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# **SERVICE DELIVERY MODELS IN THE WEST AFRICAN COCOA SECTOR:**

**A PROPOSED SMART MIX  
TO CLOSE THE INCOME GAP  
FOR COCOA FARMERS  
IN A RESPONSIBLE AND SUSTAINABLE MANNER**

## **AUTHORS:**

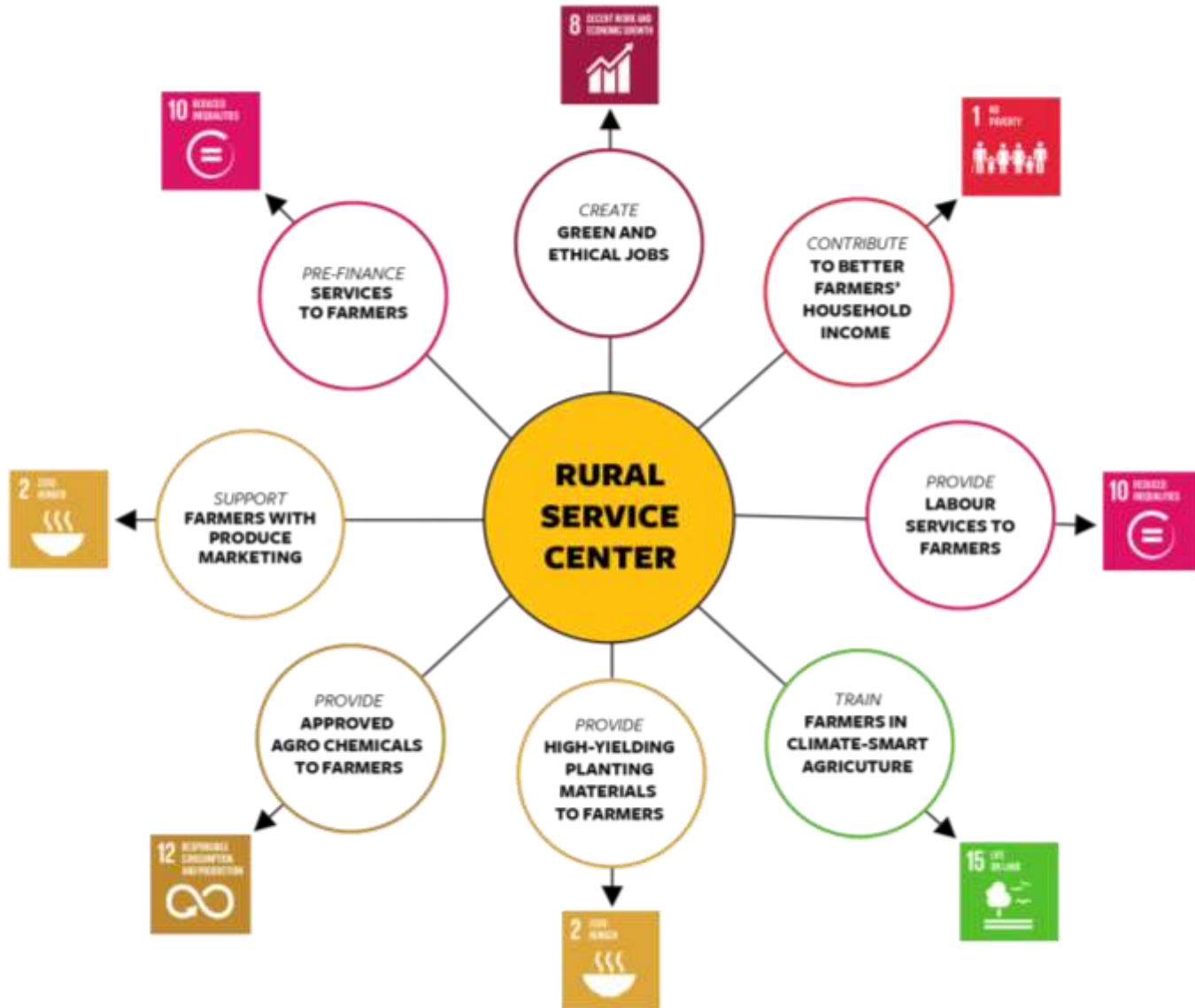
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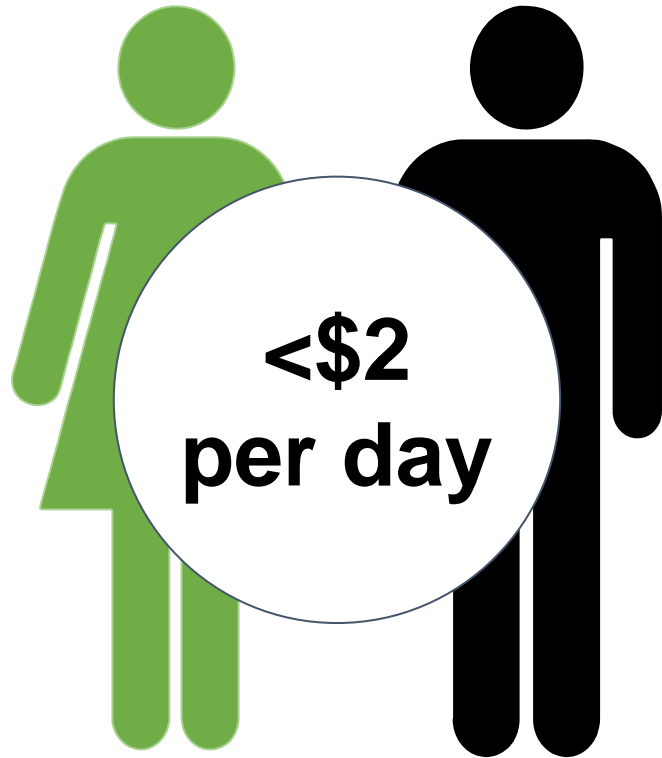
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# 1. Problem analysis

