

INCOME ACCELERATOR PROGRAM

Progress Report, July 2023

WHY THE INCOME ACCELERATOR PROGRAM?

The income accelerator program is aiming to help close the living income gap and reduce child labor risks. In a pilot of 1000 cocoa-farming households, Nestlé pioneered the program in Côte d'Ivoire in 2020. Building on this first phase, the program officially launched in 2022, with the pilot moving to a 'test at scale' phase. This progress report reviews the results and learnings to prepare for the expansion to Ghana by 2024.

The test at scale phase covers, in 2023, 10000 cocoa-farming families in Côte d'Ivoire, in areas located around Abengourou, Gagnoa and Divo. It is building on a pilot launched in 2020 with 1000 cocoa-farming families. It is important to assess the program's impact before further rollout in Côte d'Ivoire and expansion to Ghana in 2024. This assessment has been done by a third-party, KIT Royal Tropical Institute (KIT).

In this report, we share results and data from the KIT Midline Impact Report of the Pilot Phase, the KIT Baseline Report of the Test at Scale Phase and suppliers' reports of activities during the test at scale phase.

Poverty, increased climate risks, limited access to financial resources, inadequate infrastructure, and lack of access to education are just some of the many pressures faced by cocoa-farming families in Côte d'Ivoire. These factors, and others, increase the prevalence of child labor risks in the cocoa sector.

The income accelerator program was created to help address these challenges in a holistic way within cocoa-farming communities. With a clear focus on income, the program aims to improve the livelihoods of cocoa-farming families and help tackle child labor risks.

In line with Nestlé's overall approach to advance regenerative food systems through a just transition, the use of financial incentives helps promote and reward the adoption of social and environmental behaviors – which we believe will lead to increased resilience, equality and opportunity for cocoa-farming communities.

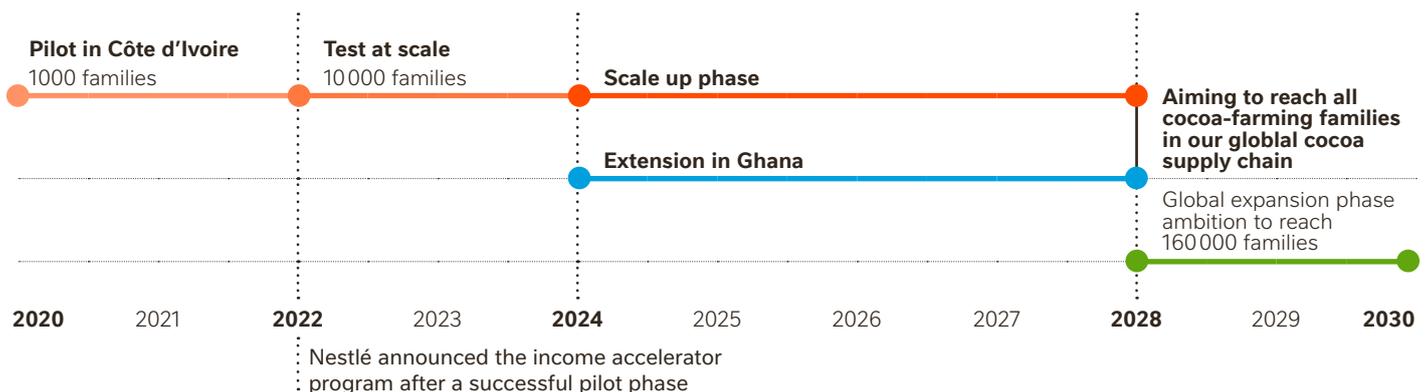
Our Ambition

160 000

cocoa-farming families in global rollout*

* Estimation only

INCOME ACCELERATOR PROGRAM KEY DATES



HOW DOES THE PROGRAM WORK?

What is the income accelerator program?

The income accelerator program is an innovative approach aiming to help cocoa-farming families close the gap to a living income and help tackle child labor risks.

How are these activities rewarded by incentives?

During the first two years, families can annually earn up to €500 in direct bonus payments by taking part in the program and reaching the associated targets. As farmers' incomes increase from additional sources and better yields, the cash incentive is reduced to €250.

