Brussels, 25 May 2021

COCOA TALKS

EU VIRTUAL MULTI-STAKEHOLDER ROUNDTABLES ON SUSTAINABLE COCOA

SUBJECT: SUMMARY REPORT ON MEETING 6 ON MOBILIZING DEVELOPMENT COOPERATION AND FINANCE

On the 25th May 2021, the European Commission hosted Meeting 6 of the *Cocoa Talks*, its multi-stakeholder dialogue on sustainable cocoa, on the topic of Mobilizing Development Cooperation and Finance. The objective of this meeting was to:

- look at how to strategically mobilize development cooperation and finance to support sustainable cocoa production;
- offer some take-aways from the Cocoa Talks so far: how to best mobilize existing actors; how to design future approaches to support sustainable cocoa production and trade; how to optimize resource allocation and stakeholder coordination.

Ms. Francesca di Mauro, Head of Unit for West Africa, EU Directorate-General for International Partnerships, opened the meeting by highlighting the success of the Cocoa Talks conferences in bringing together different stakeholders from across the cocoa supply chain. Meeting 6, she explained, would focus on the following overarching question: *how can development finance and cooperation help to address some of the issues that have emerged from the discussions?* She reminded the audience that a range of different actors are making efforts to improve the sustainability of the cocoa sector. For example, the European Union recently approved a €25 million package of a technical assistance and budget support for Côte d'Ivoire, Ghana, and Cameroon. The overall objective of this package is to build on Côte d'Ivoire and Ghana's joint initiative on prices as a key stepping-stone to achieving sustainable cocoa production that provides a 'living income' for farmers, contributes to national public revenues, ends deforestation, forest degradation, child labour and gender inequality in Côte d'Ivoire, Ghana and Cameroon.

Ms. di Mauro acknowledged that individual EU Member States have made significant investments in this area and will continue to do so. She affirmed that the EU intends to work together with the EU Member States over the course of the next Multiannual Financial Framework, through a "flagship" Team Europe Initiative for the cocoa sector. She also underlined the work of multi-stakeholder initiatives at the European level – including Beyond Chocolate (Belgium Partnership for a Sustainable Belgian Chocolate Industry), DISCO, (Dutch Initiative on Sustainable Cocoa), GISCO (German Initiative on Sustainable Cocoa) and SWISSCO (The Swiss Platform for Sustainable Cocoa) – who are in many ways the precursors to the EU Sustainable Cocoa Initiative. In addition to government actors, Ms. di Mauro also recognised the important contribution of the private sector and civil society in collective efforts towards sustainability, through the innovative solutions that they have contributed in the past (i.e. voluntary certification systems, traceability systems, due diligence systems).

To conclude, Ms. di Mauro invited the participants to reflect on how to integrate the lessons learnt from the Cocoa Talks series and into their sustainability programmes and how to better coordinate development finance and technical assistance to develop and scale up solutions while avoiding duplication of efforts. She called for coordination through national plans, that establish priorities, milestones and a clear division of responsibilities. To conclude, she noted that the government of Cote d'Ivoire is preparing a *Livre Blanc* on Cocoa and that the Commission expects to work together with them under this strategic framework.

HEM Abou Dosso, Ambassador of Côte d'Ivoire to the Kingdom of Belgium, the Grand Duchy of Luxembourg and the EU thanked the organisers for organising a specific session on financing, as a way to explore ways of efficiently mobilising resources and instruments for development cooperation with the EU. The Ambassador welcomed the commitment of the EU, which has mobilised 25 million euros to support Côte d'Ivoire, Ghana and Cameroon.

Producing cocoa sustainably in Côte d'Ivoire means radically changing the way cocoa is produced, he explained. The additional costs associated with this transformation must in part be borne by development cooperation. HEM Dosso then turned to the upcoming legislation, emphasizing that EU measures must be balanced between coercion and incentives. The EU must engage in dialogue with producing countries, rather than acting unilaterally, and any measures or legislation must take into account the time needed for producers to take ownership of the new requirements.

