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MULTILATERAL INVESTMENT FUND

TRINIDAD AND TOBAGO

CHOCOLATE ISLAND: COCOA, CARBON AND COMMUNITY

(TT-T1132)

DONORS MEMORANDUM

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PROJECT SUMMARY
TRINIDAD AND TOBAGO
CHOCOLATE ISLAND: COCOA, CARBON, AND COMMUNITY
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Trinidad and Tobago (T&T) is a small but exclusive producer of fine or flavor cocoa with a global reputation¹ for quality that attracts premium pricing as compared to bulk cocoa which is produced by larger markets as a commodity². With the burgeoning boutique/craft chocolate market segment growing at a faster pace globally than that of bulk cocoa and associated products, Trinidad and Tobago is well positioned to leverage its natural advantages in discriminating markets as a fine flavor cocoa producer, however current levels of production by local growers (500 – 600 metric tonnes annually)³ is insufficient to generate viable full time livelihoods, with many small scale cocoa growers continuing cultivation as a tradition rather than as a business enterprise. To date, cocoa cultivation is concentrated in poor rural communities in south, central and eastern Trinidad. The crop has been farmed in a traditional manner and only within recent years, and with the support of IDB Lab, growers have received training in climate smart practices and technical support to improve yield and flavor. However, these growers and the communities involved in cultivation and processing lack the collateral and income security to invest or access financing for expansion.

The Government of Trinidad and Tobago has identified the cocoa sector as strategic with comparative advantages to support the country's thrust for diversification from the country's historical dependence on energy as the country's primary economic driver. In this regard, Trinidad and Tobago aims to increase cocoa production to 15,000 tons per annum with at least 50% of the produce exported as value-add products⁴. To realize growth and achieve premium pricing in export markets, producers must expand production volumes, but also satisfy the environmental and social sustainability requirements of buyers in these discriminating markets. In this context and in the absence of viable financing from traditional providers, the Cocoa Carbon and Community project seeks to catalyze growth of Trinidad and Tobago's cocoa sector via the piloting of an impact investment model to generate financial, environmental, and social returns for the impact investor and the cocoa growing community. The development and piloting of the solution to access this unique form of patient, triple bottom line investment capital (impact investing) within the cocoa sector, is the first of its kind in the region and presents significant opportunities for scale. The project implementation will include stakeholder engagement and selection of pilot investee estates, financial and technical analysis for development of investment proposals and mobilization of impact investment.

The Cropper Foundation will execute the project with technical support from George Washington University Institute for Corporate Responsibility (GW), the Cocoa Research

¹ Trinidad and Tobago is 1 of 8 countries in the world certified as producing 100% fine/flavor cocoa [Cocoa-Investment-Brochure.pdf \(investt.co.tt\)](#)

² Bulk cocoa is produced and exported from West Africa

³ Trinidad and Tobago's highest production to date was 30,000 MT annually. Current production values are said to be less than 1% of global production. [Mission to market TT's fine flavor \(newsday.co.tt\)](#)

⁴ In 2020 Trinidad and Tobago exported over USD \$671K in cocoa beans, making it the 57th largest exporter of cocoa beans in the world. The main export markets were Japan, Switzerland, United States, Netherlands, and Turkey. [Cocoa Beans in Trinidad and Tobago | OEC - The Observatory of Economic Complexity](#)

Centre (CRC) and InvestTT, Trinidad and Tobago's investment promotion and facilitation agency. The targeted outcomes of the project include (i) piloting of the Cocoa, Carbon, and Community Impact investing Model (ii) mobilization of USD 450,000 in impact investment for the local cocoa sector and (iii) at least 1500 hectares of cocoa farms operated under climate smart production methods upon receipt of impact investment. Direct project beneficiaries will include estate owners in low-income rural cocoa producing communities in Trinidad and Tobago that receive impact investment, as well as 300 farmers and laborers on these estates and members of fence line communities who will benefit from enhanced and sustainable livelihood opportunities, as well as improvements to social conditions within their communities, facilitated by impact investment in sustainable growth.

ABBREVIATIONS

CCB	Caribbean Country Department
CTT	Country Office Trinidad and Tobago
CRC	Cocoa Research Centre
DICI	Assessment of Integrity and Institutional Capacity
GWP	Global Warming Potential
GW	George Washington University Institute for Corporate Responsibility
HA	Hectares
IDB	Inter-American Development Bank
IDB Invest	Inter-American Investment Corporation
IDB Lab	Multilateral Investment Fund
IDBG/IDB Group	Inter-American Development Bank Group
LAC	Latin America and the Caribbean
SDG	Sustainable Development Goals
TCF	The Cropper Foundation
T&T	Trinidad and Tobago

PROJECT INFORMATION**TRINIDAD AND TOBAGO****CHOCOLATE ISLAND COCOA, CARBON AND COMMUNITY****(TT-T1132)**

Country and geographic location:	Trinidad and Tobago		
Executing agency:	The Cropper Foundation		
Focus area:	Natural Capital and Agriculture		
Coordination with other donors/Bank operations:	IDB Invest will be invited to form part of the Investment Advisory group for the project		
Project beneficiaries:	The project will benefit at least 300 members of rural, low-income communities in Trinidad and Tobago of which 50% will be women. It is also expected that a significant proportion of the project beneficiaries will be afro descendants.		
Financing:	Technical cooperation funding:	US\$459,000	48%
	Total IDB Lab funding:	US\$459,000	48%
	Counterpart:	US\$490,800	52%
	Total project budget:	US\$949,800	100%
Execution and disbursement periods:	36 months for execution and 42 months for disbursement.		
Special contractual conditions:	The following will be conditions precedent to first disbursement: (i) formation of the project Steering Committee chaired by the Cropper Foundation and to include representatives of GW, CRC and InvesTT (ii) Non objection for Terms of Reference for technical activities to be implemented by GW and CRC provided by IDB		
Environmental and social impact review:	This operation was screened and classified in accordance with the IDB's Environmental and Social Policy Framework (document GN-2965-21) on September 20, 2022. Given the moderate impacts and risks derived from the activities to be supported through the technical cooperation, the transaction has been categorized as B.		
Unit responsible for disbursements:	CCB/CTT		