How are these payments delivered?

The program pays cash incentives directly to the cocoa-farming families, via secure 'mobile money' transfer. The cash incentive is split equally between the male and female heads of household, to encourage gender equality, share financial responsibilities, and build more resilient households.

Who are the partners?

The rollout of the program would not be possible without the assistance and collaboration of our partners: the International Cocoa Initiative, the Sustainable Trade Initiative (IDH), the Rainforest Alliance, suppliers, local cooperatives, cocoa farmers and households, as well as the governments of Côte d'Ivoire and Ghana. The program is monitored and evaluated with the help of [KIT Royal Tropical Institute](#) and the continuation of our Child Labor Monitoring and Remediation System (CLMRS), in collaboration with the International Cocoa Initiative.

[Click and learn more:](#)



AT A GLANCE:

Cocoa-farming families in Côte d'Ivoire*

From the 10 000 cocoa-farming households in the test at scale phase, KIT interviewed 1500 participating households for the KIT Baseline Report of the Test at Scale Phase with some key facts shown below.

47% household heads illiterate

54% women considered 'disempowered'

73% dependent on cocoa sales

4.3 ha hectares of cocoa farmland

US\$678 net income from cocoa per ha

US\$3660 living income gap

WHAT DOES THE PROGRAM REWARD?

The program rewards cocoa-farming families, not only for the quality and the quantity of their cocoa beans, but also for the benefits they provide to the environment and their local communities.

	 SCHOOL ENROLLMENT	 GOOD AGRICULTURAL PRACTICES	 AGROFORESTRY ACTIVITIES	 DIVERSIFIED INCOMES	 BONUS FOR COMPLETING INCOMES
	Incentivizing families to engage in these practices, to earn up to €500 annually for the first two years and €250 per year thereafter				
Earning incentive**	€100	€100	€100	€100	€100
Incentive	Reducing child labor risks by assisting school attendance and monitoring	Helping farmers improve cocoa production by training and subsidizing pruning groups	Improving farm resilience by providing forest and fruit trees	Becoming less dependent on cocoa by supporting families to grow other crops and raise livestock	€100 for each target-based practice and an additional €100 bonus for engaging in all of the four incentivized practices

* All numbers are averages.

** Some of these incentives are conditional to delivering defined KPIs. Part of them are delivered upon promise.

Learn more about the [income accelerator program](#) and the associated incentives [here](#).

WHAT ACTIVITIES HAVE BEEN IMPLEMENTED SO FAR?

Data referenced:

BASED ON OUR SUPPLIER REPORTS OF ACTIVITIES IN CÔTE D'IVOIRE – 10 000 COCOA-FARMING FAMILIES*

Our supplier reports show that cocoa-farming families in the program have received an estimated €2 million of incentives since January 2022.

What were the activities on the ground?

For school enrollment (which is supported by activities that form part of the Child Labor Remediation and Monitoring System

(CLMRS) along with the establishment of additional schooling facilities, including canteens, and the provision of school kits), 7554 of the 7641 households with children between 6 and 16 (99%), volunteered to enroll all their children at school.

In pruning, there was a considerable uptake. Of the 10294 hectares targeted for pruning, 10186 hectares were pruned (94% of the target reached).

In agroforestry, the trees planted by farmers' cooperatives totalled 210570 which exceeded the target of 105110 (200% of the target reached).

To help families with diversified incomes, the target for enrolling households in Village Savings and Loan Associations (VSLAs) was 9291, with 9225 enrolled (99% of the target reached).

Putting the program into action is still in the early stages. The pilot and the test at scale both aim to build on learnings, identify challenges and find solutions.



What challenges were reported?

Overall, setting up mobile money accounts for all farmers and spouses was difficult and time-consuming. Because of this, not all households were able to use or check their accounts as easily as was hoped. In the future, a contract with a mobile money company will make sign-up and notification of incoming payments simpler and easier. For each incentivized practice, specific learnings have been identified (see the following pages) and will be acted on to continuously improve the program.