The Ambassador made specific reference to Sustainable Development Goal (SDG) 1 ("end poverty in all its forms everywhere") and SDG 2 ("zero hunger"), and called on stakeholders to act on poverty reduction by providing a decent income to producers, including through financial compensation for sustainable cocoa and subsidies where appropriate. HEM Dosso also noted that the EU measures should avoid disruption to trade flows.

To address these challenges, the Ambassador suggested that the EU's next programming cycle for development cooperation should include innovative financial instruments and consult stakeholders that may not have been involved, traditionally, in development cooperation between the EU and Côte d'Ivoire, such as industry representatives, cocoa farmers and others.

To conclude, the Ambassador noted that reforestation is already underway in Côte d'Ivoire and the deforestation curve is being reversed; child labour is steadily declining and is foreseen to be fully eliminated by 2030; and a living income differential is being paid to producers.

Framing the debate - Presentation by the Cocoa Talks Team

Representing the European Commission, **Ms. Ana Marija Brnic, Policy Officer - DG TRADE** and **Ms. Zoe Druilhe, Policy Officer, DG INTPA** briefly introduced the debate on development finance and cooperation.

They started by presenting the EU programme on sustainable cocoa (EUR 25 million), which addresses a top policy priority of the EU: the **Green Deal**. The programme builds on the Living Income Differential initiative of Cote d'Ivoire and Ghana and on EU priorities in the area of sustainable supply chains, job creation and investments. The programme focuses on stakeholder dialogue (the EU Cocoa Talks); policy reform; private sector support and investment support. The programme will be further complemented by coordinated efforts under forthcoming Team Europe Initiatives and will take into consideration the incoming EU legislation on Due Diligence and Deforestation.

The EU Sustainable Cocoa Production Programme plans to support:

- the public sector to design and implement policies and regulations for sustainable cocoa production, and;

- the private sector to comply with standards and regulations, as well as to improve agricultural practices.

The Commission representatives then summarised the conclusions and challenges identified in each meeting of the Cocoa Talks so far, before addressing the following questions to the first set of panellists:

Panel 1:

What role for development cooperation and finance?

Questions for Panel 1 on the role of development finance and cooperation:
- If you were to prioritize development cooperation / finance in support of sustainable cocoa, which areas would you pick? - Can you explain how development cooperation / finance should be articulated with and/or support policy reforms? - What place is there for global and national dialogues? - How would you prioritize in order to make a bigger impact? - What can you tell us about addressing existing financial gaps?

Mr. Alex Assanvo, Executive Secretary of the Ghana and Ivory Coast Cocoa Initiative welcomed the topic that is practical and addresses the needs of low-income farming households. Mr Assanvo advocated for the need to achieve the ambition of creating the right business case and right incentives for a sustainable cocoa economy. And Development finance and cooperation are a critical enabler to complement governments actions and support all supply chain actors including farmers. Before diving into the details of development assistance, Mr. Assanvo insisted that it is first necessary to reassert the right of cocoa farmers to earn a living income.

According to Mr. Assanvo, all participants have agreed – over the course of the virtual roundtables – that a living income for cocoa farmers is a necessary precondition for more sustainable cocoa. Furthermore, there is an emerging consensus that cocoa prices is the most important element in determining farmer incomes. In this regard, the joint initiative taken in June 2019 by Ghana and Côte d'Ivoire and Ghana, which introduced the Living Income Differential, offers the first concrete steps towards greater sustainability of cocoa production.

Mr. Assanvo then explained that – beyond the LID – access to relevant and affordable finance is fundamental to the development of the sector. Today, farmers are not "bankable", meaning that banks do not lend to farmers, for several reasons. The second step, therefore, should be to work out how to bring the farmer into the financial system and to do so in an inclusive manner.

Mr. Antonie Fountain, Managing Director, Voice Network explained that financing and aid are essential but only if they are grounded in the other concepts that were discussed in previous Cocoa Talks webinars. Financing and aid can provide support to sustainable production – together with labelling and standards – but it must be coupled with due diligence requirements for multinationals, including responsible purchasing practises and commitments towards a living income. Mr. Fountain continued his argument by observing that the Living Income Differential and other attempts to raise farm-gate prices should become a key part of the financing and aid conversation. He emphasized the role of the cocoa community in supporting governments to shore up farm gate prices. Mr. Fountain acknowledged then acknowledged that these efforts must be coupled with supply management measures and that they need to be further embedded within an appropriate enabling environment. In this context, he called for a broad-based partnership agreements with cocoa producing governments.

