



How we're
making a
difference for
cocoa farmers
and cooperatives
in Côte d'Ivoire



the sustainable
trade initiative



Empowering cocoa farmers in Côte d'Ivoire through access to finance

To date, in Côte d'Ivoire IDH has been able to:

- ✓ Leverage three large cocoa traders to provide services to 170,000 farmers
- ✓ Support the microfinance group Advans in building a profitable business that serves cocoa farmers and cooperatives by innovating and designing financial services for the cocoa sector
- ✓ Catalyze a groundbreaking risk-sharing partnership of USD 9 million between Barry Callebaut, the world's leading manufacturer of high-quality chocolate and cocoa products, and the International Finance Corporation, a member of the World Bank Group, to facilitate access to in-kind credit for smallholder cocoa farmers in order to increase their profitability
- ✓ Set up a fund, together with the Conseil du Café-Cacao, that finances innovative projects through agribusinesses, banks, micro-finance institutions, and other lenders, in order to increase access to finance for both cooperatives and farmers

By 2020, IDH aims to achieve:

- Improved professionalism of 150,000 farmers and 300 cooperatives through increased access to finance and ability to invest
- At least four financial institutions engaged to offer services to cocoa farmers and cooperatives, and at least six agribusinesses engaged to support capacity building of cooperatives for increased professionalization
- Increased capacity of the public sector to manage the cooperative professionalism space

Setting the scene

The cocoa sector plays a vital role in Côte d'Ivoire in terms of employment and wealth creation for rural communities. Nearly one million smallholder farmers grow cocoa, producing 90% of the country's cocoa on farms smaller than four hectares. Helping these farmers transition to sustainable livelihoods and to become true entrepreneurs can have a significant impact on accelerating economic and social development in Côte d'Ivoire, helping improve the standard of living and the wellbeing of the population.

The challenge

Côte d'Ivoire has long been struggling to make cocoa production a sustainable business for farmers. But a lack of access to finance combined with unreliable delivery of critical farming materials such as fertilizers limit farmers' ability to invest in cocoa production, resulting in a vicious cycle.

Our approach

Through our Farm and Cooperative Investment Program, we work with farmers and cooperatives in Côte d'Ivoire to improve their profitability and access to finance. We do so focusing on four key activities:

- through carrying out an assessment of each cooperative's current level of professionalism and using the insights to further build their capacity
- by engineering new financial products to reach cocoa producers
- supporting the development of improved service delivery models
- through creating the conditions for a secure enabling environment

We expect this to lead to the empowerment of cooperatives and farmers in the financial space, improving their ability to use and access finance for investments in both sustainable farm and non-farm activities (e.g. health and education), allowing cocoa farmers to become true entrepreneurs.





Improving Sector Governance

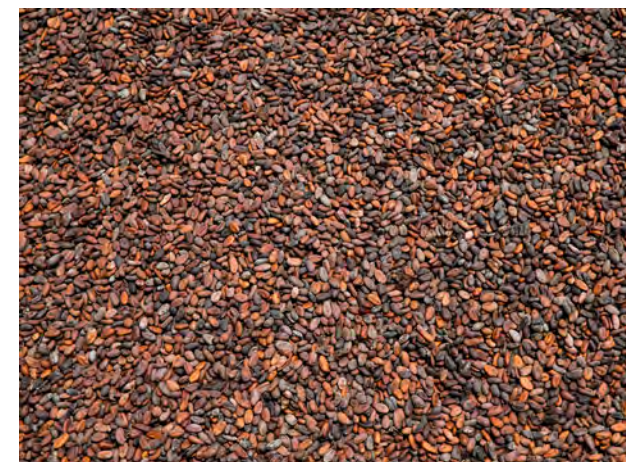
When IDH first engaged with the Côte d'Ivoire cocoa sector in 2008, we focused on certification-led training but we have since shifted to a more holistic approach. In the past five years, for example, we convened the cocoa industry, the government of Côte d'Ivoire, and other stakeholders to address key issues in the cocoa sector, mainly around delivery of services to farmers. This has set the scene for our current approach in which we continue to support the improvement of service delivery, now specifically focusing on professionalizing cooperatives and enabling farmer and coop access to finance.

During our initial engagement we created, for example, a match-funding facility to support the delivery of services (mainly inputs) from

agribusiness to farmers, generated knowledge on fertilizer application, and shared our learnings among the fertilizer initiative members, which included, amongst others, cocoa traders, the World Cocoa Foundation (WCF) and the Conseil du Café-Cacao (Conseil).