	 SCHOOL ENROLLMENT	 GOOD AGRICULTURAL PRACTICES	 AGROFORESTRY ACTIVITIES	 DIVERSIFIED INCOMES
Support activity	Incentivizing school enrollment	Training and equipping pruning groups	Providing forest and fruit tree saplings	Establishing VSLAs in all communities
Action	7554 households of 7641 volunteered to school all children 99% Achieved	10 186 hectares of 10294 were pruned 94% Achieved	210 570 tree saplings of 105110 were planted 200% Achieved	9225 households of 9291 were enrolled in VSLAs 99% Achieved
Incentive	84% of households received 50% payment of incentive upon promise ¹	94% of households received 100% payment of incentive ²	97% of households received 100% payment of incentive	23% of households received 100% payment of incentive ³

[Data is aggregated from our six suppliers]

1. Incentive split into two instalments: school enrollment commitment and school attendance verification

2. Incentive split into two instalments: good agricultural practises (GAP) commitment (95%) and GAP verification (94%)

3. Low percentage of payments due to ongoing rollout of this incentive

* Based on the 10 000 cocoa-farming families in the Côte d'Ivoire test at scale phase.

SCHOOL ENROLLMENT

Data referenced:

**KIT MIDLINE IMPACT REPORT
OF THE PILOT PHASE –
1000 COCOA-FARMING FAMILIES***

What is the aim of incentivizing school enrollment?

Our ambition is to reduce child labor risks by helping families cover the cost of schooling, and assist in school attendance and monitoring.



What was achieved in the pilot phase?

The data showed that of the 1030 cocoa-farming families in the pilot, 952 had children of school age (6-16 years old), and nearly all expressed their intention to send their children to school.

In total 98%, or 2782 of the 2837 children registered, were verified as enrolled in school, with the 2% difference due to parents of 55 children who could not be traced or did not want to participate following initial registration.

The pilot phase improved school enrollment rates, with an 8 percentage point increase among households in the program (75%-83%) compared to a 4 percentage point decrease in the comparison group of the program (85%-81%). This highlights the pilot's intermediate success in promoting education.

Overall, the primary use of incentives was to pay for schooling and then healthcare.

What were the challenges in the pilot phase?

Some incentive payments were delayed or received without the full awareness of households due to the transient nature of households, remoteness of certain communities, or school attendance outside of the program communities. However, in total, 94% of households received the first 50% incentive payment for the commitment to enroll their children in school.

KIT case study:

Aboubacar Kamara is a 50-year-old male educated to senior high school level and a member of one of the village's pruning groups. He is married polygamously to two women and lives with his five children and one grandchild. He has eight hectares of land (two uncultivated), with four hectares used for growing cocoa.

Aboubacar and his two spouses find schooling of children very important. They are really happy that the school building in the village has been repaired recently [as] the school was in a bad condition. The local government carried out the renovations and repairs. The school now provides better education and strengthens social coherence in the village (children meet, parents meet) and Kamara states: "[the school] brings light in the village."

* Based on a sample for both household survey rounds consisting of 500 cocoa farming households, with data collected during the cocoa seasons 2021/2022 and 2022/2023. Half of the sample comprises households participating in the IAP, while the other half forms the comparison group, providing a counterfactual scenario. The comparison group consists of NCP farm households from two adjacent cooperatives in the same districts, minimizing the impact of geographical distances on the program estimates. For more information, refer to the KIT Midline Impact Report of the Pilot Phase.

2837

children registered in school

8

percentage point increase for school enrollment

#1

primary use of cash incentives = schooling



GOOD AGRICULTURAL PRACTICES

Data referenced:

**KIT MIDLINE IMPACT REPORT
OF THE PILOT PHASE –
1000 COCOA-FARMING FAMILIES***

What is the aim of incentivizing good agricultural practices?

Our ambition is to help farmers improve cocoa production in a sustainable manner by training, equipping and promoting pruning groups.

What was achieved in the pilot phase?

The data showed 55 pruning groups were set up to offer trained pruning for households in the program. The pruning covered 1341 hectares of the total 2788 hectares cultivated by households in the pilot phase.

The goal in the pilot phase was to prune one hectare per household annually. In total, 43% of households exceeded the one hectare pruning target, with 50% of these households pruning up to two hectares. Only 26 out of the 1030 eligible

households in the program did not have any area pruned during the pilot.