# Market-based Service Delivery Model (SDM)



# *The average cocoa farmer in West Africa earns less than \$2 a day and is, therefore, unable to invest in good practices*



● Largely male farmers

● Average age:  
48 years in Ghana  
46 years in Cote d'Ivoire

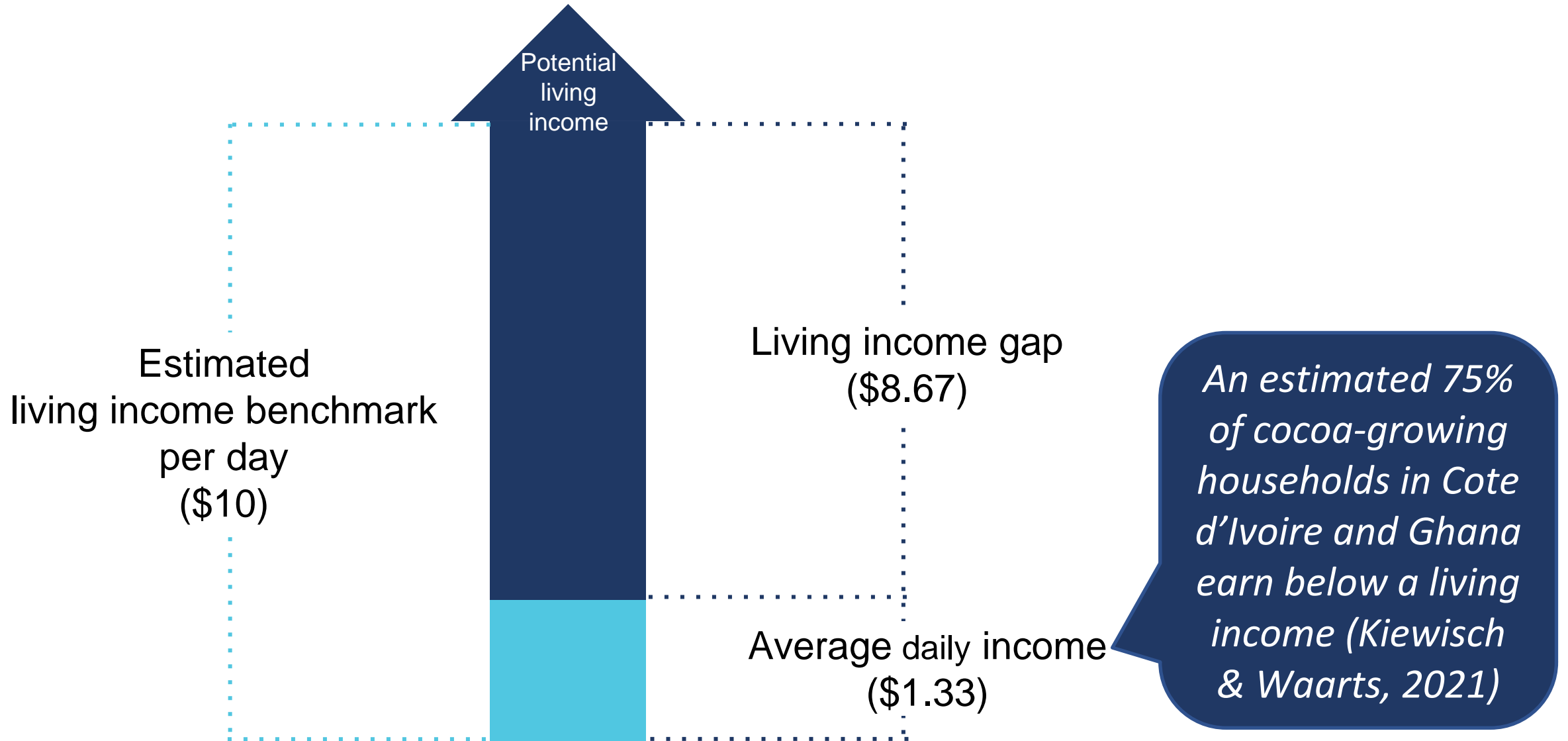
● Largely male headed households:  
100% in Cote d'Ivoire  
90% in Ghana