Mr. Fountain continued by quoting Mondelez report that revealed a gap of $10 billion in the funding required to lift farmers out of poverty and provide them with a living income. He urged participants to put this figure into context, comparing it to the EU's approach to agriculture and its support to European farmers through the Common Agricultural Policy. He deplored the double standard whereby, when it comes to tropical commodities, are supposed to become viable business operations while also bringing in tax revenues for producing-country governments.

Mr. Fountain continued by urging the financial sector to change their practises and discourage harmful investments, noting that investments are still targeting the most profitable cocoa sector activities rather than the most sustainable ones. He also called for regulatory and oversight bodies to be put in place by producing countries, the Commission, and by individual member states, that could serve to disincentivize the wrong types of investments. Mr. Fountain then observed that there is a need to improve access to finance for cocoa farmers themselves, since they currently have virtually no access to credit. To this end, he explained, stakeholders need to change the way they look at financing cocoa farmers: considering payments for environmental services; moving from single asset finance to landscape or multiple asset finance, and by changing the distribution of risks along the supply chain. He further argued that financing should be seen as a public good that can be delivered by various actors, including but not limited to commercial financial institutions.

Mr. Aldo Cristiano, President, CAOBISCO began by highlighting the complex challenges that the cocoa sector is facing. He also pointed out the willingness and eagerness of stakeholders – including the industry – to work together to address these issues. Mr. Cristiano identified three major challenges: first, there is the poverty of farmers and the need for a living income; then, there are the two other core challenges of deforestation and child labour. According to Mr. Cristiano, the industry has repeatedly shown the commitment to address these challenges throughout the Cocoa Talks, and through the voluntary initiatives that it has implemented in the past and will continue to pursue in the future.

Mr. Cristiano affirmed that the industry is committed to supporting a progressive approach to development assistance and finance, that takes into account the lessons learnt from mistakes that have been committed in the past and that aims to achieve sustainable and prosperous cocoa farming. In order to do this, the industry representative underlined some elements that it believes the EU must consider when designing development assistance and financing programmes for cocoa producing countries:

- Project do not work in isolation. The EU must collaborate and coordinate with its Member States' development programmes, such as those lead by GIZ, IDH and others, as well as programmes run by global organisation such as the World Bank, UNDP, UNICEF and most importantly, ICCO.
- Funding that does not measure impact will not result in real change. There is a need for a common monitoring programme that simultaneously covers industry programmes, development programmes by member states and public-private partnerships.
- EU development assistance and finance must be part of a smart policy mix that includes mutually reinforcing measures that foster business respect for human rights, such as trade measures and due diligence regulation. DG INTPA must coordinate with other Directorate-Generals that are working on initiatives that will have an impact on producing countries, such as DG ENV's legislative proposal on deforestation and DG JUST's Sustainable Corporate Governance initiative.
- In order to tackle the three root causes that hinder sustainability efforts in the cocoa sector, producing countries need to work on the enabling environment. EU development assistance and finance should therefore focus on areas in which it can exert leverage and support the creation of an enabling environments that advances human rights and environmental outcomes in partner countries.

- Support is needed for government-mandated sector-wide traceability and enhanced transparency, through an effective farmer registration system that matches land titles and polygon mapping and is linked to verification of minimal standards that uphold environmental sustainability, particularly forest protection. To this end, the need to review, develop and implement land tenure policies which are compliant with national forest and agricultural policies, and encourage sustainable environmental practices in cocoa farming is crucial.
- To ensure that the upcoming EU legislation on deforestation is implementable and efficient, the EU should engage in dialogue with the respective origin countries to create the right framework of agreement needed to drive change. Bilateral agreements or forest partnerships must be established between the EU and cocoa producing countries, encompassing EU technical and financial support to build institutional capacity and to introduce the latest technologies in farm mapping.
- There is a need for robust agricultural policies, better coordination between national production targets and global demand for cocoa, an a clear approach and roadmap on ensuring alternative livelihoods for farmers that do not meet the requirements to achieve a living income through sustainable cocoa farming.
- Farmer entrepreneurship need to be further supported through farmer aggregation, capacity-building for farmers organizations, training on financial literacy, loans for inputs and extension services. Further support should be given to crop diversification, farm measurement and the promotion of additional income generating activities.
- National laws and policies need to be strengthened, including sector regulations that ensure environmental protection and upholding human rights protection. This should include a robust "farming-free" that applies to protected forests/national parks, with all legal exemptions registered with the appropriate government authorities, as well as a mitigation plan of its adverse social impact.
- The African Regional Standard must be aligned with the EU regulatory framework on environmental and human rights due diligence.

