that the national traceability systems can serve as a basis for operators to comply with the EUDR, other international legislation or standards such as the ARS-1000.

While the cocoa sector is supportive of the introduction of more stringent regulations and the regional standard, there is also the realization that raising the bar will also require considerable investments, both at farm and farmer level and throughout the value chain. Consorted efforts are needed to **put in place the right complementary measures**. Inclusiveness in decision making and transparency in implementation should be taken along in the design of the support programs and investments. **Strong coordination** and effective public-private collaboration is desirable.

³ Sustainability and Standards in Global Agriculture Value Chains: The African Standard for Sustainable Cocoa (GISCO, 2023): https://www.kakaoforum.de/fileadmin/Redaktion/Studien/Sustainability_and_Standards_in_Global_Agriculture_Value_Chains.pdf