I. The Problem

A. Problem description

- 1.1 Trinidad and Tobago (T&T) is a small but exclusive producer of fine or flavor cocoa with a global reputation⁵ for quality that attracts premium pricing as compared to bulk cocoa which is produced by larger markets as a commodity⁶. With the burgeoning boutique/craft chocolate market segment growing at a faster pace globally than that of bulk cocoa and its associated products, Trinidad and Tobago is well positioned to leverage its natural advantages in discriminating markets as a fine flavor cocoa producer, however current levels of production by local growers (500 – 600 metric tonnes annually)⁷ is insufficient to generate viable full time livelihoods, with many small scale cocoa growers continuing cultivation as a tradition rather than as a business enterprise.
- 1.2 Trinidad and Tobago has a long tradition of cocoa production. To capitalize on emerging global market opportunities requires investment of capital for scaling up of production via rehabilitation of abandoned cocoa fields over a period of 5-7 years, as well as investment in required certifications and sustainable systems and processes to secure premium pricing and generate a viable income stream to engage and secure livelihoods of primary producers. However for most of the growers, access to finance for investment that will generate returns over the longer term is a serious challenge, and cultivation remains on a small scale with many cocoa estate lands abandoned.
- 1.3 The Government of Trinidad and Tobago has identified cocoa as a strategic crop with comparative advantages in global markets. In this regard government has set a target to increase cocoa production to 15,000 metric tonnes per annum with at least 50% of local production exported as value-add products⁸. However, in the absence of investment capital to enable growers to expand production or devolve from primary production to agro-processing, packaging, and branding, growth of the local cocoa industry has been slow. The COVID-19 pandemic over the past 2 years has further exacerbated the situation, particularly affecting the vulnerable rural population as public health regulations and strict national lockdown measures impacted their ability to plant and harvest. These logistic challenges coupled with an absence of appropriately structured investment in sustainable cocoa production have negatively impacted earnings of small farmers and processors and has constrained reinvestment into their estates⁹.
- 1.4 Given the relatively small scale of production and the reputation of Trinidad and Tobago's fine flavoured cocoa in international markets, growers and processors are seeking premium pricing in niche and discriminating markets. The fact that fine flavour cocoa from Trinidad and Tobago sells at a significantly higher price per ton compared to lower grade bulk cocoa

⁵ Trinidad and Tobago is 1 of 8 countries in the world certified as producing 100% fine/flavor cocoa [Cocoa-Investment-Brochure.pdf \(investtt.co.tt\)](#)

⁶ Bulk cocoa is produced and exported from West Africa

⁷ Trinidad and Tobago's highest production to date was 30,000 MT annually. Current production values are said to be less than 1% of global production. [Mission to market TT's fine flavor \(newsday.co.tt\)](#)

⁸ In 2020 Trinidad and Tobago exported over USD \$671K in cocoa beans, making it the 57th largest exporter of cocoa beans in the world. The main export markets were Japan, Switzerland, United States, Netherlands, and Turkey. [Cocoa Beans in Trinidad and Tobago | OEC - The Observatory of Economic Complexity](#)

⁹ In Trinidad and Tobago estates are synonymous with farms,

beans results in a non-competitive product when sold at the highly competitive global market for bulk beans¹⁰. Local growers and processors have to focus on luxury and niche markets which requires investment to (i) improve and guarantee quality and quantity of the beans, (ii) certify sustainability practices and (iii) develop a reputable brand to exploit the higher price points.

- 1.5 Globally, the cocoa and chocolate industry were detrimentally affected by Covid 19, particularly the supply of bulk beans out of West Africa. While demand decreased in 2020 and 2021, the global chocolate market is expected to rebound and become even more competitive with Europe predicted to lead consumer demand with a correlating expectation of a higher quality product. These consumers have placed an increased emphasis on high quality chocolates made from fine flavour cocoa and have shifted towards the purchase of products branded as single-origin, organic, handmade and artisan¹¹ and sustainably produced¹².
- 1.6 Cocoa farmers, chocolatiers and companies looking to export into the European market not only have to contend with consumer tastes and demands regarding quality and luxury, but also comply with consumers expectations and new environmental policies, specifically the European Union (EU) Deforestation Regulation¹³ whereby companies will need to monitor their supply chains and submit evidence that their products and practices have not contributed to deforestation or forest degradation. A recent UK study found that the Global Warming Potential (GWP) of chocolate ranges from 2.9-4.2 kg CO₂ eq./kg and approximately 10,000 litres of water is needed to produce a kilogram of chocolate, furthermore, land use change for cocoa production increases GWP by 3-4 times, however GWP of the industry could be improved by 14-19% through various improvements.¹⁴ For high value dark chocolates the carbon footprint could be as large as 5-7.5 kg CO₂ eq./kg due to the high cocoa content. Finally, cocoa production in Central and West Africa has been associated with deforestation and child labour. In addition to climate, consumers of premium luxury chocolates may also be asking ethical questions concerning their purchases.¹⁵
- 1.7 These heightened concerns with regards to the economic, environmental, and social sustainability of cocoa and chocolate production, its carbon cost, and the impact on climate change, have created considerable distress and driven large chocolate companies that traditionally purchase bulk cocoa to invest into their own sustainability programs. The resolutions coming out of COP26 and the need to demonstrate compliance with the UN Sustainable Development Goals (SDGs) have added to the urgency to reconfigure the supply chains of their cocoa-based products.