Mr. Dirk Schattschneider, Director Sustainable Supply Chains, Food & Rural Development, BMZ spoke on behalf of GISCO, the German Initiative on Sustainable Cocoa. He explained that, in September 2020, GISCO identified **coordination and cooperation** as two necessary preconditions for a sustainable cocoa sector. By way of example, he mentioned GISCO's collaboration on a joint monitoring system with the Belgian platform on sustainable cocoa: *Beyond Chocolate*, which exemplifies enhanced cooperation between European stakeholders. He welcomed the European Union's €25 million programme to enhance the sustainability of the cocoa sector in Ghana, Cote d'Ivoire and Cameroon and announced that BMZ will be topping up these funds to reinforce project implementation in producing countries and generate synergies.

EU Member States are supporting several initiatives in African cocoa producing countries, he explained, many of which are geared towards raising the incomes of producing households, diversifying sources of income and encouraging deforestation-free cocoa production. However, there is still significant scope to improve the coherence of donor projects on the ground.

The director declared that he understands the living income differential as a highly important initiative, as such, they are prepared to offer further support to both governments if needed ; They also welcomes the creation of a joint body between Cote d'Ivoire and Ghana to coordinate their activities specifically regarding the living income differential. Mr. Schattschneider acknowledged the Living Income Differential as a highly important initiative and offered further support to both governments in this area, if needed. He also welcomed the creation of a joint body between Cote d'Ivoire and Ghana to coordinate their activities.

Lastly, Mr Schattschneider praised the development of the African Regional Standard on sustainable cocoa and expressed his support for a partnership agreement between producing countries and the European Union, which should include support measures – both financial and technical – to complement. He concluded by advocating for a Team Europe Initiative on the topics of living income and deforestation in the cocoa sector.

Mr. Michel Arrion, Executive Director, International Cocoa Organization (ICCO), began by introducing his organisation, which brings together most producing countries and most importing countries. It is therefore ideally placed to discuss questions of sustainability from a multilateral perspective, making reference to the ICCO's strategic plan of action and its overarching strategic objective to work on a living income for cocoa farmers. The root cause of farmer poverty, Mr. Arrion explained, can be attributed to the structurally low prices that have prevailed in the sector for decades, referring not only to the farm-gate prices that are paid to the farmers but to the disproportionately small share of the international price that farmers are able to achieve. Mr Arrion acknowledged that it is difficult to intervene in this area, since prices are a function of supply and demand in the international market. One possible pathway, he affirmed, is to work towards on both sides of the price equation at the international level.

He illustrated the problem by informing the audience that in 2020 – for the first time in history – the world produced more than 5 million tonnes of cocoa, according to ICCO data. Côte d'Ivoire, Ghana and Ecuador – the tree largest producing countries in the world –had record harvests. In this context, the ICCO decided to set up a working group on the issue of supply management, with the intention of issuing recommendations by the next council meeting, in September. Mr. Arrion urged stakeholders to support any supply management measures that might be adopted by producing countries as a result of these discussions.

Mr. Arrion then moved on to the demand-side of the equation. He observed that both the European and the American markets are saturated, in terms of cocoa consumption volumes. For this reason, he encouraged efforts to promote innovative uses of cocoa in non-chocolate products and to encourage greater chocolate consumption in new markets, in origin countries, but also in emerging economies in Asia.

Mr. Arrion deplored the unequal distribution of value along the supply chain, from the producer to the consumer, noting that producers and producing countries together capture only 5% or 10% of the total value. But, he observed, the problem is not only the small share of the cake, but also that that the cake is too small.

