PRODUCER ORGANISATION ACCESS TO FINANCE:

LESSONS FROM THE COCOA SECTOR IN CÔTE D’IVOIRE

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Contents

SUMMARY

This case study concerns cocoa producer cooperatives in Côte d'Ivoire and determinants of their access to finance. Côte d'Ivoire is the world's largest producer of cocoa. Most of the production is handled by cocoa cooperatives, which have consequently been the focus of numerous training and development interventions, led by the off-takers (buyers) or by Government and development partners. AMEA plans to build on this body of experience to inform its work on key questions relating to access to finance:

- Have technical assistance (TA) and Business Development Service (BDS) support to farmers and POs enabled access finance?
- What are the most promising initiatives in supporting farmer and PO access to finance and development of a financial track record?
- Would a database of PO capacities be useful to governments and value chain actors? and
- What is an efficient and effective approach for the delivery of segmented, targeted capacity development for the improvement of farmer and PO access to finance?

The study had two main components: initial quantitative analysis of available data, drawing particularly on a dataset of cocoa cooperative "professionalism" assessments; and subsequent in-country work, of a largely qualitative nature, to validate and delve deeper into those initial findings.

Key findings include:

- Although there are roughly 3500 cocoa cooperatives in Côte d'Ivoire, it seems that 700-900 handle 85-90% of the crop and these are the focus of most attention from the cocoa exporters
- The Government's *Conseil de Café et Cacao* tries to work with a large swathe of cocoa cooperatives - roughly 2000 (reviewed annually), with the remainder regarded as very weak
- Notwithstanding the existence of some very large cocoa cooperative businesses, many of the cooperatives, even those in the group of relatively larger cooperatives, with whom the off-takers work, are relatively weak. Many are very dependent on a single central figure, apparently contributing to instability. (Stakeholders refer to a cooperative lifespan of 3-8 years).
- The analysis has confirmed – in broad terms – expected factors affecting access to finance (volumes of business, internal and financial management).
- Training has clearly contributed to cooperative access to finance, but other factors, including broad banking "due diligence" and repayment guarantee mechanisms are also important.
- Considerable dynamism in financial services – particularly mobile money and digital finance – is contributing to emerging sharp growth in access to finance by cooperatives *and their members.*

Conclusions and recommendations take account of key development concerns (inclusion, cost-effectiveness, scale, transferability and sustainability) underlining the importance of:

- Strengthening cooperatives, with a focus on rural services (to impact rural poverty)
- Key partnerships for scale (large off-takers, Government and MFIs targeting the rural poor)
- Using scale (cocoa volumes handled) as a widely understood first "cut" at segmentation and addressing the needs of mid-sized cooperatives (potentially viable but still weak with unmet financing needs), and
- Beyond that, learning from MFI experience on market segmentation for financial services.

List of acronyms

AGRA	Alliance for a Green Revolution in Africa
ALP	Agribusiness Leadership Program (of IFC)
AMEA	Agribusiness Market Ecosystem Alliance
ANADER	l'Agence Nationale d'Appui au Développement Rural (the agency responsible for agricultural extension in CdI)
A2F	Access to Finance
BDS	Business Development Services
CCC	le Conseil du Café Cacao
CdI	Côte d'Ivoire
CFI	Center for Financial Inclusion
CGIAR	Consultative Group for International Agricultural Research
cif	cost insurance freight
CNFA	Cultivating New Frontiers in Agriculture
CSAF	Council on Smallholder Agricultural Finance
EFI	European Forest Institute
FAOSTAT	Food and Agriculture Organisation (of the United Nations) Statistics
fcfa	West African franc (franc cfa); pegged to the Euro (1 fcfa = Euro 0.0015)
FCIP	the Farm and Cooperative Investment Program
FI	Financial Institution
FSP	Financial Service Provider
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GISCO	German Initiative on Sustainable Cocoa
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IDH	The Sustainable Trade Initiative
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFPRI	International Food Policy Research Institute
ISO	International Standards Organisation
IWA	International Workshop Agreement
OHADA	l'Organisation pour l'Harmonisation en Afrique du Droit des Affaires
MFI	micro-finance institution
MOCA	Maximising Opportunities in Cocoa Activity
NGO	non-government organisation
PIM	Policies, Institutions and Markets
PO (/FO)	Producer Organisation (sometimes also FO, Farmer Organisation)
SCOOPS	Société coopérative simplifiée
SCOOP-CA	Société coopérative avec conseil d'administration
SIB	Société Ivoirienne de Banque
SME	Small and medium enterprise
SOCODEVI	Société de Coopération pour Le Développment International
ToRs	Terms of reference
UNACOPPEC-CI	Union Nationale des Coopératives d'Epargne et de Crédit de Côte d'Ivoire
UNDP	United Nations Development Programme
VAT	value added tax
XOF	West African franc (also referred to as fcfa); pegged to the Euro (1 fcfa = Euro 0.0015)

Acknowledgements

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INTRODUCTION

Background to the case study

The Agribusiness Market Ecosystems Alliance (AMEA) is a network whose members and partners are committed to accelerating the development of professional farmer organisations. AMEA facilitated the consultation process that resulted in the development of ISO guidelines for the characteristics of professional farmer organisations (IWA 29: 2019[1]).

AMEA commissions case studies to support learning and improvement related to the AMEA approach and the tools it promotes. The overall purpose of this case study is to improve the understanding of how to address the producer organisation (PO)[2] capacities that will lead them to become "bankable".

In 2020, AMEA commissioned a study that drew lessons from three International Finance Corporation (IFC)-supported but private sector driven projects:

- the Cargill Coop Academy, for cocoa POs, in Côte d'Ivoire
- the Olam Cotton/Cocoa capacity building programme, in Côte d'Ivoire, and
- the Telcar Coop Academy for cocoa POs, in Cameroon.

With additional data and reporting from other projects working with cocoa cooperatives in Côte d'Ivoire, AMEA proposed to dive deeper into this body of experience. Exploring PO access to finance, the study was intended to focus on the design and effectiveness of BDS for cocoa sector POs, and the potential for sustainable scaling of successful approaches, via public or private avenues.

Terms of reference

The terms of reference (ToRs) outlined 17 specific areas of enquiry, grouped under three main headings:

- Design and delivery of BDS
- Effectiveness and attribution, and
- Scaling strategies.

In addition, where possible, a gender lens was to be used and distributional impacts explored. This is extremely important in the context of widespread poverty among cocoa farmers in West Africa and actions in support of a living income for cocoa farmers (see e.g., Tyszler *et al*., 2019). Insights on the transferability of lessons are also sought.

After completion of the initial quantitative analysis, some modifications to the ToR were agreed, nonetheless still contributing to AMEA's key ''access to finance" questions. The revised ToRs focused on:

- Access to finance
- How POs respond to intervention programmes, and
- Interpreting PO assessment data and how this could relate to a potential PO database.

[1] https://www.iso.org/standard/75808.html
[2] The Terms of Reference refer interchangeably to farmer organisations (FOs) and producer organisations (POs). These are assumed to be the same thing and are referred to as POs in this report.

The initial and revised ToRs are attached at Annex 1.

Approach to the work

The work was divided into two main phases: an initial phase of analysis of the quantitative data, followed by more qualitative in-country follow-up - with inevitable feedback loops between the two.

The quantitative analysis is fully described in a separate report (Chell and Gordon, 2022).

The field work, conducted in March 2022, involved field visits and key informant interviews with a wide range of stakeholders in the cocoa sector in Côte d'Ivoire (including representatives of cooperatives, off-takers, NGOs, projects and donors working with cocoa farmers, Government, banks and MFIs, providers of training and assessment services, as well as AMEA's country co-ordinator).[3]

As the work unfolded, regular discussions were held with AMEA and other key stakeholders, to provide updates, and seek clarifications and agreement on emphasis, where appropriate.

Structure of the report

Beyond this introductory section, the report is organised as follows:

- a sector overview briefly describes the context in which the cocoa cooperatives operate
- the next section summarises the data available and the approach to the quantitative analysis
- four key topics are then explored (BDS design, PO response, outcomes [particularly access to finance] - and how approaches might be scaled), based on quantitative and qualitative analysis
- finally, conclusions and recommendations are presented.

[3] Desk and field research were largely completed before the 2022 sharp increase in global prices was fully felt in Côte d'Ivoire (particularly affecting the prices of imported fuel, fertiliser and food). Its effects – particularly on poverty rates - are therefore not reflected in this report. However, as the report's key findings relate to longer-term processes and trends, they are unlikely to be significantly affected by events in 2022.

THE COCOA SECTOR IN CÔTE D'IVOIRE

Overview of the cocoa sector and its contribution to the Ivoirian economy

As the world's top exporter of cocoa and raw cashew nuts and a net exporter of oil, with a significant manufacturing sector, Côte d'Ivoire is the largest economy in the West African Economic and Monetary Union (World Bank, 2021[4]). With a population of almost 28 million (estimated, end-2022), it has an overall poverty rate of c. 40% (national poverty line, 2018) with rural poverty rates higher still (Ibid). Its human development index ranking is below the average for sub-Saharan Africa (0.538 compared with 0.547, 2019), with almost 58 years life expectancy at birth and a mean of 5.3 years of schooling (UNDP, 2020[5]). Agriculture accounts for 21.5% of GDP (2018 data, World Bank, 2019).

Cocoa production, which has quadrupled since Independence in 1980, is Côte d'Ivoire's most important source of foreign exchange (accounting for more than one third of revenues). It contributes an estimated 14% to GDP and 10% to the public purse, but despite its pre-eminent position in the Ivoirian economy, only 5-7% of the value in the global cocoa-chocolate value chain is generated in Côte d'Ivoire. Most value is added downstream, where Côte d'Ivoire's participation is minimal (World Bank, 2019).

Roughly one million smallholders (supporting an estimated 5-6 million people) produce an estimated 2.2 million tonnes of cocoa beans (FAOSTAT, 2020[6]), representing 40% of global production. Most cocoa farmers have plantations of 1-3 has and 55% live below the poverty line. Additional employment is generated in the marketing and handling of the crop. (World Bank, 2019, GEFAK, 2015).

Cocoa producer cooperatives

There are roughly 3500 cocoa cooperatives, of which 700-900 handle 85-90% of the cocoa crop (see Figure 1)[7]. The large buyers interact with that latter group. The cocoa cooperatives are often very dependent on a single person and tend to have a life of 3-8 years[8]. GEFAK (2015) indicates that around 50% of cocoa producers belong to a cooperative, though this may have subsequently increased. A farmer can belong to more than one cooperative, if s/he wishes[9] (although CCC is issuing digital cards intended to limit this practice), and active member numbers may be fewer than the stated membership.