Pruning results can be attributed to the quality of 'architectural pruning' (a new structured and graded approach that was offered and developed with the income accelerator program), carried out by the trained and equipped groups in the pilot phase.

Pruning was shown to have a positive effect on cocoa productivity, increasing the average yield levels by almost 20%. It increased the probability that cocoa-farming families produced one metric ton of cocoa per hectare (on average) by 13 percentage points, with the comparison group seeing no impact, despite pruning their own farms.

Overall, the quantitative survey results and anecdotal evidence from the case studies revealed that the architectural pruning of one hectare of cocoa land results in approximately two additional bags (130kg) of cocoa.

What were the challenges in the pilot phase?

Cocoa-farming families were initially skeptical of pruning. It took a lot of effort by the on the ground teams to convince

them of the need to prune their farms properly. Plus, the teams needed to constantly supervise suppliers and the farmers' cooperatives, to ensure pruning was completed within the incentive's timeframe. This meant some delay in payment of the second half of the incentive, which may answer why farmers were then reluctant to prune in the second year of the pilot phase. However, the positive impact of pruning was expressed by all farmers.

1341 hectares of cocoa land pruned

96% of pruning carried by trained and equipped pruning groups

20% increase of average yield related to pruning activities

22% of farm households produced one metric ton per one hectare of land



KIT case study: Pruning groups

Farmers were rather skeptical about the pruning offered in the pilot phase. Some decided to join the one-day demonstration training offered by Nestlé to understand the process. All farmers noticed the difference between the pruned section and the rest of the farm stating: "The harvest on the pruned plot was a lot better compared to last year [and that the pruning groups were] doing a much better job than the self-pruning [we] used to practice." One farmer, Guillaume, even declared: "Pruning is the most important component of the program." The farmers also noted that pruned areas were "less affected by diseases and invaded by little animals and insects as there is much more light", [going as far to say] that pruning "facilitates farm maintenance [and] increases the quality of cocoa pods, and reduces the rotting of pods."

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AGROFORESTRY ACTIVITIES

Data referenced:

**KIT MIDLINE IMPACT REPORT
OF THE PILOT PHASE –
1000 COCOA-FARMING FAMILIES***

What is the aim of incentivizing agroforestry activities?

Our ambition is to improve farm resilience by providing forest and fruit trees.

What was achieved in the pilot phase?

The data showed 20000 shade tree seedlings were distributed to cocoa-farming families in the pilot to stimulate agroforestry. On average, each household received 20 shade and fruit trees to be planted in pruned areas of their farms.

It was reported that all of the seedlings provided to households were successfully planted by households.

Overall, 92% of cocoa-farming families declared in self-reports to have planted shade trees in the year leading up to the survey. In self-reports, the number of shade trees planted increased on average to 26 seedlings.

Why is agroforestry important?

Agroforestry is 'crucial to smallholder farms' for its many potential economic, sociocultural, and environmental benefits. The income accelerator program aims to promote agroforestry by providing access to high-quality shade and fruit tree seedlings. More trees planted equals more shade for the cocoa, which in turn builds resilience, supports diversity and creates a thriving ecosystem.

20 000 shade tree seedlings distributed

92% of cocoa-farming families declared to have planted shade trees



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DIVERSIFIED INCOMES

Data referenced:

KIT MIDLINE IMPACT REPORT OF THE PILOT PHASE – 1000 COCOA-FARMING FAMILIES*

What is the aim of incentivizing diversified incomes?

Our ambition is to help cocoa-farming families become less dependent on cocoa and grow other crops or raise livestock, which we help achieve through empowering women by encouraging them to join Villages Savings and Loans Associations (VSLAs), and attend in Gender Action Learning at Scale (GALS) and Income Generating Activities (IGAs) trainings.

What was achieved in the pilot phase?

The data reported that 24 new VSLAs were set up, adding to pre-existing ones, covering 55 communities in total.

Enrollment in VSLAs was reported at 86% of cocoa-farming families having one person as a VSLA member. The majority of these VSLA members were women,

which helped to increase women's overall involvement in household decision-making regarding expenditures, with an effect of 26 percentage points.