Mr. Arrion concluded by exploring some other possible approaches to the issue of sustainability of the cocoa sector. Cocoa producers could be recruited to provide services within the framework of some initiative linked to reforestation. He also mentioned the need to look beyond the agricultural sector towards basic social and economic infrastructure in rural areas ie. local market storage capacities, local energy and micro grids and connectivity**.**

Panel 2:

How to better mobilize actors and instruments?

Questions for Panel 2 on mobilizing actors and instruments better:

- Which development cooperation instruments will be most helpful? What is missing?
- How would you suggest to innovate? And to work together better?

- As a key development partner or institution, how would you define your own role? What will be your value added?
- How can we best support farmers and their organizations?
- Can you also illustrate the best ways to provide institutional support to both the public and the private sectors?

Mr. Mohamed Manssouri, Director, Investment Centre, UN Food and Agriculture Organization (FAO) started his presentation explaining the FAO Investment Centre's partnerships to develop public investments in agriculture. The venture has grown, and FAO now has partnerships with virtually all international financial institutions, to which it can contribute its sustainable knowledge-based investment solutions. FAO is thus able to support both public and private investment streams with information-intensive solutions.

Mr. Manssouri further explained that cocoa is a high priority for FAO since it **supports smallholder-based value chain models** that upholds the three dimensions of sustainability: economic, social, and environmental, including deforestation adaptation. In this regard, he advocated for a mix of public and private investment to support sustainable cocoa. Provisions should be made for good information, data evidence, good knowledge and inclusiveness, through engagement with farmer organisations and cooperatives. Mr. Manssouri went on to assert that the overall process should put producing countries in the lead, observing that the development of the sector is not a one-off activity or project, but a long-term process. In terms of public investment and public goods, he continued, it is necessary to finance infrastructure services, roads, ports - the basis for the economic activity – and more warehouses, without forgetting the digital infrastructure to support cocoa producers. Investors should also invest in the "human package" – education and capacity-building – as an enabling factor to access markets and finance. In his conclusion, the FAO representative noted that all stakeholders need the support of farmers to eliminate deforestation. Climate finance (grants and concessional loans), public investments that leverage private financing and offer risk instruments have an important role to play here.

Mr. Pierre Harkay, BIO Invest, Manager Development Sustainability Unit started his presentation by explaining that BIO is the Belgian development finance institution, based in Brussels. BIO invests in small and medium-sized enterprises, financial institutions, and infrastructure projects, contributing to socio-economic growth in developing countries. Bio is active in West Africa, including in the cocoa sector either directly or indirectly. Bio is focused on private sector operations, and it is always seeking to find suitable projects for the cocoa sector, on the condition that they are commercially and financially sustainable. BIO also looks at the environmental, social and governance aspects of the projects that are seeking investment and how they contribute to achieving the Sustainable Development Goals.

Mr. Harkay acknowledged that cocoa sector is a difficult sector for many reasons such as the business environment, how business policy reforms are conducted and if the country can attract capital. In the micro economic level, the **formalisation level of the companies**, if those companies are able to attract development finance investor. So, according to the BIO representative, there is a need for technical assistance. BIO allows current and prospective portfolio companies to increase their business performance and improve sustainable business development practices. The finance institution invests in companies that are in the path to become more organised by supporting support them with technical assistance. It does so mostly indirectly through the investment specialised in agriculture, as an example, Mr. Harkay mentioned the Fairtrade Access Fund whereby BIO provides legal assistance, and financial support to ensure that the Fund can work with smallholders; to pave the way to cocoa producers so that they can increase their revenues and get access to certifications. For those, is is really key for BIO, according to its representative, to advance formalisation without which the investment fund we cannot intervene. Mr. Harkay believes it is a good moment to increase formalisation, having in mind the new EU budget.