In 2014, Côte d'Ivoire legally adopted the OHADA co-operative framework[10], which is used by a number of countries in Africa. There are two types of cooperative society (Gbede, undated):

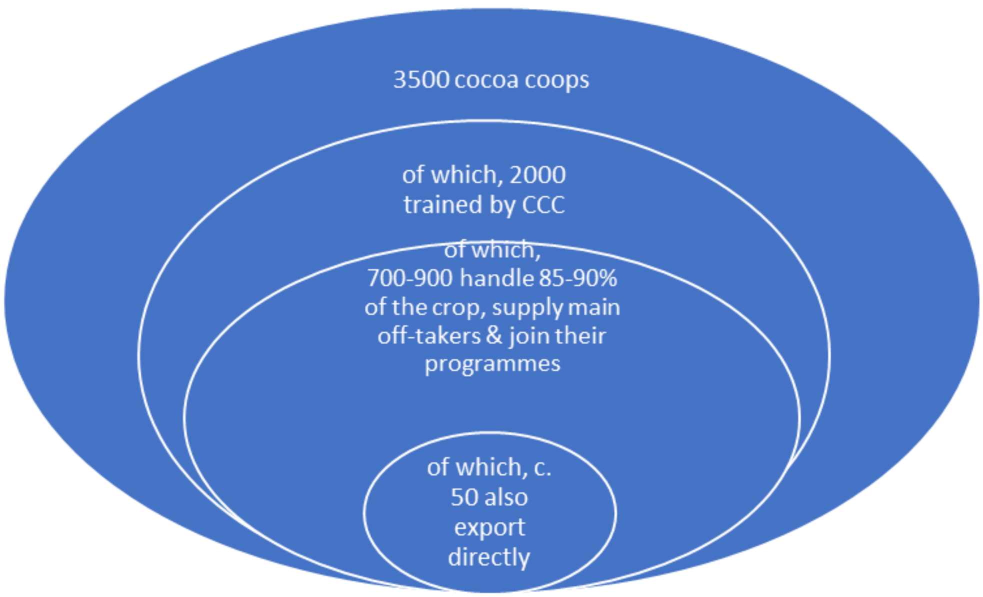
- a SCOOPCA (formed with a minimum of 15 members and a board of directors), and

[4] https://www.worldbank.org/en/country/Côtedivoire . Accessed 24 April 2022.
[5] https://hdr.undp.org/sites/default/files/Country-Profiles/CIV.pdf . Accessed 24 April 2022.
[6] https://www.fao.org/faostat/en/#rankings/commodities_by_country . Accessed 24 April 2022.
[7] These estimates were provided by a CCC official. Nitidae and EFI (2021) estimate a much lower cooperative share of just 45%. However, they also elaborate the interlinkages between private trader and cooperative supply chains, and point out that cooperative share is increasing, with the growing focus on certification and traceability.
[8] CCC suggests 3-5 years (pers. comm. March 2022); 3-8 years captures the wider range suggested by others.
[9] The registered member is usually the landowner (generally an older male); during discussions with cooperative officials, many said that women and younger farmers are active *de facto* members, even if not registered as such.
[10] www.ohada.com

- a SCOOPS (a simplified structure formed with a minimum of 5 members).

Cooperative status confers important tax benefits in Côte d'Ivoire. Agricultural production cooperative societies are excluded from tax on commercial profits (EIA International, 2021, p352). This is in addition to the VAT exemption that applies to agricultural activities[11]. (Nonetheless, and as mentioned below, tax is effectively levied on the sector via the farm-gate price setting mechanism and its provisions). The relative ease with which it is now possible to register a cooperative, combined with these tax benefits, has undoubtedly contributed to the large number of relatively small cooperatives (see below).[12]

Figure 1. Approximate numbers of cocoa cooperatives of different sizes in Côte d'Ivoire



Source: authors' estimates based on interviews in Côte d'Ivoire, March 2022[13].

Notwithstanding some important exceptions, including some very large commercial producer cooperatives[14], there is widespread agreement that most of the cooperatives are weak – and lack resilience – even within that 700-900 group of larger players. GEFAK (2015) states that most of the cocoa cooperatives are not functioning as farmer organisations or businesses. A CCC official said it is not unusual to find that a village with a combined cocoa production of just 1000 tonnes might have 50 cooperatives (an average of 20 tonnes

[11] https://www.wto.org/english/tratop_e/tpr_e/s362-03_e.pdf

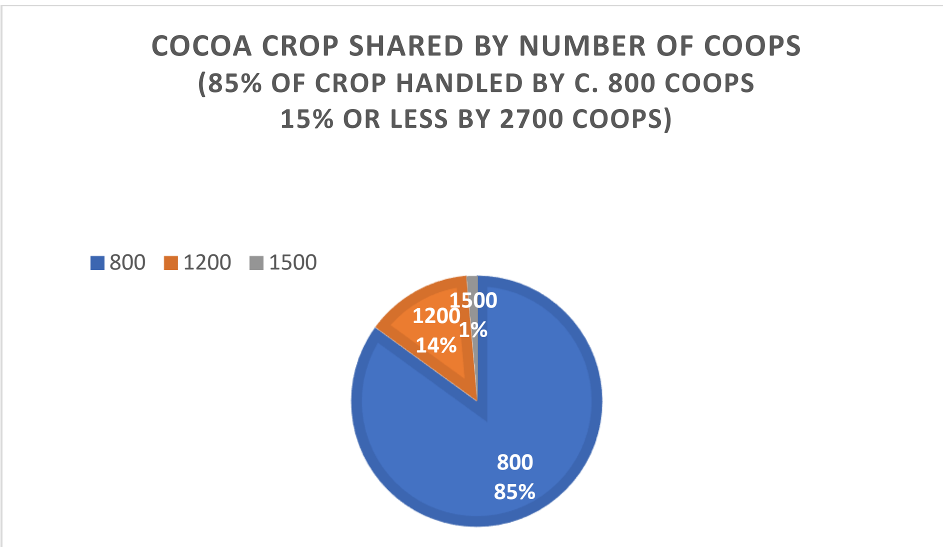
[12] Citing Ruf *et al* (2019), Nitidae and EFI (2021, p38) state that: "Most coops are not the result of a process of self-organisation with a strong sense of belonging from their members. Rather, they are initiatives of traders and local leaders aimed at benefiting from certification and sustainability programmes."

[13] Estimated numbers of cooperative exporters also based on KPMG list of c. 50 Ivoirian exporters of cocoa for 2016-17 including many cooperatives (https://en.gni.ci/post/cacao-1)

[14] Some handle c. 10,000 tonnes of cocoa annually, with a farmgate value of Euro 12.5 million (2021/22 season). The quantitative analysis of the roughly 200 cocoa cooperatives for which 2020 assessment data were available, undertaken for the present study, indicated average cooperative cocoa volumes of 1700 tonnes per annum (Chell and Gordon, 2022, Annex 4).

each) and indicated that 1500 are functional but at a very low-level. (See Figure 2 with estimates of how the cocoa crop is shared among cooperatives). Many are poorly managed, under-resourced and have difficulty engaging members. SCOPEinsight reports similar findings, based on its assessments of cooperatives (mostly in the cocoa, coffee and cotton sectors)[15], despite presumably most of these falling into that group of relatively larger cooperatives (as these would be the POs recruited into the schemes using the SCOPEinsight assessments).

Figure 2.



Source: authors' estimates based on interview data, March 2022

Key challenges facing the cocoa sector in Côte d'Ivoire

The cocoa sector is extremely important to the Ivoirian economy, but most cocoa producers remain very poor[16]. Moreover, despite the focus on child labour and deforestation – and efforts to tackle this via awareness-raising, certification and traceability - both remain a problem[17].

Farmgate prices are set by the Government each year, derived from a formula that gives farmers c. 60% of the expected world market price for cocoa[18] (based on forward sales), as well as fixed payments for

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[15] https://scopeinsight.com/living-income-in-Côte-divoire/

[16] https://files.fairtrade.net/publications/Revenu-des-producteurs-de-cacao-CDI-rapport-final-2021.pdf

[17] Côte d'Ivoire's natural forests now stand at 25% of the area occupied in 1960 (World Bank, 2019). Fountain and Hüetz Adams (2018) suggest an even more dramatic decline in forests and cite claims that 30-40% of the Ivoirian cocoa crop comes from within classified or protected areas (this is also reported by Nitidae and EFI, 2021). NORC (2020) estimates that almost 790,000 children were employed in cocoa production in Côte d'Ivoire in 2018/19 (see also Fountain and Hüetz Adams, 2018).

[18] To set this in context, in Ghana, farmers receive in excess of 70% of the global price, and in Cameroon and Nigeria 80-90%. High domestic marketing costs and taxation (the latter c. 22% of the cif price) account for the comparatively low farmgate price in Côte d'Ivoire. (World Bank, 2019). The discrepancy with Ghana is a

Government and the cooperatives. Moreover, despite its position in global production (which is still greater when it acts in concert with Ghana, as the two countries produce 65% of the world's cocoa (2018 data, World Bank, 2019)), Côte d'Ivoire remains a price taker. That position has been compounded by the tendency over the last 10-15 years for producing country governments to reduce their role, whilst there has been growing consolidation amongst global buyers. This was amply demonstrated by the 33% decline in global prices in 2016/2017, leaving some Ivoirian cooperatives unable to pay farmers agreed prices (see e.g., Fountain and Hüetz Adams, 2018).

Although there are some concerns over whether supply will match growing global demand for cocoa, in the short run, there is still a need to carefully balance supply and demand, to limit price volatility. In the long run, if West Africa costs rise too much, there are other producers that could step-up (particularly in Latin America and south-east Asia). This remains a threat despite a gradual increase in global demand, driven particularly by growth in markets in Russia, India and China.

So the challenge for Côte d'Ivoire is how to sustain – and enlarge – its cocoa economy, whilst improving living standards for its rural population, reducing child labour and protecting its natural forests. Those points are inter-related and any mis-steps could lead to loss of market share and falling living standards.

The World Bank (2019) argues that there is an urgent need to modernise Côte d'Ivoire's cocoa sector and ensure that benefits accrue to all its actors. It proposed a three-track approach:

- leverage technology to increase yields and shift from extensive to intensive growth
- set up traceability systems to offer consumers a guarantee of responsible cocoa production; and
- develop the local processing industry.

Ultimately, stronger producer cooperatives can play a role in all three areas. As farmgate buyers of cocoa and via traceability and certification, they have a role in protecting the forest. They are potentially well-positioned to promote technological change in cocoa production. And – directly or indirectly – they can be key players in local processing. However, whilst a few of the larger cooperatives are already active in all three areas, this could only be realized on a larger scale if more cooperatives are stronger and able to secure access to finance.

compounding factor as it also leads to some "leakage" of the Ivoirian crop to its neighbour (see e.g., Nitidae and EFI, 2021). Moreover, not all Ivoirian farmers receive that price, as local traders offer lower prices (which farmers nonetheless accept if they have immediate cash needs or few other options to make a timely sale).

OVERVIEW OF THE QUANTITATIVE ANALYSIS: DATA AVAILABLE AND ANALYTICAL APPROACH

How the findings from the data analysis are reported

The terms of reference (ToRs) anticipated a study with two main components:

- initial (primarily) quantitative analysis, followed by
- (primarily) qualitative analysis (including field work), to explore and better understand the patterns and relationships identified by quantitative analysis.

This section provides an overview of the approach to the quantitative analysis. Relevant quantitative results are reported in the Key Topics section and reflected in the Conclusions and Recommendations.

The data analysis was a significant part of the case study. It was unusual for a study like this to have access to such data, contributing to a rich and wide-ranging body of information. A more detailed report (Chell and Gordon, 2022) provides a full account of the data shared, its analysis and findings.

Data available

Some of AMEA's partners agreed to share data and reporting relating to their work with cocoa cooperatives in Côte d'Ivoire in 2020 (see Table 1).