¹⁰ In 2017 Bulk lower grade beans from Africa sold for USD \$1500 per ton compared to USD \$5,000 per ton for T&T fine flavor cocoa. [Breathing new life into Trinidad and Tobago's cocoa sector \(wipo.int\)](https://www.wipo.int/presscenter/2017/01/breathing-new-life-into-trinidad-and-tobago-s-cocoa-sector)

¹¹ [The chocolate market was impacted by COVID-19 during its \(globenewswire.com\)](https://www.globenewswire.com/press-releases/the-chocolate-market-was-impacted-by-covid-19-during-its-2020-01-20-231231)

¹² <https://www.cargill.com/2020/sustainability-influence-on-chocolate-purchase-decisions>

¹³ Mandatory due diligence for products sold within the European Union to not be linked to deforestation or forest degradation

¹⁴ [Environmental impacts of chocolate production and consumption in the UK - ScienceDirect](https://www.sciencedirect.com/science/article/pii/S0926641020300000)

¹⁵ [Chocolate: the sustainability cost - Energy Saving Trust](https://www.energy-saving-trust.org/chocolate-the-sustainability-cost)

- 1.8 Given that both consumers and governments in developed markets are increasingly demanding sustainably sourced commodities and other food products, and groups of investors are now seeking not just financial returns but also environmental and social impact, Trinidad and Tobago as a small scale sustainable producer of fine flavoured cocoa and seeking growth presents a unique opportunity to test impact investment as a mechanism to sustainably achieve higher volumes of sustainably produced fine cocoa, benefitting small farmers and their communities.
- 1.9 Two previous IDB Lab financed projects ATN/ME-15648-TT.¹⁶ and ATN/CO-18499-TT have provided key technical assistance directly to farmers and processors and given them the opportunity to embrace an externally oriented market perspective, after decades of the sector being locked in to selling beans directly to the state where they were mixed indiscriminately and sold as a bulk commodity to chocolate producers serving mass consumption and providing relatively low value markets. These projects produced critical learnings about the requirements, preferences, and price points of key buyers in niche international markets specializing in gourmet quality chocolate. The findings were that regular volumes, quality assurance and certifications are required to realistically benefit from luxury market opportunities. However expansion of volumes and changes in processes and systems to achieve certifiable quality and sustainability standards requires not just behavioral change and capacity building which has been ongoing for some time in the local industry, but importantly, accessible and appropriate financial investment at the level of Trinidad and Tobago's small estates which has not been easy to secure as potential borrowers / investees (cocoa estate owners) on the whole lack traditional business sophistication and collateral required and returns are not immediate or short term.
- 1.10 To build on these results and increase cocoa production through rehabilitation and expansion, value addition and export in a sustainable way, significant patient capital is required. However, attracting such investment requires an innovative approach. To date, cocoa cultivation is concentrated in poor rural communities in south, central and eastern Trinidad. The crop has been farmed in a traditional manner and only within recent years, and with the support of IDB Lab, growers have received training in climate smart practices and technical support to improve yield and flavor. However, these growers and the communities involved in cultivation and processing lack the collateral and income security to invest or access financing for expansion.
- 1.11 These past challenges and new opportunities make Trinidad and Tobago's cocoa sector with its fine flavor reputation, a globally recognized research institution (the Cocoa Research Centre), and previous investments to build capacity, well poised to attract capital into the sector by bundling investment prospects that focus on sustainable environmental and financial returns in addition to increasing productivity of the cocoa sector. Furthermore, given its previous experience, IDB Lab is a strong strategic partner with an in-depth view of the Trinidad and Tobago cocoa sector.
- 1.12 Beneficiaries: Currently there are an estimated 1200 cocoa farmers in Trinidad and Tobago consisting of small holder farmers, many of whom operate via small cooperative models or independently and are responsible for 80-90% of local production, while the remaining cocoa yields are generated by larger estates, the majority of which are family owned and operated. Most small farms and estates are located outside the main transit hubs of Trinidad and Tobago with locations in northern hillside areas and southern and central rural

¹⁶ Anchor firm for ATN/ME-15648-TT is Trinidad and Tobago Fine Cocoa Company Ltd.

communities that have limited access to alternate employment, higher education, and mainstream public services.

- 1.13 Investment to expand cocoa production in these areas will improve rural livelihoods by stabilizing vulnerable environments, provide more employment opportunities particularly to women who tend to be unemployed or underemployed, improve income generating capacity of farmers and their workforce, and will generate an increased volume of fine or flavor cocoa required to expand Trinidad and Tobago's volume of cocoa and local luxury chocolate exports.
- 1.14 Many of these farmers have obtained international accreditation and awards for their products, one such organization is Montserrat Cocoa Farmers' Cooperative Society Limited which was the first Caribbean organization to obtain Rainforest Alliance certification as well Geographic Indication certification and was selected as one of the top 10 innovators in LAC region. The local cocoa industry also comprises 7 fermenter operators and over 50 value added producers, many of whom produce their own chocolates and other products such as cocoa butter, nibs, liquor, and cocoa powder for both export and the local market. Additionally, there are currently 25,000 ha of abandoned cocoa farms, the majority of which are privately owned, and which are being specifically targeted for investment to expand national production volume to 15,000 metric tonnes.
- 1.15 These actors will be the primary beneficiaries for this intervention which will consist of a diverse group of individuals particularly in the context of the Caribbean where farmers represent the cultural diversity of Trinidad and Tobago including persons of Afro and East Indian descent. It should also be noted that migrants from Venezuela have also been engaged in the labor pool required for planting and harvesting, given the aging population of local cocoa growers who have been unable to sustain a stable labor force due to lack of consistent capital.