As a result of this early work around sector governance, IDH has gained recognition among both public and private institutions in the Côte d'Ivoire cocoa sector for successfully convening all relevant actors. One of our key achievements in this respect has been the establishment of the public-private partnership collaboration, set up with the Conseil and WCF, for an action-oriented and constructive dialogue. This marked the first time that fertilizer companies (including OCP

Group, LDC and Yara), government, the Conseil, and cocoa companies came together to find solutions and invest on specific issues in the cocoa sector. Another example of what our convening of all relevant actors in the cocoa sector has generated is the closing of the Cocoa Fertilizer Initiative, including the publication of a soil fertility map of Côte d'Ivoire that amongst others provides insights on the level of soil acidity and nitrogen needs. This together with the partners' development of more effective service delivery models and an effective agro dealer network can help the sector to invest in soil fertility where it is most needed and where it will maximize farmers' profitability. This work has now been picked up by the PPPP with Conseil and internationally in the [CocoaSoils](#) program which is driven by the private sector.





IDH's most recent efforts have already generated positive outcomes. Most notable is the launch of our Farm and Cooperative Investment Program, under which we have established the innovative Cocoa Challenge Fund (CCF) in close collaboration with the Conseil who committed to a EUR 2 million contribution. The fund aims to contribute to the bankability of cooperatives and cocoa producers by allowing them to access finance, as well to support banks, micro-finance institutions, and commercial agribusinesses to offer suitable and affordable medium- and long-term loans to cocoa producers and cooperatives.

IDH is also working closely together with the International Finance Corporation (IFC), and the Agribusiness Market Ecosystem Alliance (AMEA) to create a local AMEA network in Côte d'Ivoire. AMEA is a global alliance of companies and organizations working to standardize the development of professional farmer organizations and ease access to finance for farmers and cooperatives in the marketplace.

“Because of IDH, it was the first time that fertilizer companies, government, and cocoa companies came together to talk about issues in the cocoa sector.”

NGO

“IDH facilitates change and creates strong incentives for the private sector to work on sustainable cocoa production and enable farmer access to finance.”

Public sector

“IDH has been a key contributor to improvements in the cocoa sector in Côte d'Ivoire, because it has been active across key initiatives.”

NGO

Advancing Business Practices

IDH has been engaged in the Côte d'Ivoire cocoa sector for almost ten years. We have helped several key industry players to support cocoa farmers and cooperatives with the delivery of services and financial products.

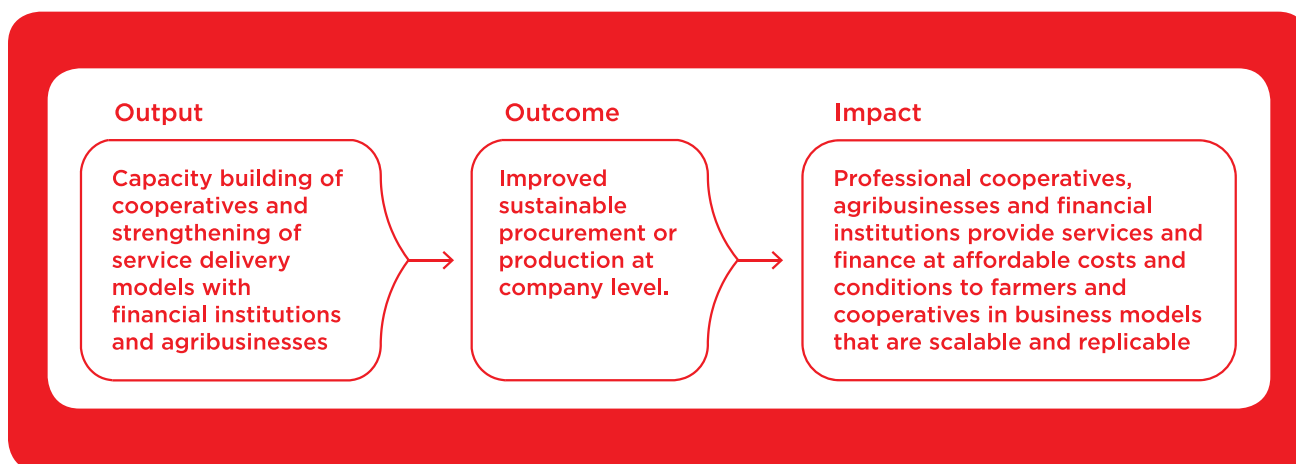
We've partnered with microfinance group Advans to support their entrance to the cocoa sector in Côte d'Ivoire. In this partnership, we covered part of the operational and financing costs of Advans' cocoa activities, allowing the group to build its capacity until break-even. This happened at the end of 2015, a year sooner than expected, with Advans running a profitable business providing cocoa farmers and cooperatives with innovations and financial services. In 2017, we began a second phase of collaboration. Since then, Advans has already enabled almost

15,000 farmers to open savings accounts, reach 136 cooperatives and their 30,000 members with input loans and truck loans, and reach the first 242 farmers with digital loans disbursed through a mobile phone application.