Table 1. Main programmes in Côte d'Ivoire for which 2020 data was shared			
Project	# of POs	Focus	Information available
IFC	c. 175 (but SCOPEinsight assessment data available on fewer)	Off-taker supported capacity development to cocoa supplier POs	Assessment data; (2020 AMEA study as background)
IDH-FCIP 2017-2021	Target of 300 coops (largely exceeded); SCOPEinsight assessment data available on fewer	Capacity development and access to finance – facilitative approach with multiple partners, wide range of interventions	Assessment data; evaluation & project reports.
CNFA-MOCA 2017-2021	24 (assessment data available for 22 POs)	Support to cocoa POs, throughout the value chain (access to finance was one component)	Final project report. Assessment data (SOCODEVI tool).
Other:			
Bankability metrics	This is a wider study of determinants of access to finance, in the public domain. A comparative analysis with results from the case study was sought.		

Most of the data shared that was suitable for detailed quantitative analysis related to assessments of cocoa cooperative "professionalism" undertaken using SCOPEinsight assessment tools. Consequently, the quantitative analysis was based mainly on 206 assessments[19] from 2020, 157 of which could be paired with an earlier assessment. Of those that could be paired, 94 of the 2020 assessments were second assessments and 59 were 3rd assessments (with a few that were 4th and even 5th assessments)[20].

Other sources, including SOCODEVI data and information available in reports, were very useful in helping to corroborate and explain findings emerging from that analysis, but did not provide directly comparable information that could be used in detailed quantitative analysis of pooled data.

Approach to data analysis

Once the data had been shared and reviewed, a data analysis plan was developed, informed by the nature of those data, as well as document review, and discussions and clarifications provided by key stakeholders. The agreed approach focused on analysis of SI assessment scores and factors that drive change in those scores, as well as analysis of factors affecting reported access to loans.

Initial analysis highlighted two points that have a marked effect on the results. This is key because some initial findings were over-turned once the data were sub-divided to control for those factors, and re-analysed. Firstly, SCOPEinsight has been assiduous in its efforts to ongoingly improve its assessment process, so it has modified and developed new versions of its tools, in response to feedback. The data shared for the case study had been collected largely using two different versions of the assessment tool, meaning that the results were not directly comparable. Secondly, the data seemed to indicate that where an organisation has only been assessed twice (1st and 2nd assessments) the change in score tends to be positive and larger, than that observed for subsequent assessment pairs (where the observed "uplift" was weaker and less consistent).

Controlling for these effects made it necessary to analyse 2 sets of paired PO assessments, which corresponded to the assessments carried out as part of two different projects:

> Group 1 of 47 POs (using an earlier version of the assessment tool, largely 1st and 2nd assessments), and
> Group 2 of 64 POs (using a later version of the assessment tool, largely 2nd and 3rd assessments).

A further 46 pairs were excluded from the analysis because two versions of the tool were used in one pair, or because that sub-group of paired assessments was very small.

In general, where statistical significance is reported, a minimum bar of 95% probability has been applied (i.e., giving rise to statements like "there is a 95% probability that these two variables are associated"). The observed degree of confidence in a particular finding is affected by the sample size (positively) and by its variability (negatively).

In consultation with AMEA, the findings from the quantitative analysis informed the focus of subsequent in-country follow-up, including modifications to the ToRs (see detail above and at Annex 1).

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19 As 4 organisations were assessed twice in 2020, the 2020 data relates to 202 POs.

20 This was not the entirety of the relevant SCOPEinsight dataset, as the amount of data and the manner in which it was available meant that it would have been inefficient to have requested data unlikely to be of use. Moreover, information that would identify individual POs was not shared.

Challenges and limitations of the approach

In seeking to address AMEA's core interests in this case study (factors, including BDS, that influence PO access to finance – and related recommendations on scaling), two main limitations have emerged:

- Relatively little is known about the wider group of cocoa cooperatives (see Figure 1). The findings relate mainly to the relatively larger 700-900 POs, potentially limiting their applicability to just this group.

- Most of the quantitative data shared related to two projects, so the anticipated in-depth quantitative analysis of different programmes of support has not been possible. (Moreover, comparisons between those projects were compounded by the use of different versions of the assessment tool).

The implications of this, to which we return in the recommendations section, are two-fold:

1. A fuller picture of the broader PO "landscape" would be helpful in situating the analysis and drawing out wider recommendations; and

2. This experience suggests it would be difficult to conduct a robust quantitative study of the type originally envisaged (permitting attribution of results to different types of BDS), given the number of variables that would need to be controlled and the likely variability in the observations. As each of these factors is controlled, so the sub-groups become smaller, making it harder to derive statistically significant results.

   Table 2 illustrates this, showing changes in assessment scores for separate categories, in which it was possible to control for the version of the assessment tool and the order of the assessment. It shows how the more modest improvements observed with Group 2, coupled with higher variability, make it hard to establish substantial change in scores at a 95% confidence interval. An improvement in score is confirmed, but only just.

Table 2: Group 1 & Group 2 - comparison of average change in scores (95% confidence interval)			
	Group 1 – 1st to 2nd assessments	Group 2 – 1st to 2nd assessments	Group 2 – 2nd to 3rd assessments
Number of assessment pairs	46	18	45
Average change	1.0402	0.3989	0.2170
Standard deviation	0.2981	0.6035	0.8408
Standard error of mean	0.0444	0.1464	0.1267
Minimum average change (95% confidence interval)	0.9670	0.1580	0.0085
For both Group 1 and Group 2, one higher order assessment pair has been excluded. Further detail is available in Chell and Gordon, 2022.			

BDS, ACCESS TO FINANCE AND SCALEABILITY

Design of BDS

Broad focus and scope of projects considered

Table 3 summarises information on various projects considered in the case study, including their principal focus and types of BDS provided (the amount of detail available on each varied).

Most of these projects have a focus on strengthening the management of the POs, through training of POs, and improving access to finance. Many also provided technical training (especially on GAP).

(Note that there are also many training programmes for cocoa POs that focus on "sustainability" [often linked to certification]. These cover the requirements of the programmes and the measures needed to ensure that a PO can demonstrate compliance. These have not been a focus for this case study).

Recruitment of POs into different programmes and the use of assessment data or other information.

With the exception of the ANADER and CCC training, it seems that all of the POs that participate in the listed programmes fall into that group of 700-900 relatively larger POs, with an established trading relationship with the main off-takers. This is indicated by their inclusion in the training programmes of those off-takers, by project objectives and/or by lender criteria that variously include certification, a minimum number of years selling to the main off-takers, and pre-finance obtained from off-takers.

All organisations sift and segment the producer organisations with which they work, in as much as none randomly recruits any PO to its programme. Some organisations may have a formal process with clear and explicit criteria, whereas for others the process may be more informal. This can take the form of:

- the application of minimum criteria above which the organization is considered "serious"
- detailed assessments of POs above a certain threshold which are then used to (a) select or sift candidate POs and/or (b) offer POs an appropriate level of training or other intervention
- the application of detailed criteria that conform to the vision of a particular programme, and/or
- interviews or visits intended to assess more qualitative attributes or suitability.

The variables that are taken into consideration may include:

- size (various measures, including number of members and volume of cocoa handled)
- various aspects of "professionalism" (including presence of key documents, assets and staffing, length of time established, records, trading and financial history)
- involvement in other training programmes
- the cocoa buyers to whom the PO sells, including recommendations from those buyers
- location (some programmes focus on particular locales)
- gender (staffing, membership, treatment of/benefits for women)

Table 3. Summary information on selected cocoa projects, interventions and assessments included in case study

Project/ Intervention description	Main project partners	Main focus of project(s)	Main BDS used	# POs reached directly	Assessment tool	Type of PO	Other Sources
Cargill (IFC) – Coop Academy, professionalise POs & link to finance (included IFC guarantee on truck leasing component)	Cargill	Professional POs + access to finance	MT (ALP), FL, A	140	SCOPEinsight	Larger POs, Cargill suppliers	Gordon 2021
FCIP (IDH) – promote bankable professional cooperative & entrepreneur farmers (included challenge fund to support product development by clients)	CCC, 7 FSPs, 4 off-takers	Professional POs & farmers + access to finance	FL, FT, MT, A	400+	SCOPEinsight	Varied with client. e.g., one MFI requires min. annual 500t cocoa & record of sales to off-takers	
CNFA MOCA – broad-based focus on improving productivity, quality & expanding cocoa trade	SOCODEVI		MT, TT, FL, ML, A	24	SOCODEVI “Perform Coop”	Mostly larger POs, suppliers of main off-takers	
SCOPEinsight – data from 206 2020 assessments (2 projects)	IFC, FCIP	Professional POs & access to finance	A	(data relating to 202 POs)	SCOPEinsight	Larger POs, suppliers of main off-takers	Gordon 2021
CCC (CdI Government body for the stabilisation & development of cocoa & coffee value chains)	(various)	Training, monitoring	MT, TT	2000		Excludes smallest POs	
<u>Other</u>							
ANADER (CdI Government agricultural extension service)	(various)	Training	MT, TT, A	600*	Own tool		
PROPLANTEURS – cocoa productivity, diversification, household nutrition, professional POs	CCC, GIZ, GISCO	Training – POs & farmers; finance access	MT, TT, FL	35+12	limited pilot use of SCOPEinsight	Various, including Certification (or almost)	Konan *et al.*, 2020
Note: *indicates inclusion of other POs (not just cocoa). BDS (table shows main types of BDS – there are often multiple interventions): training on PO Management (MT), finance (FT), Technical training, e.g., GAP (TT), facilitating links to finance & markets (FL, ML), PO assessments (A). PO numbers cannot be totalled as there is some overlap between the initiatives listed							
Source: mostly based on authors’ research for this study; additional sources noted above							

- certification and “sustainability” attributes (including cooperative record, activities and aspirations on gender, child labour, deforestation)
- particular physiological attributes of the cocoa beans (variety, *terroir*, primary processing)
- expected benefits to the PO or community and the likelihood these could be sustained.

The simplest segmentation is based on cooperative size (where volume handled is used as shorthand). Table 4 gives an estimate of cooperative numbers, cocoa volumes traded and gross margins. The group of 700-900 larger cooperatives encompasses a wide range of operations, including a small number of significantly larger cooperatives handling 10,000 tonnes of cocoa (or more) annually, with all or part of that tonnage certified, and/or handling other crops too (particularly coffee). It also includes smaller cooperatives. One of the MFIs has a minimum threshold for its PO borrowers of 500 tonnes and this must be certified production (amongst other criteria) i.e., a gross margin of c. Euros 76,000.

Table 4. Estimated numbers of coops, cocoa volumes handled and gross margin (authors’ estimates)

Number of cocoa coops	Estimated average annual cocoa tonnage handled/coop	Estimated total tonnage handled by coop category	Estimated average gross margin (Euros)
700-900	2330 (a few much larger)	1870000	280,000
1200	250	300000	30,000
1500	20	30000	2,500
Total: 3500 cocoa coops		2.2 million tonnes	

Note. Gross margin estimate based on 80 fcfa/kg (Government regulated cooperative margin) and excludes any additional premium for certification paid to the cooperative (c. 20 fcfa/kg).

Detailed assessments have been made of an estimated 400-500 (relatively larger) cocoa cooperatives and are almost always financed as part of a development project. They are generally conducted after PO recruitment into a programme (usually a training programme) and not as a selection tool.

The FCIP selection process differs from other projects considered. Their client-applicants (FSPs and off-takers), responded to a call for proposals to use the Cocoa Challenge Fund (to support product development and pilots) and they in turn each had their own PO target groups and recruitment criteria.