II. THE INNOVATION PROPOSAL

A. Project description

- 2.1 The project objective is to catalyze growth of Trinidad and Tobago's cocoa sector via the piloting of an impact investment model. The Cocoa Carbon and Community investment model will be designed to provide impact investors and local investee estates generating not only a financial return, but also environmental and social returns required for sustainable growth.
- 2.2 Last year an estimated 2.5 billion USD was devoted to impact investments, combining equity and debt. Some impact investors are 'investment first' while others are 'impact first'¹⁷ but impact investors represent a wide range of risk tolerances, concessionary and non-concessionary financing, and goals for social and environmental impact across all the SDGs. The one complaint shared by impact investors of all types is the shortage of high-

¹⁷ "Impact first" investors primarily seek to maximize positive social or environmental impact in addition to receiving financial returns

quality impact investments. Today, impact investing is a 'sellers' market,' with a demand for opportunities from impact investors.¹⁸

- 2.3 Trinidad and Tobago embodies the ideal location to pilot an impact investing model in the cocoa sector for several reasons. Despite a substantial decline in domestic production over several decades, the country has managed to maintain its reputation for sustainable production of fine/flavor cocoa for over 200 years with the country holding the record for the most international cocoa awards. As the custodian of the International Cocoa Gene bank, the home of Trinitario cocoa, the internationally renowned Cocoa Research Centre based in Trinidad manages the longest standing cocoa breeding program and is therefore hailed as the Noah's Ark of cocoa. Based on previous investments by the IDB Group, the state, private sector actors and other agencies such as the European Union, farmers, processors, and other key ecosystem supporting entities are primed to move the industry forward. Farmers and processors can capitalize on previous training, technical support and existing infrastructure such as the EU funded International Fine Cocoa Innovation Centre, which features a model cocoa orchard and postharvest facility and offers growers and processors access to a medium scale cocoa liquor and couverture production spaces, business and technology incubators and a product development facility. Recent dialogues hosted by InvesTT¹⁹ and the EU demonstrate the global interest in the TT cocoa industry with over 370 participants from across the globe participating in a series of webinars geared towards stimulating investment, innovation, and entrepreneurship across the local cocoa value chain.
- 2.4 The onus thus far has been on the cocoa growers to invest in new tools, technologies and approaches to comply with stringent buyer requirements in premium markets, however this investment has been slow in coming and is rarely coupled with financial, social and environmental returns or improved market access in the short to medium term. Additionally, small scale producers, and chocolatiers who wish to brand their products as sustainable or organic are unable to verify their marketing claims. What is required is investment from a party willing to adhere to "impact first principles". What will be unique about this model will be the inclusion of carbon neutrality within the production process which makes investment in this model more attractive for those investors willing to pay a premium to reduce their carbon footprint²⁰. The Cocoa Carbon and Community impact investment model, which is further outlined below, examines opportunities for expanded cocoa yields, cocoa value chain re-alignment, carbon emission reductions, and enhanced resources providing local communities social benefits in an integrated way, optimizing 'value-for-money' opportunities across the entire supply chain.
- 2.5 The project will be implemented by a team of strong technical partners, The Cropper Foundation will serve as the executing agency for this project, two specialized organizations the George Washington University Institute for Corporate Responsibility, and the Cocoa

¹⁸ According to the Global Impact Investing Network's most recent survey of leading impact investors, 63% reported allocating to food and agriculture more than any other sector. "Impact Investing in Sustainable Food and Agriculture Across Asset Classes" Croatan Institute 2017.

¹⁹ Trinidad and Tobago's investment Promotion Agency

²⁰ The captioned study in Peru that cocoa tree planted within an agroforestry system demonstrate significant carbon sequestration potential. <https://www.mdpi.com/2071-1050/14/15/9739/htm>

Research Centre²¹ will conduct the field research and analytical work discussed below and InvestTT will work alongside the team to mainstream the Cocoa Carbon and Community impact investment model to promote and secure further investment in the sector.

- 2.6 The project targets a range of larger cocoa growers that manage farms of more than 500 acres) and are seeking growth. Project resources will be utilized to conduct analysis and due diligence and to develop specific packages for investment which will include financing opportunities for (i) expanding production, (ii) adoption and audit of environmental sustainability practices, including climate smart agriculture practices and low carbon/carbon neutral practices, (iii) provision of a range of training and support services to small holder farmers in the community within the framework of an equitable governance model and (iv) expansion of community engagement specifically targeting women in cocoa cultivation production, processing, and establishment of cottage industries to support a circular economy.
- 2.7 **Innovation.** This project is innovative, not only in the context of Trinidad and Tobago but also within the Caribbean region where traditional access to financing has stymied the growth of the commodities sector that needs to respond to both economic and social needs of a country. This intervention is innovative in that it provides a solution that addresses the financially resource intensive needs of cocoa farmers and estate owners in Trinidad and Tobago while also responding to the environmental and social needs of neighboring communities through bundling of investments directed towards Cocoa, Carbon and Community in an integrated manner that allows both the impact investor and the recipient investee farms to leverage and increase their total impact at a lower cost and risk. The development and piloting of the solution to access this unique form of patient capital within the cocoa sector is the first of its kind in the region and presents significant opportunities for scale. The solution is structured as follows.
- 2.8 **Component I: Identification of Investment Properties (Farms) and Impact Investors: (USD 197,000: IDB Lab USD 185,000, Counterpart USD 12,000)** The objective of this component will be to identify and secure prequalified potential recipients of impact investments and convene prospective impact investors.
- 2.9 The team has identified pre-qualification criteria that will help form a shortlist of potential investment farms; initial criteria include, but are not limited to (i) Land size: acreage under production must consist of at least 500 acres, this can include a single estate or a collection of cooperative farmers; (ii) Legal ownership: Interested applicants must be able to demonstrate and verify land tenure, specifically legal rights to access, use and develop land either currently under production and intended to be used to expand crop production; (iii) Legal entity: Interested partners must be a registered legal entity, this includes a company, association representing a group of business, partnerships and sole traders who have registered their business and have a business bank account; (iv) Commitment to investing in the triple bottom line while also promoting gender equality and ensuring empowerment of women and youth within their surrounding communities. In this regard, final selected participants must be prepared to not only commit to increasing productivity but also use natural resources sustainably and efficiently while strengthening their resilience and be willing to extend livelihood opportunities within their community.
- 2.10 The Cocoa Research Centre (CRC) has the demonstrated capacity to collaborate with key stakeholders including but not limited to cocoa farmers, business associations within the