While talking about risk return, Mr. Harkay informed the audience that BIO is in touch with the European Commission to set up a blended finance facility that would allow BIO to invest more in the West Africa, including in the cocoa sector, supporting the SMEs and its supply chain organisation. For such, it traceability is needed to avoid child labour and deforestation. BIO representative underlined that investors need to be reassured that their investments will not suffer from reputational risks linked to those issues. With regards to micro finance, Harkay argued that smallholders - with handholding initiatives – are able to develop the competences to assess the credit risk of working into the particular sector. Gender mainstreaming and sustainable aspects could be taken into consideration in the provision of micro finance.

Mr. Steven Collet, Director and Ambassador for Business & Development, Sustainable Economic Development Department, Ministry of Foreign Affairs, Netherlands started his presentation with the assertion that there is consensus amongst Cocoa Talks stakeholders on what needs to be done. The Netherlands assumes its responsibility and its role as a small trade nation, he declared; and it does so by bringing public and private partners together. Dutch stakeholders, including those involved in the Dutch Initiative on Sustainable Cocoa, are committed to transforming the cocoa industry, by observing the Living Income Differential, and by tackling child labour and deforestation altogether.

The representative from the Netherlands went on to recommend greater alignment of investments, to avoid the mistakes learnt in the past decade or so. Improving the enabling environment so that farmers can act more like entrepreneurs, with rights over their own business, is a proven solution. But this means dealing with land tenure, forest protection and tree ownership, for instance.

Mr. Collet continued with an explanation of the programmes being implemented by IDH in West Africa, which seek to bridge the gap between agribusiness, financial institutions, service providers and cocoa producers. IDH has offered capacity-building to cocoa farmers and cooperatives, while also creating innovative financial products to meet farmer's needs and empowering them to do business through their cooperatives. At the same time, IDH works on access to financial services and the infrastructure that surrounds it, the so-called "ecosystem" of blended finance schemes for agriculture.

In his conclusion, Mr. Collet emphasised that it is important to convene an investment plan on the basis of practical experience, to ensure that farmers can become real entrepreneurs. EU grants should be used to shape an investment plan, to strengthen the enabling environment, to mobilize private capital and to unlock private capital.

Mr. Ismail Pomasi, Chairman, Cocoa Abrabopa Farmers Association, Ghana started his presentation by affirming that the best way to support farmers is to help them to get organised, in a professional manner. Collective, organised action enables farmers to better organise their sales and gives them a stronger voice within the broader business environment. Mr. Pomasi illustrated his point by explaining that, as a cooperative member, he has benefited from the distribution of inputs by input manufacturers. He also explained that cocoa farmers frequently do not have the opportunity to work directly with financial institutions, but some manufacturers and distributors input to producers on credit, with flexible repayment plans that allow for repayments after the harvesting season.

The Abrabopa chairman explained that, as a group, his cooperative has received technical support and training on good agricultural practises, which has helped to enhance cocoa farms productivity. For those reasons, the panellist encouraged farmers to take advantage of the opportunities that emerge from working as a group. Mr. Ismail warned that these kinds of business development services should be delivered in sustainable manner; that is, cocoa cooperatives should find ways to finance themselves, without having to resort to external financial support. In this context, he explained, some cooperatives face problems bringing in farmers and retaining them, which can lead to financial difficulties.

Ms. Fanny Grandval, Senior Regional Technical Specialist, Rural Institutions, International Fund for Agricultural Development (IFAD)

Ms. Grandval briefly introduced IFAD's activities in developing countries explaining that the cocoa sector is important for IFAD because it concerns small-scale producers, who are a specific target of the ABC (Agri-Business Capital) Fund. The ABC Fund was launched in 2019 and it has received contributions from the European Commission, the Organisation of Africa, Caribbean and Pacific States, IFAD, Luxembourg, Alliance for a Green Revolution in Africa (AGRA), Swiss Development Cooperation, and Agriterra.

Ms. Grandval explained that the ABC Fund is already active in Côte d'Ivoire, offering €3.15 million in financing to three cocoa projects in Côte d'Ivoire in 2020. These projects – which involve cocoa cooperatives ECOOKIM, SOCAK KATANA, CABF – reach about 35,000 producers.

IFAD employs innovative private sector finance programme instruments, including direct support to private sector actors. IFAD structures its initiatives to support Sustainable Development Goals 1 and 2: no poverty and zero hunger, respectively. IFAD is currently discussing a partnership with FAO and other institutions to conduct a diagnostic study to implement projects focusing on poverty reduction in the cocoa sector.