How POs respond to intervention programmes

Overall, the findings suggest relatively strong engagement with training programmes focused on PO management and linked to off-taker purchasing programmes (e.g., the ALP and Cargill’s Coop Academy) –

particularly when first encountered - although the assessments indicate that many POs nonetheless still struggle to achieve a level of "professionalism"[21].

Analysis of the SCOPEinsight PO assessment data, supplemented by in-country investigation, reveals some consistent patterns in PO training response. (The quantitative analysis is based on two projects covering three training interventions – all focused broadly on cooperative management)

- On average, the "professionalism" score of the POs improves between the first and second assessments (assessed using the identical assessment tool), with many stakeholders reporting strong PO engagement with the assessment and training process when first encountered[22].
- Nonetheless, only 14 of 64 POs assessed at least twice using SCOPE Basic 2.0 (or higher) achieved a score of 4 or more (considered "professional"), even though only POs considered relatively stronger or larger or having potential would have been admitted to the programme.
- There is some evidence that smaller relatively weaker POs seem to "catch-up" after training. This finding is consistent with stakeholder statements and earlier work (Gordon, 2021) e.g., on how POs recognize the need to hire professional staff (especially accountants) after training.
- Improvements, as measured by assessments, seem to be less consistent when POs are assessed more than twice. 42% (of a group of 45 POs) saw a fall in their "professionalism" score when assessed a third time[23]. This finding merits more investigation in other settings. Stakeholders suggest that it could reflect:
    - over time, leaders who have been trained move out of the cooperative or to other roles
    - initial enthusiasm may not be sustained if follow-up is patchy, if subsequent rounds of training are too advanced, or if the benefits from engaging are less apparent
    - some of the cooperatives are relatively short-lived (stakeholders variously referred lifespans of 3-8 years), reflecting dependence on a few key figures, the relative ease of establishing a cooperative and the general pressures under which they operate, and
    - cooperatives often switch allegiances, selling to other off-takers.

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[21] Analysis of 64 Group 2 assessment pairs (conducted using the newer SCOPE Basic 2.0.1 and comprising a majority of 2nd and 3rd assessments) showed that on average the professionalism score increased from 3.36 to 3.63 (i.e., still not achieving a level "4" which is considered "professional"), with considerable variability. (Note that more POs would have likely achieved a "4" if assessed with earlier versions of the tool. SCOPEinsight undertook a major upgrade of its SCOPE Basic tool in 2019 when SCOPE Basic 2.0 was introduced. It advised its partners that the total scores generated might be a little lower (0.2-0.3) than those generated by assessments using earlier versions).

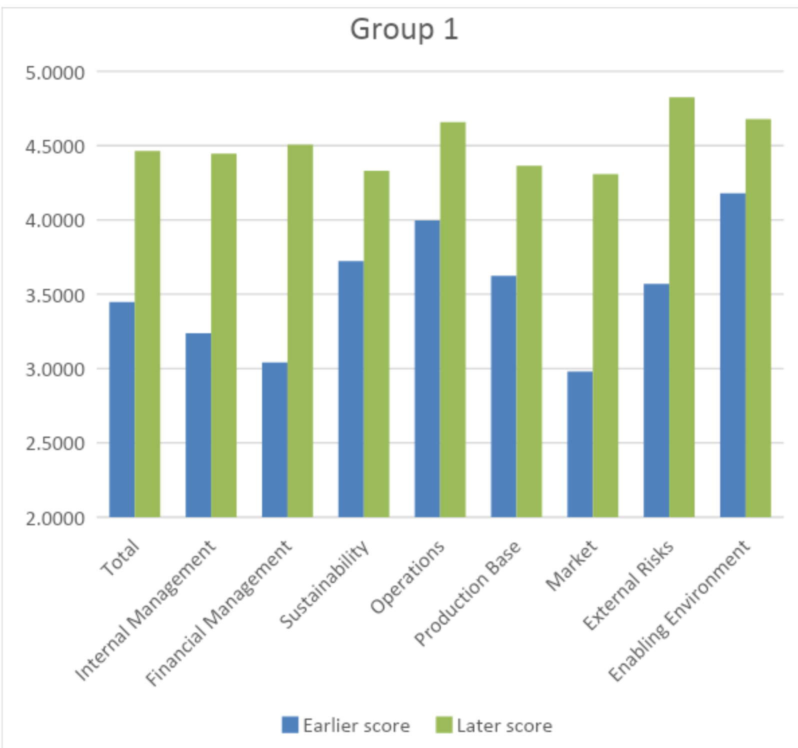
[22] SCOPEinsight (pers. comm., July 2022) comments: "POs build a lot of awareness from the questions they need to answer during the assessment. That gives them an idea what is expected of them as professional organisations. So there is a learning curve even before the training started. It is the knowledge and awareness of what is required to become professional. This is where the empowerment starts".

[23] 3rd assessments compared with 2nd assessments, all assessments using the same version of the same tool.

- Overall, the quantitative analysis seems to suggest that those organisations with poorer electricity and internet services tend to make larger gains in "professionalism" scores. (There is no clear picture with respect to other services such as water and cell phone coverage)

At least two of the larger cocoa off-takers use the Agribusiness Leadership Program, as a training and coaching tool, in combination with the closely-matched SCOPEinsight assessments[24]. By comparing scores of initial and 2nd assessments, Figure 3 gives an illustration of average improvements in each domain (Group 1 of 47 paired assessments conducted using the earlier SCOPE Basic 1.3.0). Note the apparently strong gains made with respect to Financial and Internal Management, both areas considered important by FIs. Moreover, some FIs have commented that they find it difficult to assess governance (internal management), suggesting that these findings are particularly important for them.[25]

Figure 3: Comparison of 1st and 2nd assessments (SCOPE Basic 1.3.0, n=47)



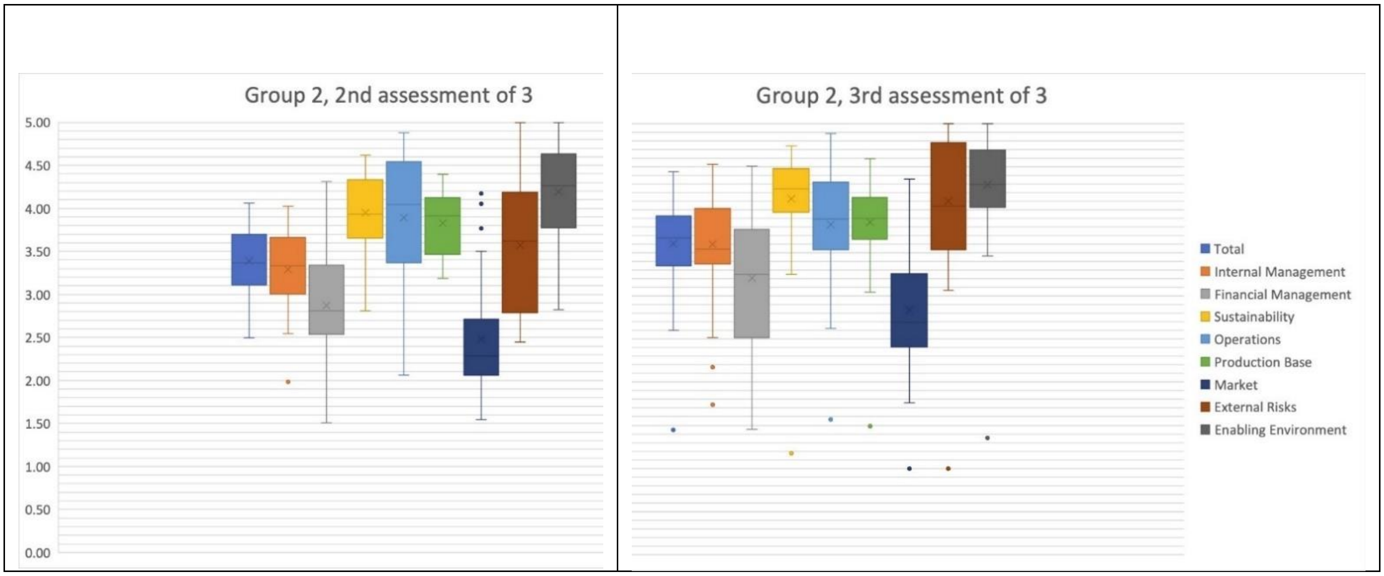
[24] The training is structured around the SCOPEinsight assessment domains. See more detail in e.g., Gordon, 2021 and https://www.ifc.org/wps/wcm/connect/Industry_EXT_Content/IFC_External_Corporate_Site/Agribusiness/Advisory/Agribusiness+Leadership+Program/

[25] Gains are also noted under "market". However, users suggest (and SCOPEinsight is aware) that this part of the assessment is less useful for the cocoa sector in Côte d'Ivoire, because of the influence of cocoa price controls.

Figure 4 shows the 2nd and 3rd assessment scores of 45 POs (SCOPE Basic 2.0). Although the scores improved on average, 42% saw their overall score fall. Figure 4 highlights the importance of financial management (shown as the lighter grey box), where average achievement improves, but there is more variability than seen at the previous assessment (including POs whose performance declines)[26].

Figure 5 is a line graph of the total scores (same 45 paired assessments). It gives more sense of that extremely mixed picture (such that the average improves, but 42% saw a decline in overall score)[27].

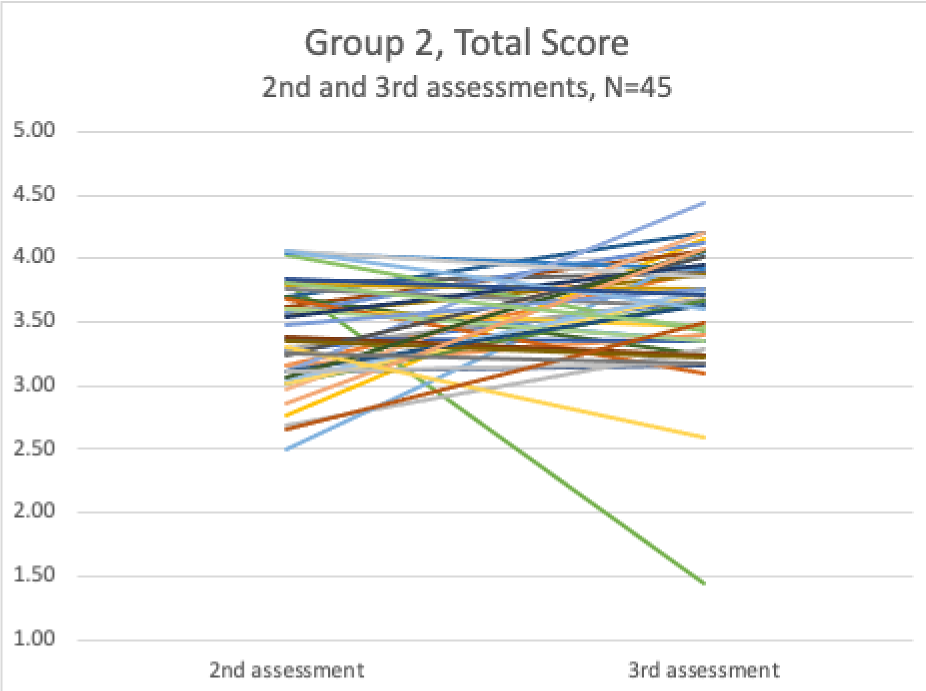
Figure 4: **Sources of variability between 2nd and 3rd assessments** (SCOPE Basic 2.0, n=45)



(In Figure 4, the boxes cover the 2nd and 3rd quartiles, with the median and average shown in the box as a line and a cross respectively; the "whiskers" show the overall range, excluding outliers, shown as dots).