²¹ The Executing Agency will contract George Washington University and Cocoa Research Centre

industry as well as engaging with community members in cocoa producing communities and will play a key role in stakeholder engagement. The CRC team has already identified several rural cocoa producing communities and is presently in discussions to determine their interest in expanding production and moving up the value chain. The team is structuring their engagement based not only on quantitative data but looking at several social factors including, business aspirations of potential investees to ensure a match with the aspirations of the impact investors. The team has already received interest from some estate owners who are not only looking to expand cocoa production but to develop a sustainable agro tourism model on their farms. Through their engagement with the wider community the project implementation team will identify preliminary social and environmental issues within the community that can be bundled into the impact investment package, these external community factors will include potential for improvement and conservation of biodiversity, potential development of cottage industries, and improving gender equality, as well as improving livelihood opportunities for poor and vulnerable segments of the population. These initial constraints analysis will include focus group meetings with communities, relevant decision makers and some preliminary data collection.

- 2.11 The project implementation team will subsequently shortlist an initial 10 partner farms/organizations. Based on further detailed analysis the team will select a further 5 that are best positioned to absorb investment, however as negotiations continue it is anticipated that natural attrition will occur, resulting in 1 or 2 partners securing a final investment.
- 2.12 The George Washington University Institute for Corporate Responsibility (GW) team has deployed its network to create an Advisory Group consisting of impact investors that have a vested interest in the success of this project. The purpose of the advisory team will be to help guide the content of the investor proposals in a manner that is practical and which demonstrates the financial, environmental and social returns that will be of interest not only to the members of the advisory group, but to other impact investors unfamiliar with the project.²² An invitation will also be extended to members of the IDB Lab and IDB Invest investment teams to join the advisory group where additional opportunities for investment by the IDB Group may be identified, as well as ensure that all investment proposals abide by the IDB Group's Environmental and Social Policy Framework.
- 2.13 Given the limited resources of project financing and heterogeneous needs of the impact investment community, the team at GW together with the impact advisory group, will define the parameters of the minimum analysis required to secure the initial engagement of an impact investor that already has demonstrated some interest in collaborating with cocoa farmers, while building a business model that benefits the community. The advisory group will facilitate the team's understanding of the market's tolerance for risk, selecting and designing the investment opportunity that will not only provide the financial returns and yield that will be of interest to the investor but also demonstrate returns emanating from monetizing carbon capture, decarbonizing the value chain, and generating social benefits.
- 2.14 In addition to the members of the advisory panel that have already been identified, GW will convene meetings with other impact investors to formally launch the project and solicit additional interest.

²² Impact Bridges Group, Stella Group and 12Tree Finance have expressed their commitment to serve as a member of the Impact Investor Advisory Group for this project.

- 2.15 The expected outputs under this component include (i) 30 stakeholder engagement sessions held with potential investees (ii) 300 persons in rural, low-income communities engaged through project activities of which at least 50% will be women, and (iii) selection of at least 2 potential estates for in depth investment analysis.
- 2.16 **Component II: Baseline Study and Financial Analysis: (USD 217,500, IDB Lab USD \$217,500)** The objective of this component is to create investment prospectuses for the Cocoa, Carbon, and Community model to present to impact investors. To assess and structure potential financial, social, and environmental returns, the GW team will collaborate with CRC, the Executing Agency and other stakeholders such as InvesTT, in conducting an initial baseline to assess current productivity levels of the shortlisted pilot cocoa estates, as well as opportunities for carbon capture and decarbonizing the value chain and to evaluate current social, environmental and economic conditions on the estate and the neighboring communities. The baseline study will not only be a critical input into investment prospectuses, but to will also identify additional opportunities which the team can leverage to bring other financing and/or technical partners to the table that have an interest in natural capital investment, or preservation of national heritage products. Specifically, the team will examine the three elements of the Cocoa, Carbon, and Community model:
- (i) **Comprehensive opportunity analysis on cocoa farms and supporting supply chains:** Based on the advice of the impact investor advisory committee, the project team will determine the parameters for investment and other information requirements to satisfy the development of an investment prospectus that meets the needs of impact investors. These parameters will guide the team to develop and execute an analysis that does not exceed the needs of the investment team and makes efficient use of project resources. GW, together with CRC and InvesTT will engage in a data gathering exercise identifying what data is available, reliable and compatible, and based on this assessment they will conduct a data gap analysis to determine future data collection needs and create a data collection plan. Farm level analysis will examine how to maximise product yield with varying levels of investment and identify other investment opportunities along the cocoa value chain. Additionally within the cocoa workstream, the team will also explore branding, purchasing and marketing arrangements which include securing niche markets for purchase of products, developing at least one brand based on the Cocoa Carbon and Community model and investigating cocoa purchasing and marketing agreement opportunities.
 - (ii) **Net Zero Carbon Assessment:** GW along with other experts in the field will assess the drivers of carbon footprint along the local value chain and develop carbon reduction and mitigation options as well as their correlating impact and costs. The team will also explore opportunities for carbon offsetting which will include developing a carbon credit business model, protocols for carbon audits and testing.
 - (iii) **Social Impact Partnerships and Outcomes:** The team will assemble a community task force to identify high impact social benefits that can be derived from impact investment and which respond to local priorities, and will develop a business model for financing identified community programmes.
- 2.17 The GW team will work alongside selected experts to conduct financial analysis based on the three elements of the model (i) Feasibility: Collate data and information on project requirements, costs, risks and alternative approaches (ii) Integrated Analysis: Analyse the financial returns, the social and environmental benefits and associated risks and build a low risk (built around risk mitigation practices) attractive opportunity for impact investors (iii)