Higher levels of income diversification are seen from VSLAs in terms of the number of income sources. VSLA members had on average 0.4 sources more than non-members, with the selling of livestock realizing an effect of 11 percentage points, and the running of a business the effect of 13 percentage points. Plus, the proportion of income from off-farm activities rose by 3% for non-members versus 5% for VSLA members.

In total, VSLAs financed 174 loans to cocoa-farming families for new IGAs or to keep current ones operating.

In training terms, the pilot phase provided 36 IGA training sessions and reported that 47% of cocoa-farming families indicated they had participated in at least one GALS training.

Access to financial resources via cash transfers proved a catalyst for households to explore new IGAs, beyond traditional agricultural practices. The cash was primarily spent on income diversification activities, (whereas the incentives for the other three areas was primarily used for schooling fees), and correlated with an increase, on average, by 0.2 income sources more per cash transfer received.

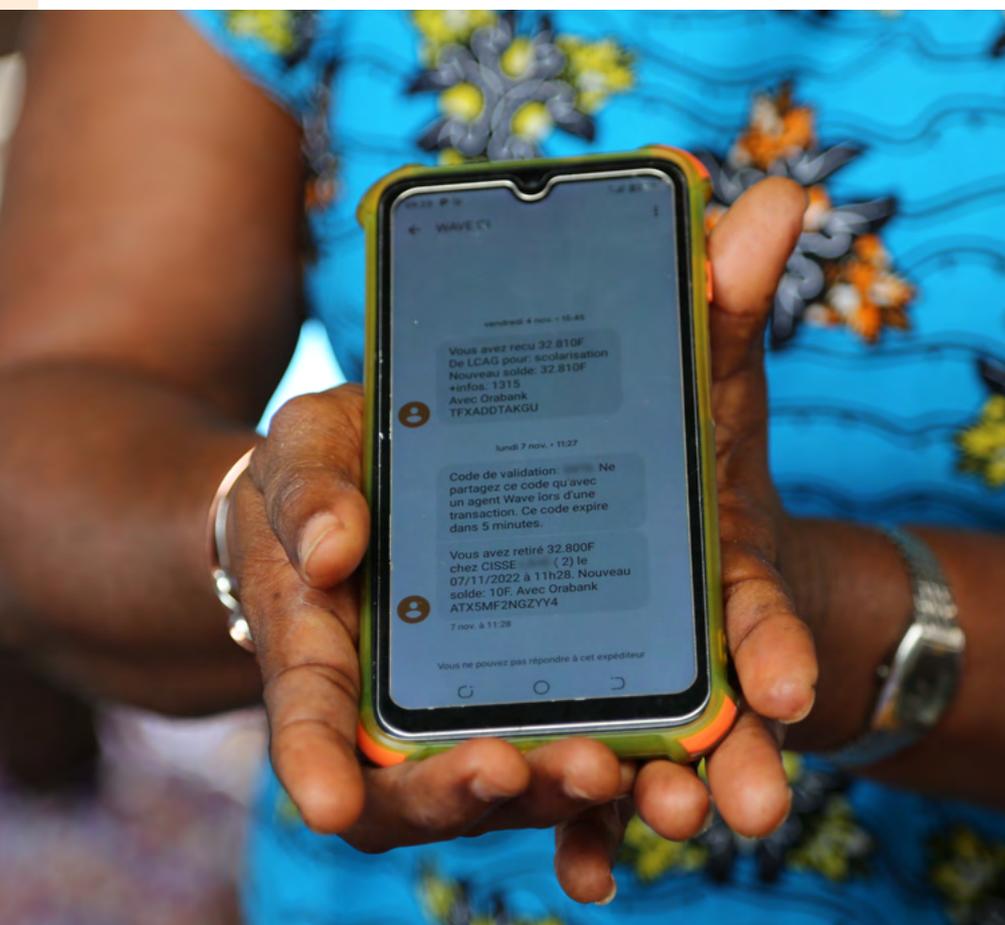


What were the challenges in the pilot phase?