[26] Financial management is also weighted more heavily than some other domains, within the overall score.
[27] SCOPEinsight (pers. comm., September 2022) has indicated that for the 77 POs in Côte d'Ivoire (cocoa POs and others) for which it has data on 3rd assessments compared with 2nd assessments, on average scores declined by a small amount (0.17). Note though that this result does not control for the version of the assessment tool.

Figure 5: Line graph showing changes in total score for 2nd and 3rd assessments



For the off-takers, besides strengthening the cooperatives from whom they buy (with associated effects on membership, volumes, quality and roles they can take on), PO loyalty is also seen as a benefit of the training programmes. The larger cooperatives often sell to more than one off-taker.

Outcomes, particularly in relation to access to finance

Capacity development, social impacts and improved productivity

Most of the programmes considered work explicitly at PO-level to strengthen management capacity and improve access to finance. Nonetheless, the Coop Academy/ALP projects have also achieved broader community-level impacts, via the increased social and community activities of stronger POs (Gordon, 2021). The FCIP end-evaluation also reported similar social impacts and others achieved through the improved access to Village Saving and Loan Associations that resulted from the project.

The MOCA project had a broader focus, reflected in different outcomes. Its work on quality and bean flavour resulted in demonstrated access to higher value cocoa markets. It also built PO capacities (particularly in the financial, management and governance spheres), but in parallel focused on farm-level practices too, with improvements in post-harvest care and on-farm productivity.

Access to finance

Context and trends

Economic, policy and technological shifts are contributing to a more favourable financing environment:

- Rapid change in the geographical reach, scope and cost of digital technology is paving the way for wider use of mobile money and other forms of electronic financial transactions, as well as the increasingly detailed and analytically powerful digital supply chain management tools and platforms used by the larger off-takers; numerous digital finance initiatives are underway, led by banks, MFIs, cell-phone companies, off-takers and donors.

- Strong stakeholder awareness of poverty among cocoa farmers, as well as concerns related to deforestation and child labour, are leading to well-aligned interests of donors, private sector, NGOs and government, as well as the farmers themselves, in finding ways to improve farmer incomes; working in partnership with the private sector whilst harnessing the growing digital potential and strengthening POs, are seen as key areas of focus;

- Broader government concerns relating to differences between rural and urban incomes, and possible opportunities to improve rural infrastructure and services at potentially lower cost, using digital technology, are contributing to a favourable policy environment in which services, including private financial services, can be provided.

The potential finance needs of cocoa cooperatives in Côte d'Ivoire can be broadly categorized as follows:

- Trade finance ("pre-finance", to buy the farmers' crop)
- Input finance
- Logistics (medium term)
- Plantation (long term), and
- "Social" finance (school loans and emergency loans etc., for members, and community projects)

Off-takers tend to provide trade finance to selected known cooperatives and traders, using their own funds or in tri-partite arrangements (banks, off-takers, creditor). Many express a desire to shift more of this funding to banks (and cooperatives do indeed sometimes secure prefinance directly from MFIs). However, for the off-taker, the prefinance is also an important quasi-guarantee of access to the crop. Moreover, as it is relatively short-term, over a period in which prices are set (for the season), this reduces the loan risk. This is the most common and plentiful form of credit in the system, whilst access to it is a challenge for weaker cooperatives. The absence of pre-finance makes it difficult to buy-up the cocoa harvest, whilst farmers will take cash payments from *pisteurs* (intermediary buyers with transport, paying cash at the farm-gate), usually at a price lower than the Government's seasonally-set farmgate price. Cooperatives can borrow from MFIs for pre-finance, but need some form of guarantee (such as a vehicle or assets belonging to the Cooperative's President of the Conseil d'Administration, PCA) and complain of high interest payments.

Seasonal inputs tend to be purchased by farmers from local outlets, paying cash or taking short-term credit offered by the outlet. Cooperatives may also supply inputs, accepting cash or sometimes offering credit to members or other local cooperatives, with subsequent in-kind repayment with cocoa. Input suppliers are sometimes able to access credit, which allows them to offer more flexible terms to farmers. (Tripartite arrangements may apply – where seasonal loans to farmers are repaid via the off-taker, when the crop is sold).

The larger more organised cooperatives have their own trucks which, along with pre-finance, are key to their crop purchases. There are at least two truck-leasing schemes for cocoa cooperatives, potentially accessible for cooperatives in a close marketing relationship with an off-taker, via a tri-partite arrangement where repayments are made directly to the bank/MFI, from the off-taker, out of the money that would have been paid to the cooperative for the cocoa beans.

For longer-term plantation development, there is very little credit available for smallholders. Farmers tend to replant on a piecemeal basis.

Within that broader landscape, the cooperatives will sometimes extend loans to their members (particularly for the beginning of the new school year and sometimes for inputs). To do this, they may take loans or use their own resources. This helps build member loyalty and wards against the likelihood that a member will take an emergency loan from a local trader (to whom s/he may subsequently sell the cocoa harvest). Some of the banks and MFIs are working with selected cooperatives to improve member access to digital finance and associated financial products. Although coverage is still limited, and most amounts loaned small, some cocoa cooperative members have been able to gradually develop a "banking" track record in this way, with the cooperative playing an important intermediary role.

There is a lot of interest in mobile money and digital banking. The former was boosted when WAVE entered the Côte d'Ivoire market in 2021, with lower fees, obliging other providers to cut their costs. Digital payments are also a focus of attention (Koblanck, 2018, and e.g., Cargill proposes to make digital payments to 140,000 small holders[28]). Although almost everyone recognizes the potential for rapid growth in the sector, in rural areas it is presently constrained by the need for cash (and outlets where mobile money can be exchanged for cash) and by network coverage too.

Observed patterns of PO financing

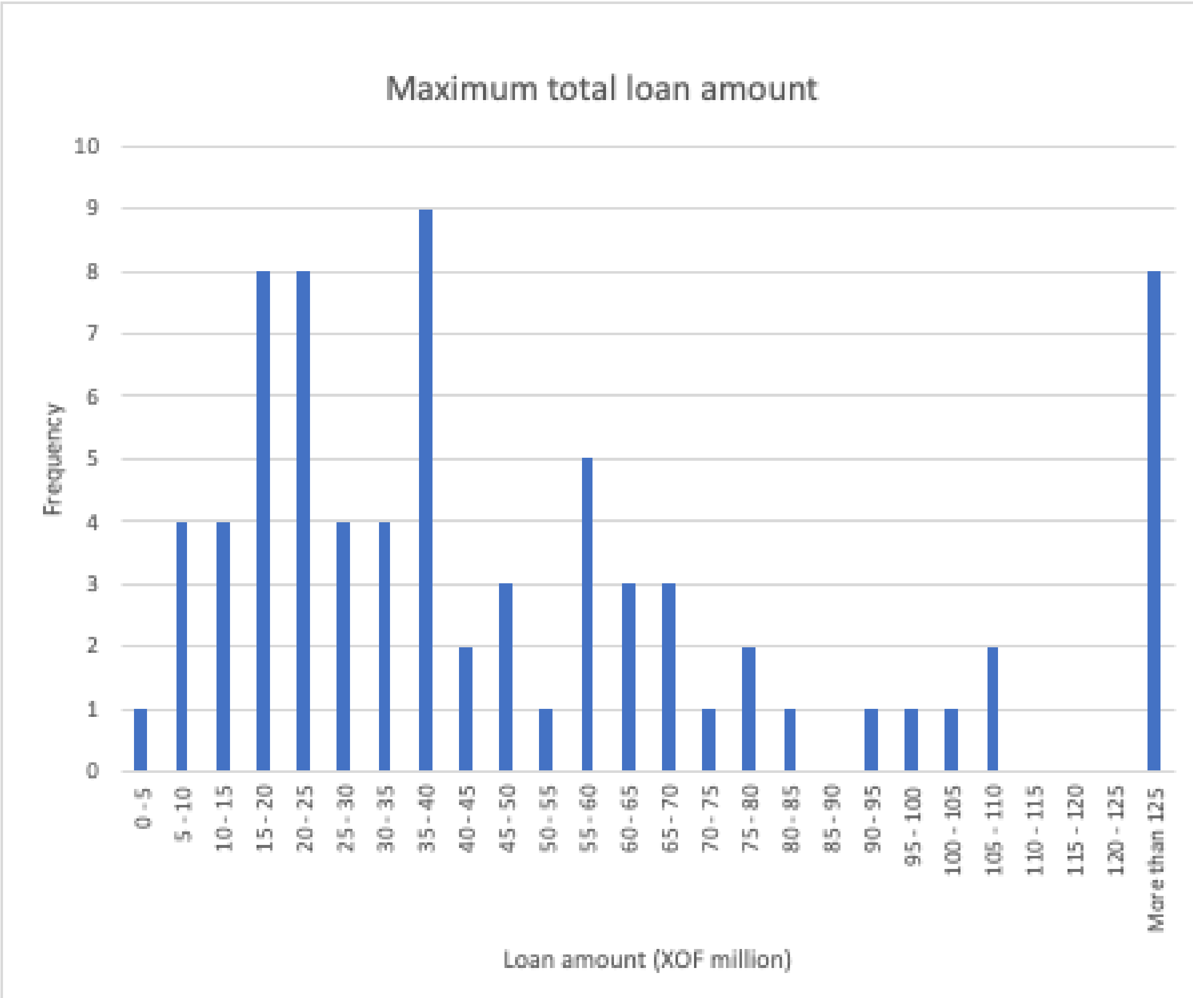
Table 5 gives an indication of the nature and reach of some of the current cocoa cooperative and farmer lending initiatives in Côte d'Ivoire.

[28] https://www.cargill.com/2021/cargill-completes-us$100m-cocoa-processing-expansion Accessed 3rd May 2022.

Table 5. Examples of some of the lending to cocoa cooperatives and members in Côte d'Ivoire 2022			
Provider	Nature	Reach	Comment
Off-taker	Pre-finance	A large share of the 700-900 larger cooperatives are likely to obtain some prefinance	At any one time, a single larger off-taker, could be extending c. Euro 20 million in prefinance
Off-taker	Input finance	For selected cooperatives that sell to that off-taker	Often linked to MFI or bank and an input company
MFI 1	Prefinance and input loans, truck leasing	c. 300 cooperatives	Total lending (cooperative and farmer) c. Euro 15 mn annually
MFI 1	Farmer digital accounts	90,000 farmers	Largely school loans and input finance
MFI 2	Pre-finance for coops and insurance, input credit and school loans for coop members	62 cocoa cooperatives and members	fcfa 5 bn annually (> Euro 7.5 mn)
Bank	Truck leasing	84 cooperatives	Total financing of c. 1 bn fcfa per year
Cooperatives	Short-term school loans and emergency loans	Widespread	Cooperatives use their own resources, helping build loyalty and securing access to the member's crop

The loan history of 189 cocoa POs for which SCOPEinsight assessment data from 2020 was shared was also analysed. Excluding prefinance, 40% (76) of the POs had a received a total of 105 loans. The largest single loan recorded was Euros 1.2 million, whilst another PO had three concurrent loans totalling Euros 1.26 million. The average loan was much less at 73.9 million fcfa (approximately Euros 112,700) and the median was roughly half this (approximately Euros 54,000). Figure 6 shows the overall distribution.