Financing and Design: Develop financial structures, business case and term sheets as well as partnerships agreements for impact investment and (iv) Performance and Impact Monitoring and Reporting Protocols: Design protocols on reporting of agreed impact indicators and disclosure obligations of each party to the agreement. The conclusion of this analysis will establish: (i) how much funding per acre should be invested, outline use of impact investment and its return in terms of projected yields and revenues, (ii) identify specific carbon mitigation and decarbonisation measures within the estate and amongst the supply chain and other carbon offsetting measures that can reduce operating costs and increase revenues and (iii) intended improved social impacts with specific projects to improve livelihood indicators.

- 2.18 The outputs of the economic and financial analysis of Cocoa, Carbon and Community models will be bundled into specific investment prospectuses depending on the interests of prospective investors. This analysis would be presented to potential impact investors including members of the advisory team as well as additional investors from the impact investment community, and other financial organisations that may wish to offer blended financing opportunities alongside impact investors. InvesTT shall partner with the GW team throughout this process to mainstream this impact investment model in their future operations to promote and attract investment in the cocoa and other relevant sectors in Trinidad and Tobago.
- 2.19 The expected outputs under this component are: (i) an assessment of carbon reduction and mitigation opportunities in proposed investee estates (ii) financial assessment of returns in investee estates, (iii) social impact baseline and assessment of opportunities in investee estates and fence line communities, (iv) completion of prospectuses and (v) presentation of Cocoa Carbon and Community investment prospectuses to 8 potential impact investors.
- 2.20 **Component III: Mobilisation of Impact Investment (USD 450,000; Counterpart USD 450,000)** The objective of this component is to secure initial funding from the impact investors and finalise agreements between the participating investees and the impact investor(s). Prior to the execution of any agreement, IDB Lab will facilitate due diligence to verify that prospective investors have policies, procedures and organisational capacity to appropriately identify, mitigate, manage and monitor the environmental and social risks as required by IDB's Environmental and Social Policy Framework.
- 2.21 The expected output of the component is an agreement for at least one impact investment under the Cocoa Carbon and Community model:

B. Project results, measurement, monitoring, and evaluation

- 2.22 The key outcomes targeted for this project are as follows (i) Piloting of the Cocoa, Carbon and Community Impact Investing Model which will be presented to impact investors and (ii) Mobilization of USD 450,000 in impact investment in the local cocoa sector and (iii) 1500 hectares of cocoa fields managed by investee estates will be under climate smart production upon receipt of impact investment.
- 2.23 In accordance with IDB Lab requirements, the Cropper Foundation, as the executing agency, will track and collate data on progress of the results included in the results matrix and will report on the achievement of these indicators via IDB Lab's Project Status Reporting (PSR) system. The sources and manner of collection and reporting of information and data required for the purpose of timely monitoring the project's progress has been outlined in the results matrix.

- 2.24 The Cropper Foundation has been allocated financing for project administration, based on their experience with community engagement and familiarity with IDB Lab development targets, they will monitor and report project achievements and development indicators against both the baseline and results matrix. Intermediate values in the results matrix will serve as the early success indicators and will help to identify if the project is on track or requires corrective action.

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS

A. Alignment with the IDB Group

- 3.1 This project is consistent with the Second Update to the Institutional Strategy (UIS) 2020-2024 (AB-3190-2) and is aligned with the development challenges of (i) productivity and innovation through the development and application of a financial instrument that will attract impact investment to the country that will result in expansion and improved performance of the cocoa sector as well as creation of jobs;(ii) Resource Mobilization with the expectation to not only attract impact investors but over time, other financing entities that have an interest in natural capital financing. This intervention is also aligned with the cross cutting issues of (i) gender equality and diversity by ensuring the inclusion of women in project activities, as well as undertaking a social impact baseline that will seek to inform the assessment, prevention or mitigation of any negative impact on women or other vulnerable populations triggered through the project and (ii) Climate Change and Environmental Sustainability, as the main deliverable for the project is the attraction of investment that seeks positive environmental and social impact in addition to financial returns.
- 3.2 The project also aligns with the IDB Group Climate Change Action Plan (2021-2025) through the mobilization of investor resources that will provide a line of green financing to estate owners to enhance the application of sustainable agriculture practices and reduce their carbon footprint.
- 3.3 The project is also consistent with the IDB Group's current Country Strategy with Trinidad and Tobago (2021-2015) specifically the cross-cutting themes of Climate Change and Gender and Diversity.
- 3.4 The project is also directly aligned with the IDB Lab's vertical in Agriculture and Natural Capital and the cross-cutting themes of climate change and Gender and Diversity. This project will also contribute to IDB Lab's targets for programming in Small and Island Economies, Climate Finance, projects supporting climate change mitigation, gender equality as well as diversity targets with a focus on Afro descendants.
- 3.5 The project will also contribute to the following Sustainable Development Goals specifically, SDG 8 related to decent work and economic growth, and particularly to the sub-objective 8.3 focused on encouraging the formalization and growth of MSMEs, including through access to financial services; SDG 15 Life on Land target 15.1 in that it will promote degradation-neutrality of land, and SDG 13 Climate Change target 13.b in that the project will raise capacity for effective climate change management within a small island developing state.
- 3.6 Approximately 35% of the total IDB funding for this project is invested in climate change adaptation activities according to the joint MDB approach on climate finance tracking. This contributes to the IDB Group's goal of increasing the financing of projects related to climate change to 30% of total approvals by the end of 2022.