IDH has also continued working closely with Barry Callebaut (BC), one of the world's leading suppliers of high quality chocolate and cocoa products. As part of our previous collaboration to improve delivery of services to farmers in Côte d'Ivoire, we were able to reach 64,000 farmers with services on credit. Following a joint analysis of this Service Delivery Model (SDM), it became clear that farmers would benefit from access to further finance to invest in their farms. To achieve this, we needed to help take BC's SDM to the next level.

Our solution: catalyzing an innovative risk-sharing partnership between BC and the International Finance Corporation (IFC) to upscale the delivery of inputs to cocoa farmers. The deal is envisioned to generate USD 24 million in benefits to smallholders, reach 103,000 farmers by 2020/21, and enable all farmers in the program to open a savings account.

IDH supported the establishment of the Coop Academy that was set up by Cargill, an industry first helping to professionalize cocoa farming. To date, a process of professionalization started with 123 cooperatives which has brought them to a higher level of professionalism and there is now wide acceptance within the cocoa sector that working through cooperatives is a successful strategy to improve service delivery to farmers and enable





access to finance. The Doni Doni initiative (“step by step” in Dioula language) – a truck-leasing scheme where the cooperative can acquire trucks by directly dealing with the bank – is seen as a clear outcome of the Coop Academy, and has, since 2014, resulted in the purchase of 150 to 200 trucks. Trucks make the collection of cocoa more efficient, thereby helping cooperatives reach a larger number of farmers and increase their revenue.

IDH also conducted an SDM analysis with French chocolatier Cémoi. This has allowed Cémoi to improve their model and secure a greater return on investment for cooperatives by identifying and

implementing ways for improvement. As a result of our subsequent funding and support, Cémoi has been able to scale from 6 to 17 fermentation centers. These centers, situated close to farmers, were originally intended for Cémoi to ensure the production of high quality cocoa, but now also double as service delivery centers. To date, the SDM has enabled Cémoi to reach over 11,300 farmers with services such as fertilizer. Following the SDM analysis, Cémoi has now also handed over the fermentation centers to cooperatives, who are better capacitated to lead these as service provision centers.

“Without IDH, the delivery of productivity packages (to farmers) would have been more challenging and reaching targets would take much longer.”

Private sector

“IDH was needed as a catalyst for innovation and scaling.”

Private sector

“Through the support of IDH, we have been able to build knowledge and expertise on the cocoa sector and increase our network and business opportunities (to offer services to farmers) in Côte d’Ivoire.”

Private sector

“The partnership between IFC, Barry Callebaut and IDH will help farmers in Cote d’Ivoire gain access to credit and training that will enable them to upgrade operations and become part of a value chain linking them to cocoa buyers and global chocolate consumers.”

Finance institution

Increasing Field-level Sustainability

During IDH's initial engagement in Côte d'Ivoire's cocoa sector (2008-2012), we supported the training of more than 113,000 farmers and the certification of more than 149,000 farmers.

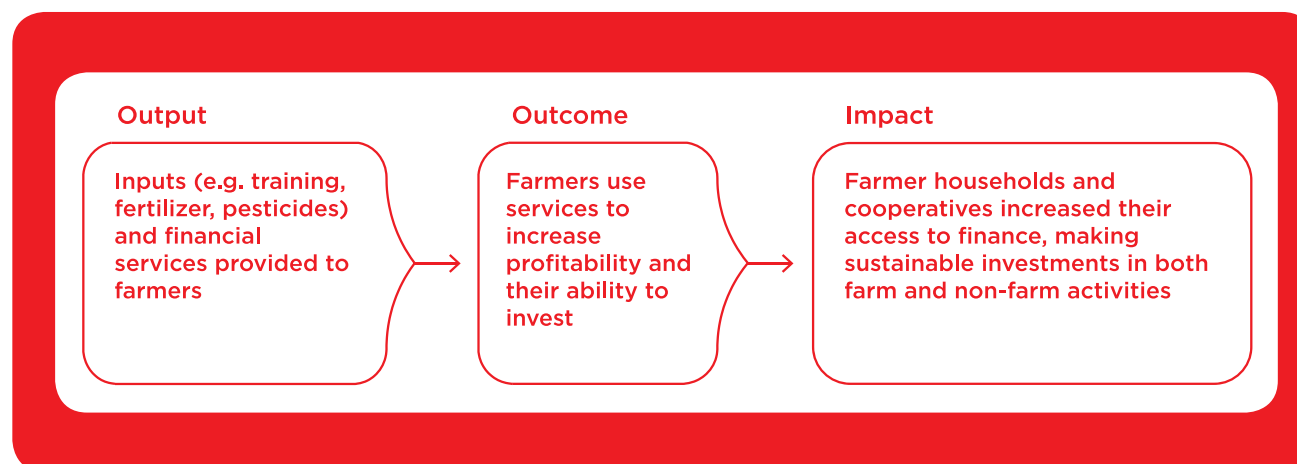
In the past five years, IDH projects have focused increasingly on developing and improving models for service delivery (SDMs). A key success has been our support to the microfinance institution Advans, through which at least 10,830 cocoa farmers, as part of over 80 cooperatives, have been able to receive input loans (e.g. fertilizer). In 2015 alone, at the start of the project, EUR 2.54 million of credit was disbursed — increasing the credit that was available for cocoa farmers and cooperatives in 2013 by 850 per cent. The project was also able to secure a 100 per cent loan repayment rate.