Figure 6. Maximum loan amount for 76 POs which had received loans (of 189 assessed, 2020 data)



The role of training in PO access to finance

There is little doubt that TA and BDS support to farmers and POs *contribute* to improved access to finance for cocoa cooperatives. PO training has played a direct role in most of the financing examples listed above (see Table 5). When Cargill first established its Coop Academy in 2013 it aimed to build capacity, but if successful, it would also help safeguard the prefinance it had extended to cooperatives.

Such training helps cooperatives understand better the process and requirements in accessing financial services and contributes to improvements in business and financial management. Examples abound:

- IFC's ALP (training and coaching for cooperatives and agribusinesses) was a key component in the 2016 truck-leasing pilot with Cargill and SIB. SIB noted that completion of the training programme was one of the eligibility criteria (Gordon, 2021).
- For UNACOOPEC-CI, FCIP (Phase 1) funds had meant that they could provide financial management training to cooperatives, as part of the process that helped them build their portfolio of lending to cocoa cooperatives (pers. comm., UNACOOPEC-CI officer, 2022)
- Advans provides informal training on finance to cooperatives and farmers via its network of field agents, as part of its rural lending activity portfolio (pers. comm., Advans officer, 2022)
- Project staff and trainers comment that financial institutions regard the agricultural sector as risky, but are reassured if the cooperatives are receiving technical assistance and training.

Importance of PO scale

Analysis of the assessment data shows that for those POs that obtained loans, the maximum amount of loan is related to many variables indicating scale, but most strongly to the amount of land used for cocoa production (reported cocoa land of members). A regression with just this variable accounts for more than 70% of variation in the maximum loan amount. The coefficients in the regression suggest that on average, the loan was larger by about 32,500 fcfa (c. Euros 50) per hectare of cocoa land.

Discussions with lenders confirm the importance of scale as an uncontentious factor in ability to borrow (particularly crop volumes handled, which seems to be used as shorthand, in discussion, for a rapid understanding of the position of a particular cooperative). Each uses business planning tools to inform appropriate loan size and these take account of expected sales revenue, amongst other factors[29].

The quantitative analysis (and the Bankability metrics – see below) also identified various measures of staff numbers as being correlated with whether a PO had obtained a loan. These could also be considered indicators of scale, but do not seem to be explicitly considered by lenders.

Significance of assessment data

Lenders (MFIs and banks) indicate that SCOPEinsight assessment scores, where available and shared, are not explicitly used to determine eligibility for finance, though many of the aspects assessed mirror the interests of the FIs in assessing PO bankability.

Analysis of the assessment data showed a strong statistical relationship with POs obtaining a loan and the following aspects of the detailed SCOPEinsight assessment:

- the assessment total score and the scores for Internal Management and Financial Management are closely associated with a PO having obtained a loan; the change in those scores since the previous assessment, particularly for Internal Management, is also strongly related to a PO having obtained a loan;
- many of the Sub-Dimension scores, especially many Sub-Dimension scores for Internal Management and some for Financial Management, are also statistically significant;

[29] None of the lenders interviewed explicitly use metrics derived directly from an estimate of cocoa land in use.

- documents whose availability most significantly relates to whether POs obtained a loan were the Business Plan, the Cash Flow Forecast, Administrative Policy, Human Resources policy and Financial policy;
- several measures of PO staff numbers were important (with the strongest statistical relationship identified for numbers of part-time staff per square kilometre of cocoa land); and
- several measures of PO seasonal staff were also important (highly related with obtaining a loan, but negatively, so that a higher score is related to a lower chance of having had a loan).

Feedback from lenders suggests they take account of various factors in assessing the creditworthiness. These may include track record (previous borrowing, crop volumes handled), formal documentation demonstrating business record, existence of assets, off-takers to whom the cooperative sells, off-takers' recommendations (even if informal or implicit)[30], certification and/or cooperative participation in donor or off-taker training programmes ("contributes to confidence").

The potential and actual role of (various) metrics in determining access to finance.

All lenders interviewed had their own criteria and considerations that influence whether or how much they loan to cocoa cooperatives. Some refer to their own scoring systems. Third party assessment tools were not used for this purpose. Some were aware of the SCOPEinsight tools but were not using them to inform lending decisions (except one off-taker who had apparently commissioned assessments for this purpose). None of the stakeholders interviewed mentioned the Bankability Metrics (published by AGRA[31]). (Stakeholders were variously aware of assessment tools used by different organisations, particularly the SCOPEinsight tools, but these seemed to be used mostly to identify candidates for participation in training programmes, to tailor training, to drive engagement with training or to assess the effect of training).

One lender in the cooperative sector, which had significantly increased (and sustained) its lending to cocoa cooperatives following its engagement with FCIP (Phase 1), commented that it would be useful to have a tool to assess creditworthiness of the cooperatives. Whilst they were aware of the SCOPEinsight tools, they thought the costs would be prohibitive. [32]

It was possible to test for the statistical significance of a small number of the Bankability Metrics (see Box 1). Six of the nine it was possible to test were confirmed as being statistically significant.

Other factors stakeholders consider important in access to finance.

- Both cooperatives and lenders mentioned the importance of a guarantee mechanism - be it securing a loan against cooperative assets (or, apparently commonly, those of its *Président du Conseil*

[30] One lender was categorical about the importance of this. This is also echoed by Dalberg Global Development Advisors, 2017.

[31] https://agra.org/wp-content/uploads/2021/02/Mobilizing-agricultural-finance-2021-02.pdf

[32] SCOPEinsight (pers. comm., July 2022) comments that the SCOPEinsight assessment tools were not developed to be used by the FIs, but SCOPEinsight is working on a prototype portal, where assessment data would be available to FIs.

d'Administration) or collecting repayment directly from off-takers (i.e., as a deduction against the cocoa price paid by the off-taker to the cooperative).

Box 1. A comparative analysis with the Bankability Metrics

The Bankability Metrics were developed by the Centre for Financial Inclusion (CFI) and SCOPEinsight, with support from AGRA. The core research comprised almost 100 interviews in which FIs and other lenders were asked what information they would need to make their pre-due diligence decision. Research on CSAF data was also conducted, covering 142 clients and 246 loans, in seven sub-Saharan countries (including Côte d'Ivoire) and totalling $83 mn in disbursements in 2019. Reported average and median loan amounts were $723k and $400k respectively. The findings were further validated through analysis of SCOPEinsight data.

The resultant "metrics" comprise 7 categories and 48 sub-categories, intended as a "standardized set of bankability metrics that can serve as a common language between lenders and [agricultural businesses]…[so that] lenders can … gain a clear overview of the state of an agri-SME's business, which is robust enough to make an informed decision on whether to continue with due-diligence…".

The analysis reported here has a narrower focus: data drawn from 206 (2020) assessments of POs handling cocoa, in Côte d'Ivoire. Of these, 76 organisations received 105 loans totalling 7,760 billion fcfa (approx. 11.8m Euros), with average and median loan amounts of respectively 73.9m fcfa (approx. 112,700 Euros) and 35.5m XOF (approx.54,100 Euros), i.e., much smaller amounts than those in the Bankability Metrics study.

Using the Côte d'Ivoire data, it was possible to test for the statistical significance of 9 of the 48 Banakbility Metrics (sometimes using a field that seemed approximately the same) in relation to POs having obtained loans. (Others could not be tested because some of the data were not available, or only partially available in the Côte d'Ivoire dataset shared, some fields were not a statistical metric, and others could not be used in the analysis as the information was identical for all POs i.e., there was no differentiation among them).

However, of the 9 Bankability metrics that could be analysed, a statistically significant relationship with a PO obtaining a loan was found for six:

- 2 of the documentation metrics (cash flow forecast and ownership documents / titles)
- 1 of the business activity metrics - number of employees (especially significant were the number of part-time employees per square kilometre of land used for production and the proportion of all employees who were women)
- 3 of the "Governance" metrics including
    - Dedicated manager for each function (the Côte d'Ivoire dataset included two fields that gave an indication of this)
    - Experience of management staff, and
    - Division of responsibility between the Board and the managers.

These statistically significant results, based on a relatively small number of observations, strongly corroborate those six Bankability metrics. (For those metrics where a statistically significant relationship was not present, this only means that it could not be demonstrated based on this relatively small dataset).

- Several lenders referred to the importance of the FCIP project (Phase 1) Cocoa Challenge Fund, which enabled successful applicants to access an element of subsidy for the start-up/design of new loan mechanisms (e.g., Advans, UNACOOPEC-CI). Similarly, IFC's role was clearly important in the initial stages of an on-going truck-leasing programme (Société Ivoirienne de Banque).

- SIB noted that its truck-leasing programme had enabled it to identify and graduate a limited number (around 1/6) of stronger cooperatives to an independent banking relationship (i.e., not linked to repayment of loans via the off-taker).

- With respect to particularly large-scale and/or longer-term finance, off-takers and lenders stressed the importance of risk-sharing facilities (e.g., in the SIB truck leasing scheme, finance risks are jointly shared by Cargill, IFC and SIB[33]).

Potential for scaling these approaches

Initiatives achieving most growth, innovation and scale

A common feature of the initiatives that seem to have achieved the most growth, innovation and scale is that they are partnerships with shared interests, working at least with the cooperatives, the financial sector and off-takers or input suppliers. A Government partner is often involved too (CCC, ANADER). They also respond to a very clear financial need, at a cost that is not prohibitive. In combination, they are able to both reduce and share risk, and leverage resources.

The following are examples, but there are doubtless others too.

i) Advans[34] has been active in Côte d'Ivoire since 2012 and is widely recognized for its success in rapidly expanding rural financial services[35],[36]. Cocoa farmers have been a key focus. It has a financial relationship with roughly 300 cooperatives and 90,000 farmers (pers. comm., Advans representative, 2022) – so it probably has the widest rural reach (in terms of numbers of cooperatives and individual farmers) of any provider. In 2021 it won an award as the best financial institution in Côte d'Ivoire for the provision of agricultural finance. This has been

[33]https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/impact-stories/affordable-credit-for-ivoirian-cocoa-co-ops

[34] www.advansgroup.com

[35] https://www.findevgateway.org/interview/2018/12/how-did-advans-Côte-divoire-win-european-microfinance-award#:~:text=Advans%20C%C3%B4te%20d'Ivoire%20has,credit%20solution%20for%20cocoa%20farmers Accessed 3rd May 2022.

[36] https://www.advansgroup.com/en/media/news/advans-Côte-divoire-celebrates-its-10th-anniversary/ Accessed 3rd May 2022.

achieved by working with key partners including off-takers and relevant projects, including the Cocoa Livelihoods Program (starting in 2012)[37] and FCIP Phase 1 (see below).

In working with farmers, as well as cooperatives, school loans are one of its most popular products. In a system that has been operational since 2018, farmers can apply for loans via an automated process that uses a creditworthiness scoring system based on past transactions and production information (obtained for the cooperative). Farmers able to access loans at reasonable cost are less likely to have to borrow on poor terms from local traders, with later repayment via cocoa sales, at a discounted price.

ii) The Farmer and Cooperatives Investment Programme (FCIP), 2017-2021 (Phase 1) was implemented by IDH in partnership with CCC, financial institutions and agribusiness.[38] It aimed to promote bankable professional cooperatives and bankable entrepreneur-farmers. Its strategy was based on establishing and managing a performance-based grant fund called the Cocoa Challenge Fund (CCF) which could be allocated to implementing partners to carry out activities and achieve the goals of the FCIP. External financing was Euro 3.2 million, with a further Euro 2 million from Le Conseil du Café-Cacao. In addition, there was co-financing for specific initiatives by partner organisations. This project is singled out because:

- Several organisations (especially FIs) in CdI credited it with having enabled them to develop innovative products (providing funding for design, start-up and cooperative training) that were successful and which they will further develop. (Examples include Barry Callebaut, UNACOPPEC-CI and Advans).