Ms. Grandval echoed previous speakers in saying that the financing of private sector operations requires value chain to be profitable, through better prices for sustainable cocoa and rigorous standards of financial and business due diligence. To accomplish this, she concluded, cocoa farmers need training.

Mr. Dimitry Van Raemdonck, Manager AGRIFI, EU development financial institutions (EDFI MC)

Mr. Van Raemdonck started his presentation by explaining that the Agriculture Financing Initiative (AgriFI) is an innovative EU-funded blending facility that supports investments, using a value chain approach focused on the inclusion of smallholders and/or medium, small and micro enterprises (MSME). AgriFI is managed by the EDFI Management Company on behalf of the members of EDFI (European Development Finance Institutions).

AgriFI's projects focus on creating measurable impact for smallholders, to contribute to raising smallholder farmers' incomes and/or to generate employment within agri-business medium, small and micro enterprises. AgriFI seeks to play a catalytic role by offering flexible financing to secure funding over the longer term, reducing risk and preferring farmers with more commercial capabilities.

AgriFi started operating in 2018, and by the end of the year, it will have lent around €30 million to several projects. In Ghana, AgriFI has a €10 million country window dedicated to increasing the value-added, production and incomes of smallholder farmers in the country by investing in private sector enterprises that involve smallholder farmers. This proves that AgriFI has the capacity to manage complex projects in an inclusive manner.

Mr. Van Raemdonck underlined that the major challenge AgriFI faces in the cocoa sector is a lack of profitability, as a consequence of price pressures. As such, all initiatives seeking to stabilize cocoa prices could make the sector more attractive to investments while facilitating the financing of cooperatives in the short and long term.

AgriFI works with microfinance institutions, as well as with associations that seek to develop the productivity of formalized smallholders, who uphold fiscal, social and environmental standards. To assist with the formalization of SMEs, AgriFI supports impact funds who then work with informal SMEs that are willing to formalise. Those funds, the manager explained, have difficulties attracting investments due to the high risk profile of their investments. Blended finance is an option to overcome these challenges and dilute the risks, ultimately offering affordable options for small farmers. The manager also highlighted projects with SMEs which transform cocoa beans, optimising the value chain.

Mr. Christiaan Prins, VP Corporate Communications at Barry Callebaut, was the last speaker. He summarised the day's discussion by noting that cocoa sector stakeholders do not lack vision but need better prioritisation, coordination and subsequent targeting of resources.

According to Mr. Prins, it is essential to be move beyond project management in order to channel and enhance the current efforts from industry and other actors to achieve concrete results; in other words, the sector needs a **plan** for sustainable cocoa agreed by all stakeholders, **mapping the role and responsibility of each stakeholder.** This has to be captured in a partnership agreement, which can then generate adequate financial and technical resources. The panellist reiterated that, for the upcoming legislation to be effective, it is necessary to have the financial and technical support for structural change.

The industry representative went on to request support for infrastructure, the establishment of micro credit and microinsurance services, access to digital financial services, and the launch of functional training in good agricultural practises, pest management and climate smart agriculture.

The promotion of gender equality, he observed, is aligned with the topic of child labour and social development. To reduce the risk of child labour the EU should support projects such as the *Child Learning and Education Facility* and the *Early Learning and Nutrition Facility.* Mr Prims emphasised that the EU should further support the roll-out the child labour monitoring and remediation systems.

With regards to deforestation, Mr Prins underscored that the Cocoa and Forestry Initiative is a great example of how responsibility can be shared and how that leads to impact. This initiative has demonstrated the importance of ensuring proper enforcement of national laws on forest protection and the implementation of a farming-free policy in protected areas. To support forestry restoration, he added, investments are needed in agroforestry and in digitalisation of data gathering and satellite monitoring systems. Furthermore, the acceleration in the implementation of land and tenure policy, as well as farmer registration systems can help to offer alternative livelihoods to farmers located in protected areas.

Finally, Mr. Prins called for support for farmer cooperatives and small and medium sized enterprises. Existing programmes in this area have proved to be successful as they bring lasting benefits to cocoa farmers and their communities.