● Average household size:  
6 in Ghana  
8 in Côte d'Ivoire

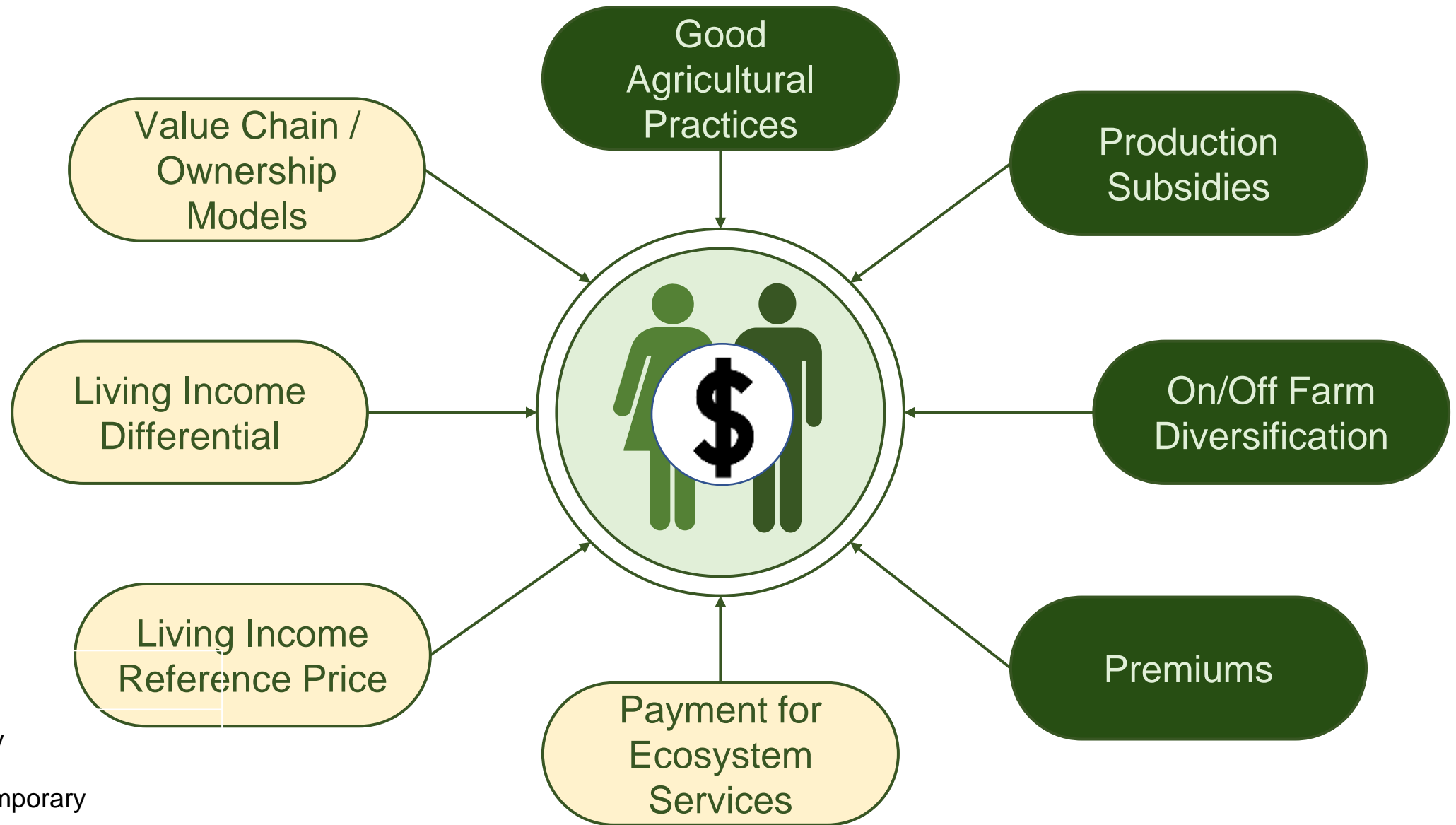
● Educated to the basic level

Source: 2021 CORIP II Outcome Survey

# How does the average daily income of these cocoa farmer compare with the living income benchmark?



# Today, there are various interventions for closing this income gap?





## *The income gap, however, persist*

1. Though necessary, legacy intervention are not sufficient inclosing the income gap
2. Though contemporary interventions may contribute to closing the income gap, their full impact is yet to unfold.
3. The implementation of these interventions are siloed.

## ***Various studies indicate that the siloed approach to service delivery creates barriers to the development of private markets for services and inputs.***

*“The [...] challenges we have faced over the years is with government policies [interventions]. So, the farmers pay for services rendered to them, but the government would give it for free. So, you would not have the required numbers of farmers that you want; that’s a big risk.”*

***CORIP I Final Evaluation, Institute of Social Statistical and Economic Research,  
University of Ghana, 2019***

**1**

*“Lack of access to appropriate capital to set up, consolidate gains and grow service delivery business. Subsidized inputs and services from government crowds-out private entrepreneurs. Continuous provision of subsidies inputs will discourage the development of private markets going forward.”*

***CORIP II Mid Term Evaluation, Directorate of Research, Innovation and Consultancy,  
University of Cape Coast, 2020***

**2**

*“Subsidised inputs and services affect the input sale of the RSCs and limit the frequency at which they visit the farmers to provide services to them.”*