- It engaged key institutions, including CCC, and has drawn attention to the potential of the sector as a client for financial services.

- The project mechanism seems to have succeeded in mobilizing the needed know-how, within applicant organisations or via their partnerships.

- Moreover, those partners contributed to the costs of those initiatives – effectively leveraging more funding for the sector, whilst ensuring partner commitment and promoting sustainability post-project.

- With relatively limited project funds, it seems to have had substantial reach (c. 400 cooperatives were able to access a variety of financial products and 132,000 farmers opened mobile savings accounts, with input loans extended to 79,000 farmers). It explicitly sought to engage cooperatives and their members.

- Moreover, it fostered a direct financial relationship between cooperatives and financial institutions, contributing to those cooperatives being able to establish a financial track record, which is not directly dependent on their buyers. This should contribute to sustainability post-project.

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[37] https://www.idhsustainabletrade.com/publication/flourish/advansgroup/ Accessed 3rd May 2022.

[38] A 2nd phase is now being implemented, emphasising farmer incomes: Farmer and Cooperative Income Program.

iii) The truck leasing pilot with Cargill, IFC and SIB[39] has been sustained and expanded, with SIB also able to graduate some of the cooperatives into an independent financial relationship as clients of the bank. Other organisations, including Advans, have started offering similar vehicle leasing products. A tripartite arrangement, cooperative training, blended finance (an IFC guarantee on part of the funding) and technical assistance to partner organisations all played a role in the initial pilot. A convergence of interests (Cargill, cooperatives, SIB) was also important. SIB has also stressed the role of some of the day-to-day arrangements: each partner allocated a contact person, contributing to good communication – a factor judged as important in the success of the initiative (pers. comm., SIB representative, 2022).

iv) In a general sense, as noted above, mobile money and digital finance are growing rapidly; this will certainly have a role in many current and future financing initiatives.

<u>Would a database of PO capacities contribute to improved PO access to finance</u>?

Stakeholder views

All programmes have recruitment criteria and a PO assessment process, even if informal. Not all make repeated assessments. Those assessments are variously used to:

- Select cooperatives to participate in particular programmes
- Tailor training and drive engagement with training
- Assess PO suitability for access to financial products
- Assess programme performance ("before and after" assessments)
- Collate information on the sector (possibly, e.g., CCC data)
- Inform financing decisions (as reported by one respondent).

Given this apparent shared need for information on the POs, it has been suggested that there may be value in the development of a shared database and/or in creating a digital platform on POs.

Although some stakeholders thought it potentially useful, there does not seem to be a strong widely felt need for a PO database, detailing PO capacities, in Côte d'Ivoire at present. Many stakeholders were surprised by the question; after considering it, some seemed to conclude that it might be "nice-to-have" rather than "must-have". Some were sceptical about the quality of data input, as they envisaged it. Others raised concerns about data privacy and ownership – and how/where it would be hosted (with arguments both for and against a role for candidate organisations such Government, NGOs etc). Only one person interviewed in Côte d'Ivoire (in the NGO community) raised it and clearly felt it was a strong need. There could be many reasons for this, including the fact that almost all players already have their own assessment systems in place, that conform to their own selection criteria. Some of those organisations have good data on POs (albeit perhaps incomplete) linked to their own supply chain management and digital finance tools, contributing to their competitive edge. There may be doubts regarding the ability to establish and maintain a

[39] For further information on this see e.g., Gordon, 2021 and https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=16553 Accessed 3rd May 2022.

shared database such that it is useful and accessible. Certainly many stakeholders questioned how such a database would operate.

Focus on defining the purpose and audience for such a database or platform

The concept this study considered was a database of relatively detailed information on PO capacities that would help inform financing decisions of FIs and off-takers (and potentially input suppliers). Yet different stakeholders may have very different views on the form that such a database or platform could take – and indeed, its purpose and audience. For example:

(a) The proposed "pre due diligence" metrics are being tested (information to help FIs reach a decision on whether to proceed with due diligence checks – see Box 1); according to SCOPEinsight (pers. comm., July 2022):

> "This involves using the SCOPEinsight data to fill in the Bankability Metrics. The initial feedback from the FIs is encouraging, as they indicate that this information is indeed what they need to make their pre-due diligence decision and that they would welcome a pipeline using this format as it would help bring down their costs. SCOPEinsight is presently developing a portal which will making such data widely accessible. This portal is expected to be ready for piloting in September 2022. More features will be added as traffic and demand grows"; [40]

(b) another option might be to provide more general information on cocoa POs, but overview information on cocoa cooperatives is already available in the interactive maps that the main off-takers post on-line and which other organisations have collated[41];

(c) a sort of LinkedIn for cooperatives, with voluntary input and updating by POs, perhaps to an agreed standardised template, might be another possibility;

(d) some suggest that commodity websites such as the recent prototype West African cashew site https://cashew-in.dgpreprod.org/en could be a model. However, this provides broader information on the sector and general information on individual farmer-producers (comparable with the summary information on cocoa cooperatives already available on-line); and

(e) a further option might be to develop a portal, within an existing site, starting with a small pilot initiative, with the option to add features as traffic and demand grows.

It is unlikely that there would be a strong need for a general commodity-based platform as these already exist – and this would go far beyond AMEA's focus on producer organisations.[42] ANADER, as the main

[40] SCOPEinsight (pers. comm., July 2022) points out that there are potentially different types of database. (1) General information could contribute to a segmented understanding of the PO sector and help guide development programmes or policy. (2) Detailed information on the strengths and weaknesses of the POs should not be widely shared; SCOPEinsight's approach to such Business Intelligence is that it is only shared within a programme for the purpose of BDS/technical assistance. (3) A selection of the assessment data can be widely shared (provided the POs provide consent) with FIs in the format of the Bankability Metrics.

[41] See, e.g., https://www.cargill.com/sustainability/cocoa/partner-cooperatives and a site that collates this information: https://www.mightyearth.org/cocoa-accountability/)

provider of public extension services in Côte d'Ivoire, also has a website, that includes information on POs and training (http://www.anader.ci/).

There are topics that are not well-covered elsewhere – some of which are directly related to AMEA's brief. For example, information on the different training programmes (and providers) – and PO assessment resources - available for cocoa POs in Côte d'Ivoire might be useful.

Steps to develop a database or platform

Notwithstanding the responses of stakeholders interviewed in Côte d'Ivoire in 2022, demand for such an initiative may emerge, possibly in a slightly different form to that probed in the course of this work. Moreover, this study focused on the cocoa sector – but such an initiative might have relevance to POs more broadly, or POs working with other commercial crops (e.g., cashew, coffee). It is also possible that there are particular sensitivities with respect to cocoa, that may less important in other sectors.

If AMEA or its members wanted to pursue this further, a first step might be conduct an email or telephone survey with different categories of stakeholder (including POs), to establish the nature and level of interest – and the niche that stakeholders feel such an initiative would address.

Those results could then inform the focus of a stakeholder workshop event – if there were sufficient interest and it related to AMEA's brief. If interest were expressed in a particular type of platform then, prior to the workshop, it would be helpful to investigate analogous experience elsewhere, including in Ghana (type of stakeholders driving interest, purpose envisaged and how used in practice, how maintained and funded, its value added etc).

If there is interest in such a platform, identifying its core purpose and audience is of paramount importance. Beyond that, there are several potentially challenging and very important practical considerations that would need to be addressed. Ideally, a workshop would help elicit:

- clarity on the purpose of and audience for such a platform or database
- a sharp focus on balancing its utility (what would be its value added?) with the practicality of collecting (and maintaining) the necessary information (seeming to imply a focus on strictly minimal data, that can be accurately collected and updated)
- whether it should serve stakeholders in Côte d'Ivoire alone, or perhaps in Ghana as well
- the identification of a cost-effective means to develop and maintain the initiative (including consideration of a graduated approach, within functions added over time)
- how the initiative would be funded (at start-up and beyond)
- a decision on who should manage it and who should have access to it
- consideration of how it would align with the relevant data-protection laws, and
- a road-map, including responsibilities for the next steps.

[42] For example, CCC's website provides quite extensive sector information, contacts and links (http://www.conseilcafecacao.ci/). The World Cocoa Foundation, which is global in scope but based in Côte d'Ivoire, also has a website, largely serving a private sector membership (https://www.worldcocoafoundation.org/about-wcf/).

Partners for achieving scale

Certain organisations stand out for the scale they achieve in reaching cocoa cooperatives and other POs. These include the largest off-takers (each supplied by 100+ cooperatives), some of the MFIs (including Advans whose clients include at least 300 POs), SCOPEinsight[43] and cell-phone/mobile money providers, as well as ANADER and CCC (with wide geographical coverage, respectively providing training to hundreds and thousands of POs). Initiatives that engage these partners, including those whose work extends beyond the cocoa sector, have potential to achieve significant scale.

[43] Regarding the assessment of POs, the most widely used tool in Côte d'Ivoire at present is SCOPE Basic. SCOPEinsight (pers. comm., September 2022) indicates that 500 cocoa POs in Côte d'Ivoire have been assessed, and a further 218 POs in other agricultural sub-sectors.

CONCUSIONS AND RECOMMENDATIONS

Conclusions

This section provides a brief recap of key points highlighted by the case study.

The cocoa cooperatives

- The cocoa cooperatives vary in size, activities and professionalism; new laws enacted in 2014 mean that it is easy to establish the simplest form of cooperative, requiring just 5 members.
- There are important tax benefits from trading as an agricultural producers' cooperative.
- The tonnage of cocoa handled tends to be used as shorthand for understanding the nature of a particular cooperative; one MFI uses 500 tonnes annually as one of its lending criteria.
- Many cooperatives buy from members as well as other cooperatives, farmers and traders.
- Beyond cocoa purchases, services provided by cooperatives vary enormously - providing in-kind input credit, training, and interest free school (and emergency) loans
- In general, the cooperatives are rather weak – even many of those in the group of 700-900 relatively larger cooperatives, that work or trade with the main off-takers
- Many (most?) cooperatives have a certain life (3-8 years), apparently often reflecting the centrality of one or more key figures (who may depart, or have a major disagreement)
- Farmgate cocoa prices are set annually, by the Government, in a formula that gives cooperatives and the Government a fixed margin (not a percentage share)
- As a minimum, access to transport and prefinance are key to farmgate purchases and growth of the cooperative. The smallest cooperatives have neither, maintaining a small warehouse in a rural town, whilst the largest cooperatives run fleets of 50 or more vehicles, handling 10,000 tonnes of cocoa annually, with a farmgate value (2021/22) of c. Euros 12.5 million.