B. Scalability

- 3.7 Since project inception, the project team has recognized the need to collaborate with key stakeholders to ensure sustainability and scaling of this approach to attract impact investment, for this reason InvesTT, Trinidad and Tobago's investment promotion agency has been included as a critical team member actively participating in both project design and project implementation activities. InvesTT will form a core part of both the Steering Committee and Impact Investor Advisory Committee during project implementation, with the objective to understand the requirements of the impact investor community and seek to incorporate the targeting of impact investors into the InvesTT investor attraction model in relevant sectors not limited to cocoa. The InvesTT team has already begun collaborating with farmers and other entrepreneurs in the cocoa sector and have identified financiers from the European market who have expressed an interest investing in the Trinidad and Tobago cocoa sector.
- 3.8 The project will also prioritize engagement with other financing entities that can provide additional blended financing to expand funding allocated to social and environmental issues and thereby reduce project risks and maximize returns. In Trinidad and Tobago there are least two commercial banks with regional presence that are being targeted for additional investment, both entities have indicated public interest in financing activities directed towards conservation as well as the agricultural sector. Additionally, all knowledge produced by the project (e.g., Component II) will be systemized to document the potential impact and support impact investment scaling activities for cocoa and other crops that face similar investment challenges.

C. Project and institutional risks

- 3.9 The overall project risk level is assessed as low. The following have been identified as the main technical risks to the project
- 3.10 Project execution risk: If farmers do not understand the value proposition and do not agree to participate in the project there will be no pilot farms that can be assessed to attract impact investment. To mitigate this risk, funds have been allocated to allow the project team to engage in meaningful and thorough engagement with prospective farmers in order present the opportunities, to understand farmer needs, aspirations and concerns and assure the farmers that their participation in this project will serve as an important opportunity to attract investment and de risking mechanism to achieve growth and market access in lieu of pursuing an individual incremental path to growth.
- 3.11 Project execution risk: If participating farmers are unable to implement the activities outlined in the bundled investment prospectus, the impact investor may annul the agreement, and this can negatively affect future attraction of impact investment into the country. To mitigate this risk, the project implementing team will design and apply robust selection criteria for the selection of the pilot farms, and key considerations will include the farmer/estate owner's capacity and willingness to engage in the actions agreed to between the investee farm and the impact investor.
- 3.12 Project execution risk: If modelling and investment criteria do not align with the requirements of the impact investor this will negatively affect achievement of the project objective to attract impact investment into the cocoa sector. To mitigate this risk the Executing Agency will work closely with the impact investor advisory group to ensure the data collected and analyzed to inform investment prospectuses align with the market needs of the impact investor group.

- 3.13 The Institutional Risk according to the Assessment of Integrity and Institutional Capacity (DICI), is rated as Low.

IV. INSTRUMENT AND BUDGET PROPOSAL

- 4.1 The project has a total cost of US\$ 949,800, of which US\$ 459,000 (48%) will be provided as a non-reimbursable technical cooperation by IDB Lab, and US\$ 490,800 (52%) will be provided by the counterpart. Counterpart financing will include cash from impact investors and in-kind resources from the project partners, as well as administrative and management support from the Executing Agency and technical partners GW, CRC and InvesTT.
- 4.2 The project budget is summarized below in the following table:

Project components	IDB Lab	Counterpart (Cash and In-Kind)	Total
Component 1: Identification of Investment Properties (Farms) and Impact Investors	\$185,000	\$12,000	\$197,000
Component 2: Baseline Study and Financial Analysis	\$217,500		\$217,500
Component 3: Mobilization and Impact Investment		\$450,000	\$450,000
Project administration	\$56,500	\$28,800	\$85,300
Total	\$459,000	\$490,800	\$949,800
% of financing	48%	52%	100%

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Executing agency description

- 5.1 **The Cropper Foundation** will be the executing agency of this project and will sign the agreement with the Bank. The Cropper Foundation (TCF) was incorporated on August 24th, 2000, in Trinidad and Tobago as a Non-Governmental Organization (NGO) by John and Angela Cropper, as a vehicle to continue their decades-long commitment to the sustainable development of the Caribbean region. Now in its second decade of contributing to Caribbean development, TCF has sought to expand its understanding and influence, and has established its reputation as a thought leader in key thematic areas that include: natural capital, data for development, education for sustainable development, civil society leadership and sustainability financing. Most recently TCF has partnered with ANSA Merchant Bank in Trinidad and Tobago and Barbados, as well as ANSA Bank in Trinidad and Tobago and the Capitals Coalition to launch the Caribbean Natural Capital Hub.
- 5.2 TCF has previous experience working with IDB Lab having successfully executed the project ATN/ME-15827-TT "Making Agriculture Profitable and Sustainable". Additionally, the organisation is also the executing agency for the project ATN/ME-19128-TT, "Catalysing and Connecting the Circular Economy in Trinidad and Tobago".