***CORIP II Final Evaluation, SEO Amsterdam Economics, 2021***

**3**

## 2. Our approach to the study

*This study uses good agricultural practices as the entry point: Take advantage of synergies between direct results and an enabling environment.*



Source: 2022 Living Income Compendium

# *Questions and propositions guiding the study*

## *Research questions;*

- Which service delivery models (subsidized versus market-based) closes income gaps among cocoa farmers?
- What smart-mix of interventions do stakeholders believe can better deliver decent incomes to cocoa farmers?

## *After answering the above questions, we make two propositions;*

- A formalized smart-mix, emphasizing market-based service delivery, is commercially viable and holds promise to overcoming the challenges to closing the income gap for cocoa farmers.
- A financing pathway that considers the production cycle of the cocoa tree is key to providing the critical investments in sustainable cocoa production needed to close the income gap of cocoa farmers.

## 3. The high level findings

## Question 1

Which service delivery models (subsidized versus market-based) close the income gaps among cocoa farmers?

*Closing the income gap: Synergies between good practices and an enabling environment is key.*

	Côte d'Ivoire	Ghana
Baseline (€) 2018	1,617	1,015
Endline (€) 2021	1,288	1,120
Change in income	(20%) ↓	10% ↑
Farmers with better income	31%	68%

Significant adoption of recommended agroforestry practices and the use of appropriate labor are observed among cocoa farmers who sourced services from market-based service providers relative to baseline.

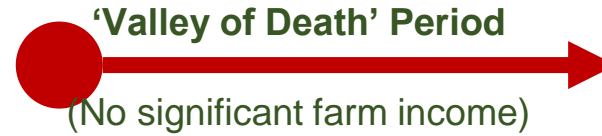
Source: 2021 CORIP II Outcomes Survey



## **Question 2**

What smart mix of interventions do stakeholders believe can better deliver decent incomes to cocoa farmers ?