The process of registering household members to the mobile money cash transfers proved overly complex. Women wishing to enroll often had limited access to mobile phones or lacked suitable identification to verify their mobile money accounts.

The pilot phase illustrated that promoting and establishing alternative IGAs requires a considerable amount of time, which then needs to translate into actual additional income.

Finally, although the pilot was effective at promoting income diversification, 84% of women who took part in skills training indicated they lacked the financial capacity to put into action what they had learnt.



24 new VSLAs set up

55 communities with VSLA coverage

174 loans financed by VSLAs

36 training sessions on IGAs

* Based on a sample for both household survey rounds consisting of 500 cocoa farming households, with data collected during the cocoa seasons 2021/2022 and 2022/2023. Half of the sample comprises households participating in the IAP, while the other half forms the comparison group, providing a counterfactual scenario. The comparison group consists of NCP farm households from two adjacent cooperatives in the same districts, minimizing the impact of geographical distances on the program estimates. For more information, refer to the KIT Midline Impact Report of the Pilot Phase.

THE WAY AHEAD

The income accelerator program has been in equal parts pioneering, challenging and inspiring for everyone involved. Its journey is only just beginning. We are determined – along with our partners and suppliers – to build on our learnings, scale up the impact and inspire the cocoa industry.

What do we know?

We know the program delivered impact and promising results. We saw school enrollment increase, pruning being done and delivering impact beyond yield, women being empowered and investing the incentives where it makes sense on schooling and health.

It tells us that all of the program inputs, outputs and outcomes, linked to the Theory of Change (which was developed in partnership with KIT), are building the foundation to create the impact we set out to achieve.

How can impact be amplified?

So far, the activity data from our suppliers on the test at scale (10 000 cocoa-farming families), and the KIT midline pilot data (1000 cocoa-farming families), all point toward a positive overall impact on cocoa-farming households in Côte d'Ivoire. Looking ahead to 2024, when the test at scale phase will be completed,

our goal is to maximize the potential of the program to improve the impact and operational rollout before we move to the global phase.

To do this, we have to deliver on the ground and within households in the following key areas:

- Streamline the identification and verification of school attendance
- Make pruning a priority 'must have' for all households
- Increase team members on the ground
- Simplify the mobile money registration and cash transfer protocol
- Build the understanding of households on the conditions linked to incentives
- Highlight why the encouraged practices through the program (not only the cash incentives) are vital for households to maximize long-term impact

Where next for the income accelerator program?

Following the completion of the test at scale phase in 2024, we are aiming to triple the size of the program by rolling out to 100% of our supply chain in Côte d'Ivoire and Ghana. Our overall ambition remains to reach an estimated 160 000 cocoa-farming families in our supply chain globally by 2030.

Together, we make a difference

A project the size and scale – and ambition – of the income accelerator program is not made possible by one company alone. We are grateful for the ongoing support of the International Cocoa Initiative

(ICI), Sustainable Trade Initiative (IDH), the Rainforest Alliance and KIT Royal Tropical Institute, and our suppliers, Barry Callebaut, Cargill, ECOM, ETG-Beyond Beans Foundation, OFI, and Cocoa Team/So-B-Green. We sincerely acknowledge the trust and hard work of the cocoa-farming households and all those on the ground in Côte d'Ivoire who make this program happen. Together, we continue to track the progress of the test at scale phase in the hope to make a difference and inspire the cocoa industry.



Darrell High:
Head,
Nestlé Cocoa
Plan, Nestlé

“The income accelerator program has shown that professionally pruned farms have higher yields. We have had challenges along the way, but we have also learned a lot. We are confident that over time, we will see a measurable impact on farmers' incomes and an improvement in the lives of children throughout our cocoa-sourcing regions as we move forward in scaling up the program.”

LEARN MORE ABOUT KIT REPORTING

Discover more about the KIT reports in the links below:

- [KIT Midline Impact Report of the Pilot Phase](#)
- [KIT Baseline Report of the Test At Scale Phase](#)

LEARN MORE ABOUT NESTLÉ

Discover more about Nestlé and the income accelerator program:

- [The Income Accelerator Program](#)
- [Living Income and Living Wage](#)