- 5.3 **Institute for Corporate Responsibility, George Washington University (GW)** will be one of the principal technical partners for this project leading the analysis and creation of the impact investing model and prospectuses that will be used to attract and secure initial impact investments under this project. One of GW's core areas of focus is impact investing, in this regard, the GW team has examined impact investments in agricultural sector in Rwanda and co-founded the Investing for Impact Lab (i4i Lab), which focuses on combining finance and development to create and monitor impact investing strategies. Leveraging its track record in the field of impact investment, GW will introduce key partners to serve on the project's impact investment advisory board to guide the development of the impact investing model and help to secure initial investors. Such partners may include: (i) Impact Bridges Group, a founding member of i4i Lab; this organization is a nonprofit that focuses on impact investing and works with actors in innovative financing and management consulting to appraise potential investments focused on social and environmental impacts, (ii) Amani Partners who will help determine the farm level data required to frame investment prospectuses (iii) and Stella Group whose main focus will be identifying mechanisms to offset carbon at the cocoa estate (farm) and throughout the supply chain in processing and sales.
- 5.4 **The Cocoa Research Centre (CRC)**, based in Trinidad and Tobago at the University of the West Indies, St. Augustine, and will work in conjunction with GW in mobilizing and engaging potential investee cocoa estate pilot farms and cocoa farming and processing communities to promote and share knowledge on the opportunities afforded, as well as the project approach and scope (to test appetite and feasibility of impact investing as a driver of sustainable growth in Trinidad and Tobago's cocoa sector). The CRC will also support the GW team with their onsite analysis of opportunities for improving cocoa yields and identifying other constraints affecting the farmers and their surrounding communities.
- 5.5 CRC is a global leader in the conservation and characterization of cocoa germplasm. The skilled team collaborates with international researchers in pathology, molecular diagnostics and morphological characterization. Additionally, the CRC is the custodian of the International Cocoa Genebank with over 2400 varieties, one of the largest and most diverse genebanks in the world.
- 5.6 CRC is internationally recognized as a centre for research and knowledge of the region's cocoa sector and brings to the project a wealth of experience and understanding of the technical and market opportunities and challenges specific to Trinidad and Tobago's cocoa industry. The trusted relationships CRC has built over the years with farmers and estate owners will play a critical role in the success of this project.
- 5.7 **InvesTT** is Trinidad and Tobago's Investment Promotion Agency and aligned to the Ministry of Trade and Investment to deliver technical and advisory support and facilitation for both local and foreign direct investment in Trinidad and Tobago. In this role InvesTT operates as the first point of contact for investors and through their team provides sector as well as country information, and facilitates business to business exchanges and other support services. Recently, InvesTT has partnered with the Cocoa Research Center and the European Union Delegation to host a series of webinars seeking to revitalize the cocoa industry in Trinidad and Tobago by bringing together local stakeholders and European businesses to explore emerging opportunities for collaboration, financing and sustainability across the cocoa supply chain. InvesTT will be an important partner to ensure the inclusion of impact investment models in future investment strategies and investment facilitation services in Trinidad and Tobago.

B. Implementation structure and mechanism

- 5.8 The Executing Agency will establish an execution unit and the necessary structure to execute project activities and manage project resources effectively and efficiently. The CEO of the Executing Agency will work in collaboration with a project coordinator to plan and manage project activities, IDB Lab resources and coordination with other partners and stakeholders within the project. The Executing Agency will also be responsible for submitting progress reports on project implementation. Details on the structure of the execution unit and reporting requirements are in Annex V in the project technical files.
- 5.9 The governance structure will include a project Steering Committee that will be chaired by the Executing Agency. The Steering Committee will include representatives from the executing agency, GW, CRC, as well as InvesTT, and IDB Lab will participate as an observer. The Steering Committee will initially meet on a monthly basis after project approval to define and agree on a project implementation plan, and to ensure effective communication between all technical partners. Initial focus will also be placed on mobilising additional financing from other entities.
- 5.10 In addition to the project Steering Committee, the project implementation structure will also consist of an Impact Investor Advisory Committee. The purpose of the advisory team will be to help guide the content of the investor proposals in a manner that is practical and which demonstrates the returns that will be of interest to impact investors.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Disbursement by results and fiduciary arrangements.** The executing agency will adhere to the standard IDB Lab arrangements relating to disbursement by results, Bank procurement²³ and financial management²⁴ policies, as specified in Annexes V and VI.
- 6.2 **Results Based Disbursement:** The project will be monitored by the IDB's Country Office in Trinidad and Tobago. Monitoring will be undertaken in accordance with the performance and risk management policies (fulfilment of milestones), as established by the IDB Lab. Project disbursements will be contingent upon verification of the achievement of milestones (pre-determined outputs critical to achievement of the development objectives). Achievement of milestones does not exempt the Executing Agency from the responsibility of reaching the results matrix indicators and project's objectives.
- 6.3 **Financial Management and Supervision:** The Executing Agency will establish and be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB Lab. For the procurement of goods and contracting of consulting services, the Executing Agency will adopt the principles of IDB Policies (GN-2349-15 and GN-2350-15).

²³ Link to the Policies for the [Procurement of Goods and Works financed by the Inter-American Development Bank](#).

²⁴ Link to the [Financial Management Guidelines for IDB-financed Projects](#). [\[update link\]](#)

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** Project information is not considered confidential under the IDB Access to Information Policy. This document is therefore public in accordance with said policy²⁵.
- 7.2 **Intellectual property.** The Executing Agency shall own the intellectual property rights to all works produced or results obtained under the project, and will grant the IDB Group an irrevocable, worldwide, perpetual, royalty-free, and non-exclusive license to use, copy, distribute, reproduce, publicly display, and perform any and all Executing Agency intellectual property derived from execution of the project, as well as to create derivative works.

²⁵ [Link to the Access to Information Policy](#), and [Link to IDB Lab Document Classification](#).