# Opportunities exist for exploiting synergies in service provision






Service Delivery Model (SDM)	Mapping of unproductive farms	Payment of compensation	Land preparation	Farm establishment	Farm maintenance: First 2 years after establishment	Farm maintenance after Year 2
Public SDM						
Market SDM						
Supply Chain SDM						

**Key:**

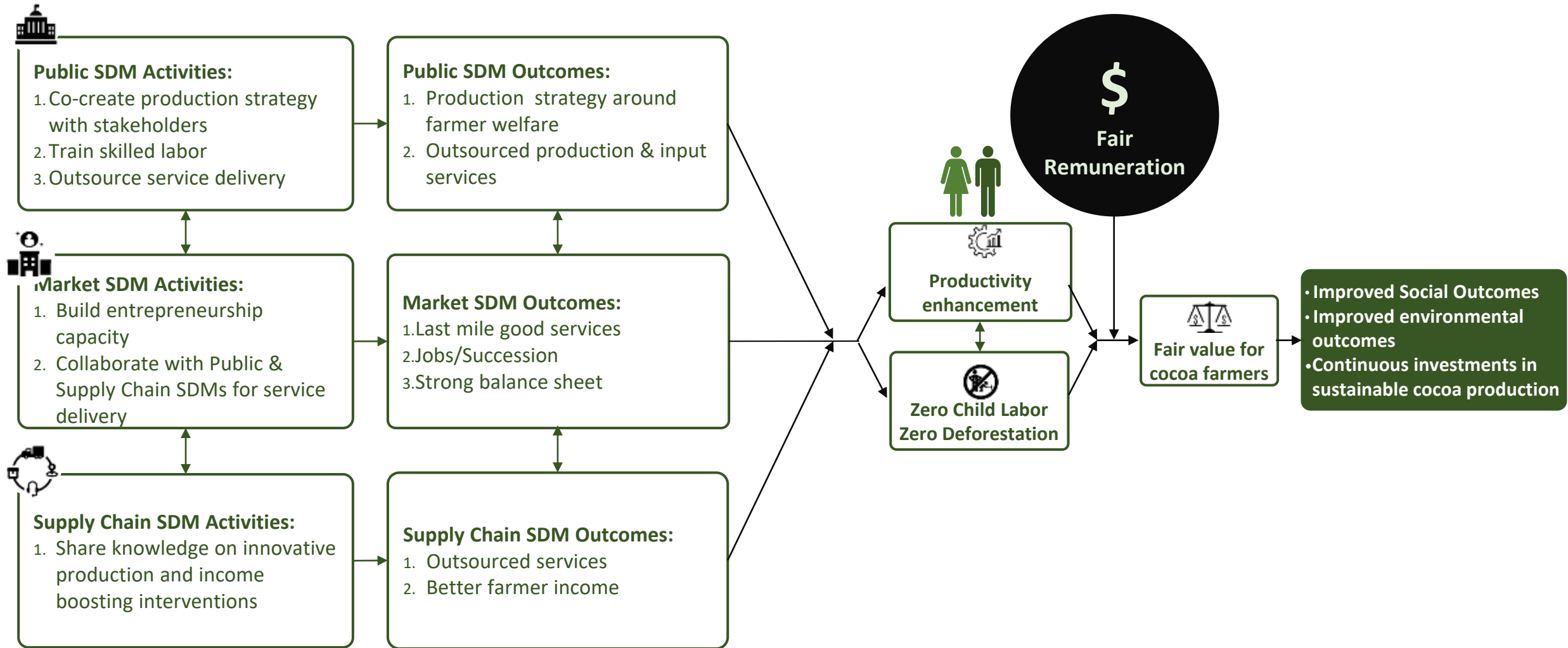
- Fully or partially subsidized services
- Fully paid services
- Partially subsidized services (input credit schemes, cocoa seedlings)

# Why the call for a smart mix?

	 <b>Public Service Delivery Model</b>	 <b>Supply Chain Service Delivery Model</b>	 <b>Market Service Delivery Model</b>
<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Resource for farm rejuvenation</li> <li>• Good relationship with cocoa farming communities</li> <li>• Network of community extension Agents</li> </ul>	<ul style="list-style-type: none"> <li>• Innovative</li> </ul>	<ul style="list-style-type: none"> <li>• Last-mile desirable services</li> <li>• Youth-led/Rural job creation</li> <li>• Vehicle for widescale adoption of GAPs</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• High operating cost</li> </ul>	<ul style="list-style-type: none"> <li>• Farmers may have to source labor services themselves</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of access to finance</li> <li>• Weak 'competitive' position</li> </ul>