Together with Barry Callebaut, IDH also helped 33,198 farmers receive training on how to properly manage pre-finance (funds received in advance of harvest sale), with productivity packages (bundled inputs), and with support for the opening of savings accounts.

With Cargill, in addition to the achievements of the Coop Academy outlined in the previous section, we have been able to realize a 23 per cent yield improvement by farmers who were educated on and applied appropriate crop protection products, as well as a 56 per cent increase in crop yield for cocoa farmers who learned to use fertilizer more wisely. In this program, a total of 90,000 farmers were trained in sustainable farming practices.

In collaboration with Cémoi, 12,621 farmers registered and received training, including 734 women, and 715 MT of fertilizer was sold/distributed to farmers.

While projects under the IDH Farm and Cooperative Investment Program are still currently being set up and implemented, these projects build on existing projects and are aimed at bringing farmers to the next level. For example, with Cargill, the project builds on the Coop Academy, and will both scale and refine the training program while also developing an improved management system for cooperatives, adapted financial products and e-transactions and e-banking solutions for farmers.





With Advans, IDH's second phase of collaboration is set to further develop innovative financial products for cocoa farmers. Since continuing the partnership we have already helped 14,000 farmers to open savings accounts, 242 farmers to receive digital school loans, and 35 cooperatives to receive truck loans in 2017 alone.

The projects from the Farm and Cooperative Investment Program will continue to focus on improving cooperative professionalism, and farmer productivity and profitability, as well as the engineering of adapted financials that can meet cocoa farmers different needs. The projects are expected to enable cocoa farmers to make farm and non-farm investments and as a result improve their livelihoods.



Next steps

IDH has implemented many successful projects in Côte d'Ivoire that have supported farmers with certification and overcoming profitability challenges, as well as supporting an initial group of cooperatives to become more professional. We also have a long history of convening the country's cocoa industry, in partnership with the World Cocoa Foundation, around a common agenda for cocoa sustainability — most significantly on cocoa fertilizer.

Following from these early successes, IDH has moved to a new phase, setting up our Farm and Cooperative Investment Program and the supporting CCF.

The projects already started under the CCF in collaboration with agribusinesses currently target over 160,000 farmers and aim to professionalize at least 123 cooperatives. Through our project with Advans, the aim is to service 125,000 farmers and 250 cooperatives as beneficiaries.. The projects have started implementation and some results at field level have been achieved, as outlined in the section on Field-level sustainability. The goal is now to make these projects a success and enable cocoa farmers to access finance by 2020.

Engaging with more partners

Moving forward, IDH is aiming to build projects that support, at minimum, an additional 177 cooperatives. To further create an enabling environment for farmers and cooperatives to access financial and other services, we aim to engage an additional of two financial institutions committed to developing appropriate financing solutions for farmers and cooperatives in the cocoa sector. This would be bolstered by three to four additional agribusinesses looking to improve and upscale their activities in capacity building of farmers and cooperatives. By working with both agribusiness and financial institutions, we aim to make a strong link between farmers and finance, enabling them to use and access finance for investments in both farm and non-farm activities.

Capacitating cocoa cooperatives

A key element of the projects under the CCF is supporting capacity building for cooperatives such that they can become stronger, more professional business actors that can access medium- and long-term affordable finance services and products. To this end, IDH carries out an assessment of all cooperatives involved at the start of the project, to understand the level of professionalism and, more importantly, to identify key areas for improvement. The assessment looks at each cooperative's capacities on operations, internal and financial management, and sustainability, also taking into account a cooperative's resilience to outside influences such as supply, market volatility, and external risks. Based on the assessment, targeted training and coaching programs are developed that will help cooperatives to reach the next level.

Working with the public sector to professionalize overall agricultural sector

The IDH vision is to go beyond the 300 cooperatives covered under the CCF projects and to support the professionalization of all agricultural cooperatives in Côte d'Ivoire. We aim to achieve this by building capacity within the public sector, creating a harmonized language and training curriculum on cooperative professionalism, and by scoping the potential for setting up a credit bureau for cooperatives and farmers, which would allow lenders to gain better insights into the credit worthiness of cocoa farmers and cooperatives.