To conclude, Mr. Prins expressed his conviction that, to achieve sustainable produced cocoa, all actors need to work together: industry, producing countries and destination governments, and particularly the European Union. It is essential to think beyond isolated project management and start to advance on the basis of a shared plan for structural change on the ground, with clear key performance indicators.

Q&A Session

In response to a question on how to ensure that companies do not start sourcing from other countries other than Côte d'Ivoire and Ghana, due to the implementation of the LID, **Mr. Alex Assanvo** explained his expectation that the upcoming EU legislation will reward, and incentivize those who grow sustainable cocoa. Côte d'Ivoire and Ghana are championing the legislation because they believe that EU regulations and policy making will help to level the playing field. Mr. Assanvo continued by explaining that these two countries are taking the responsibility to drive the change, backing the African

Regional Standard on Sustainable Cocoa , increasing traceability and introducing other different elements to support farmers. He acknowledge the possibility that businesses will purchase their cocoa elsewhere, but insisted that this could perpetuate unsustainable practises.

Mr. Michel Arrion replied to the same question, but providing the ICCO perspective. He expressed his belief that bilateral or trilateral discussions between Cote d'Ivoire, Ghana and the EU need to be moved to the multilateral level. All members of the ICCO have already been debriefed on what is going on and have indicated that they would also be interested in taking part in the dialogues. Mr. Arrion also answered a question about the difficulty of increasing the consumption of cocoa without contributing to the loss of the world remaining forests. He said that one should not deprive a great proportion of humanity from the opportunity to consume cocoa and chocolates. The answer is not to keep the cocoa consuming concentration in two regions, but to expand consumption to Asia to Africa in a sustainable way. In this context, he explained that the yields and productivity can be increased without the expansion of cultivated areas, removing the contradiction between forest protection and consumption increases.

Mr. Mohamed Manssouri was asked about the role that digitization can play in the cocoa sector as well as innovative financing. He explained that there are many entry points, one of them is clearly fintech services. Farmer registration in digital platforms can contribute to the generation of business records, which can promote digital credit scoring and fintech/driven lending, whether by international or local financial institutions. This model can enhance the creditworthiness of the farmers because they will know that, in providing information, they could potentially increase investments by development or impact funds or even commercial banks. There are a number of innovative crowdfunding platforms being piloted in Ghana and elsewhere, which expand credit supply for small scale cocoa farming and promote mobile payments, drastically reducing the cash cost for value chain actors and expanding the supply of credit to unbanked farmers. There is also a case for using Google-based technologies to track deforestation,

Mr. Steven Collet commented on lessons learned. He said that the key lesson is that it is essential to have capital providers around the table from day one, because projects need to be bankable; it is important to provide technical assistance in such a way that for instance local financial institutions are able to attract finance. Another lesson learned is that supply chain companies and traders can play a role, from the start, in building this agenda for financial services for farmers.

Mr. Christiaan Prins responded to a question related to community projects and prices. Mr Prins informed the audience that the industry has been supportive of the LID from the start, however one needs to see it as one element in a larger portfolio of projects. It needs to be considered from a holistic perspective as there is no a silver bullet. The LID needs to be coupled with fundamental changes on the ground; otherwise, negative additional consequences may happen, such as over-production, for example. In other words, Mr. Prins said one needs to look LID as an overarching theme, but clearly price has a role to play and the industry has confirmed that publicly.

Mr. Aldo Cristiano endorsed Mr. Prins remarks and complemented them, informing the audience that the industry is trying to understand what the impact of LID is, and the consequences of a possible oversupply. The three major countries have produced a surplus this year. It is therefore crucial to learn how to better manage the supply of cocoa, in order to develop policies on the ground to better control production quantities and volumes.

Mr. Dimitry Van Raemdonck provided further details on AgriFi's approach, explaining that, as a blending tool, it does not focus only on returns on investment – which are relatively low – but also on the expected impacts on the ground. Agrifi also implements projects to shorten the value chain, assisting local SMEs to transform beans, adding value to them. The asset component in this segment could be of interest to the commercial financing sector; in this case, AgriFi operates as de-risking, absorbing certain risks when necessary.