## **The proposed smart-mix**

# The smart mix to deliver better farmer income at scale

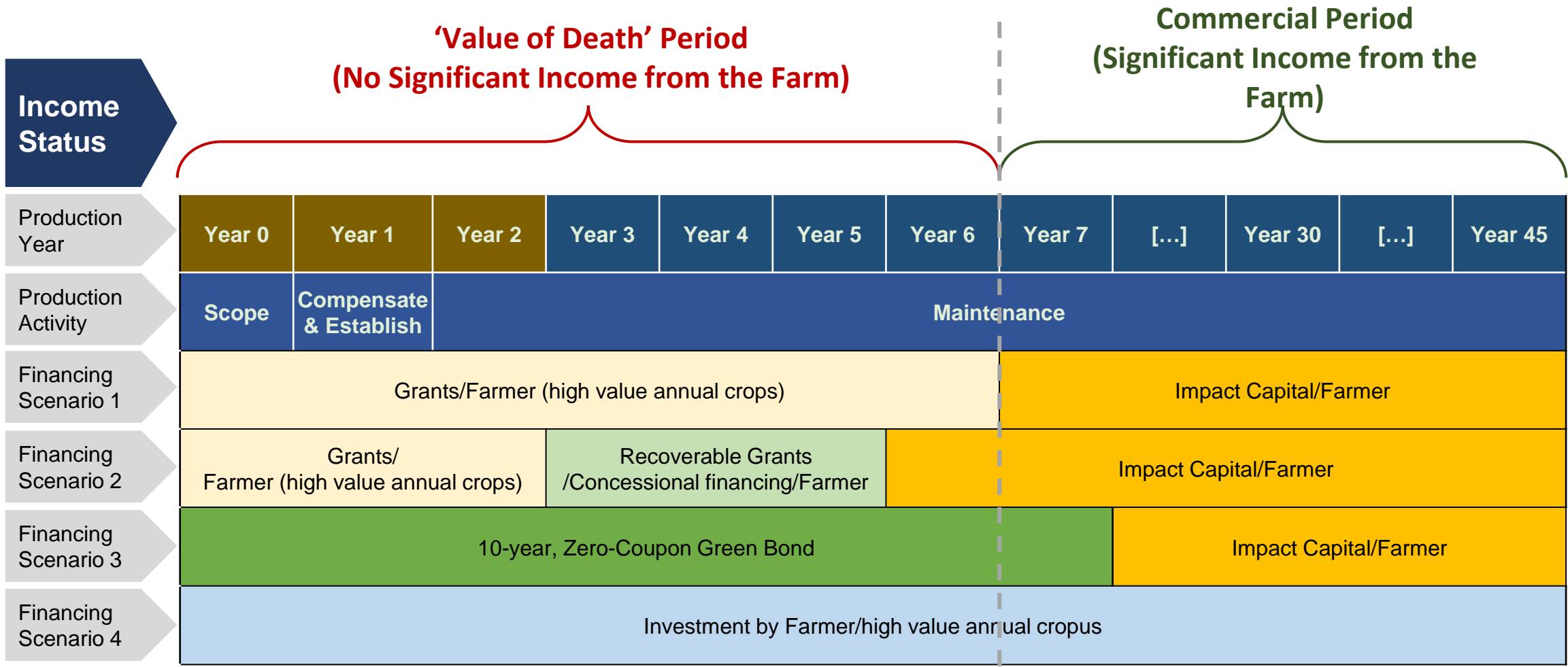


**Enablers:** Income labs, enterprise support organizations, Agtech, Fintech, traceability systems (blockchain), patient capital providers, CSOs/NGOs, FBOs, Regulators (cocoa, financial, producing and consuming countries), retail chains, research institutions, certification bodies, donors, traders, chocolate manufacturers, etc

**ASSUMPTIONS:** Favorable power dynamics among actors, efficient allocation of resources (capital, knowledge, expertise etc), readiness to collaborate, favorable cultures, norms, values & biases, profitable and sustainable production, enabling public and private policies, appropriate fund and financing structures, fair value distribution models etc

## **The proposed financing pathway**

# Proposed financing structures for the smart mix



## **Our recommendations**



## ***Recommendations: A system approach is needed***

1. Engage all relevant stakeholders to co-create the smart mix which is necessary and sufficient in closing the income gap
2. Rigorously test and improve the smart mix and its financing structures through pilot projects
3. Harvest lessons and scale up the smart mix.

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THANK YOU  
**Q&A**



# Are market-oriented service delivery models financially viable?



Healthy Margins Demonstrated by SDMs

Source: ISSER, 2019

# Methodology: How the study was conducted