The cooperative membership

- Cooperative members are generally registered in the name of the landowner (usually an older male) though younger people, including women, may be the *de facto* active member.
- Membership registers are not always up-to-date, so numbers may be exaggerated. Sometimes, in order to establish the cooperative, the PCA will pay the individual member dues.
- A farmer could be a member of more than one cooperative (new measures aim to reduce this).
- Most cocoa farmers reportedly have 1-3 has of cocoa with average yields of 450-550 kg/ha.
- There are high rates of rural poverty in Côte d'Ivoire, including among cocoa farmers – almost 55% of whom live below the poverty line
- To improve farmer incomes, the focus of many of the cocoa sector training programmes is on improving cocoa yields plus diversification (including women's livelihoods)
- Although the better managed cooperatives will have records of member sales, for this study, it was not possible to get a strong sense of *distributional* issues within the cooperatives, i.e., whether or not a few larger farmers dominate the volumes handled
- Notwithstanding the sector focus on child labour, since the late 90s, and long-standing concerns about deforestation, including the cocoa certification and traceability initiatives, both remain important concerns in cocoa production in Côte d'Ivoire.

- Farmers, including cooperative members, do not always receive the official farmgate price. If they have immediate cash needs (including loan repayment) and cannot wait for collection by the cooperative, they may be obliged to sell to local traders (*pisteurs)* at discounted prices.

<u>Training of cooperatives</u>

- There is a plethora of on-going initiatives aimed at strengthening the cocoa cooperatives, focusing on production and agribusiness skills. Training is sometimes a "stand-alone" focus or may be part of an integrated programme addressing other needs too.
- These are programmes of Government agencies (ANADER and CCC), cocoa companies, development projects and MFIs, implemented by their own teams or outsourced to specialist training teams (companies, NGOs, freelancers).
- Off-takers and the cooperatives themselves emphasise the importance of on-going *suivi* i.e., follow-up and contact or mentoring, beyond an initial period of training
- When a cooperative ceases to trade, or key figures leave, training is not necessarily wasted; e.g., accountants and others in functional roles clearly move between cooperatives; accountants (or others) may shift into positions of greater responsibility within the cooperative. (Both were apparent from discussions with cooperative staff).
- Training has clearly contributed to cooperative access to finance, but as part of programmes that addresses other key constraints too (e.g., a repayment guarantee mechanism)

<u>Access to finance – for cooperatives and members</u>

- The financing of cocoa cooperatives is developing very quickly in Côte d'Ivoire – with MFIs stepping up to play a major role, vehicle leasing becoming more common, and a very rapidly changing landscape for mobile money and digital finance.
- Access to prefinance (to buy the farmers' cocoa) is key to a cooperative's growth. Off-takers advance funds to selected cooperatives and some cooperatives borrow from MFIs for this.
- A repayment guarantee mechanism is important – be it via cocoa sales to the off-taker, or through the use of cooperative (or PCA) assets as collateral.
- The stronger cooperatives are also able to obtain input credit and lease vehicles. For these, as well as prefinance, a strong relationship with a buyer is often instrumental (as a source of finance or as a repayment mechanism, even where a bank or MFI is also involved).
- Increased options to finance cooperatives have been accompanied by rapid growth in individual farmer access to (mobile) banking and savings and loan products, with a direct farmer-bank relationship, albeit often linked to their membership of cooperatives, be it through (pilot) digital payment schemes of off-takers, or where cooperatives are a key source of information to MFIs on member ability to repay a loan (cocoa sales records);
- Although there are challenges (e.g., relating to valid farmer identification, network coverage and points where mobile money can be exchanged for cash), there is little doubt that digital finance will have a transformative effect on financial transactions in rural Côte d'Ivoire over the next, say, 10 years.
- The nature of farming means that cash flows are uneven and loans often play an on-going important role for the poor – particularly school loans or loans for unforeseen emergencies.
- Farmers may borrow from relatives, the coops, from local traders or from MFIs. Farmers who do not have to resort to loans from traders are more likely to sell their crop at the official farmgate price.

Increased financial inclusion could be expected to affect rural poverty rates, though this will depend on its depth.

- Some of the common features of successful initiatives improving access to finance for cooperatives and their members include:
    - responding to a clear need (prefinance, transport, input credit, school loans)
    - developing a model whereby costs are not prohibitive
    - partnership approaches, including clear roles for the private sector (banking and agribusiness), where there is a shared interest among all partners, and where the partnership contributes to risk reduction and sharing.
- There are nonetheless significant gaps in access to finance, including:
    - for longer term needs or for more complicated products or larger amounts
    - where there is insufficient collateral or link to an off-taker, and
    - for the poorest farmers, particularly if mobile phone access is a constraining factor.
- Blended finance (particularly risk-sharing) has an important role in longer-term and larger-scale lending (as happened, e.g., with the IFC/Cargill/SIB truck-leasing programme).

How do these initiatives measure up against key development concerns?

This section considers what the main findings of the case study mean for inclusion (gender, youth, the poorest), cost-effectiveness, scale, transferability and sustainability.

<u>Inclusion</u>

On paper the cooperatives serve older male farmers (those with land title whose names appear in the register of members) but in practice, the farmers linked to the cooperatives include many younger farmers, including women. Many respondents disputed the narrative of an exodus of youth from the sector, though low incomes and the lack of employment choice were widely recognized. Some trainers commented that even where the member's participation is explicitly required, others involved will also attend. Notwithstanding e.g., SCOPEinsight assessment data on female members and staff, it was not possible to get an accurate picture of how inclusive the cooperatives are in practice (i.e., beyond the official record of membership) - and no doubt there will be significant variation in this.

More broadly, the cooperatives are potentially an important hub and service provider for farmer members (and farmer member households). Initiatives that help them strengthen their reach and the services or "offer" to their membership (training, lending, community projects, digital finance and mobile banking) can help reduce rural poverty in local communities. With that focus in-mind, that could mean encouraging smaller cooperatives with low growth potential to merge with larger ones, better-placed to provide services.

Initiatives that include elements that specifically target farmers, even if via their cooperatives, will contribute to inclusiveness (e.g., input credit, mobile banking). Crop diversification by farmers may also contribute to poverty reduction, though more information is needed on how and by whom this is best promoted. (Superficially, this role does not seem a good "fit" for a *cocoa* cooperative, though some are indeed engaged in diversification efforts, including encouraging women's income generating activities).

As regards employment within the cooperative, anecdotal evidence suggests that women often take positions (as accountants, or sustainability leads), sometimes later taking on the most senior management roles. Amongst the cooperative professional staff, it is also clear that younger people are present, most probably with their stronger command of computers and mobile technology. PO assessment data tends to include information on this (especially gender) and evidence of a gender diverse management team is a criterion for participation in some of the training programmes.

Nonetheless, there are many cocoa farmers who are not members of cooperatives who will experience less direct benefit from efforts to strengthen them, although a growing role for the cooperatives could have gradual knock-on effects in their communities that affect their livelihoods.

Cost-effectiveness

In the absence of detailed financial information on the costs of different programmes, what is evident is that programmes that continue to run and grow, without external support (after any initial stage when additional funding may be necessary) are judged to be cost-effectiveness by those parties.

Clearly FCIP (Phase 1) spawned some such initiatives, including those with UNACOPPEC-CI and Barry Callebaut. SIB's truck leasing programme is an analogous example (though the IFC loan guarantee remains important) and vehicle leasing is now offered by other parties too (banks, MFIs). Where off-takers devote their own resources to training, it can be assumed that overall they judge it a cost-effective strategy. Although sometimes there is early-stage donor support, where there is also significant off-taker investment, this suggests that on balance they view the initiative as worthwhile.

Elements of cost-effectiveness include scale and keeping costs low. As Advans has extended its reach to farmers, it has introduced automated lending products, which have low running costs. (Anecdotally, it seems this ethos extends to its overheads too; for example, its main offices in Abidjan are relatively modest and located away from the central business district).

Projects that promote partnerships among key interested parties and leverage their resources in support of that intervention, with a clear workable exit plan, are more likely to be cost-effective. That collaboration can also help reduce and share risk.

With training of POs, respondents emphasise the need for on-going follow-up (beyond the initial phase of training), so delivery models must factor that in – both in terms of cost and responsibility.

Scale

Looking at the sector overall, there is certainly scale in the delivery of training to cocoa cooperatives, including some local businesses almost entirely focused on the delivery of those services[44]. However, this is a patchwork of initiatives, that share some common features, but are largely differentiated by the varying needs of the buyers or the focus of particular projects. In many ways, IFC's ALP – with its link to the

[44] e.g., Initiative Restore pour le Cacao, with its dedicated training centre at Divo (https://www.facebook.com/653553465090770/posts/658216811291102/)

SCOPEinsight assessment process - was a response to the perceived need for some uniformity in training, at least on basic topics, for farmer cooperatives.

Points of commonality are:

- a focus on the cooperatives judged (somehow) to be more “serious” (or just larger)
- widespread attention to on-farm practices (especially GAP) and agribusiness/management skills.

Points of difference are:

- specific participation criteria relating to e.g., gender, certification or links to a particular buyer
- how formal/informal the training is (including how structured and professional it is)
- whether related to a short-term initiative (a project) or a longer-term programme/intention
- scale of reach
- the resources available to the trainers

In terms of scale, both CCC and ANADER have training programmes focused on the cocoa cooperatives. The former works with roughly 2000 cocoa cooperatives, with short regular (at least annual) training sessions related largely to agribusiness aspects. ANADER has a division that works on cooperative professionalism, and another focused specifically on cocoa. They work with an estimated 600 cooperatives (all crops) annually, including the work they do in collaboration with CCC and projects.

Some of the larger off-takers provide training and prefinance (and facilitation of links for other financial services) to relatively large numbers of cooperatives (+/- 100). Smaller buyers nonetheless have similar programmes, working with fewer cooperatives.

Donor projects specifically working with cooperatives tend to work with relatively limited numbers (e.g., initially 24 cooperatives in the CNFA-led MOCA programme and 35 cooperatives in Phase 1 of the Proplanteurs project). As a project, FCIP Phase 1 was an exception (exceeding its relatively high target of 300 cooperatives) but it did this by seeking to act as a catalyst, supporting efforts led by other players.

So in terms of achieving scale of reach, the points that stand-out are:

- ANADER and CCC are important players
- the large off-takers are important
- FCIP (Phase 1), acting as a catalyst, was effective in achieving scale
- Advans (possibly others) has rapidly expanded its reach to cooperatives and to farmers (now numbering 300 and 90,000 respectively), interestingly with a very small team (20) of rural agents, able to provide only minimal informal financial management training
- Some private providers of training services also achieve considerable scale in their reach, albeit through cumulative inputs to numerous different (cocoa sector) training programmes
- Rapid growth in mobile money and digital finance; and
- Relatively widespread use of SCOPEinsight’s SCOPE Basic assessment tool (480+ POs).

(Certification programmes were not a focus for this study – but they are also players *at scale* in the Ivoirian cocoa sector. Some larger off-takers focus exclusively (or almost) on certified production).

This landscape gives important pointers for other actors wishing to achieve scale with training and financial services for cooperatives: key players are government, the largest private off-takers, projects that act as a catalyst working with multiple partners, and MFIs and other players intent on growing their rural market (with a degree of poverty focus implicit in their targeting).

<u>Transferability of lessons and approaches</u>

In some ways, transferability is linked closely to these other concerns. If lessons and approaches are transferable to other sectors, they may be potentially more inclusive and able to achieve scale. The latter influences cost-effectiveness and ultimately sustainability.

Much of the experience relating to finance for cooperatives hinges on a smallholder crop that is commercial and traded at a certain scale (so that there is a critical mass of demand for certain services, a critical mass of key actors, and there is reasonable information available on the sector). Predictable pricing, to a certain degree, is also important. (Cocoa mostly delivers this - on a seasonal basis). When banks are asked if they are extending similar services to other sectors, the most frequently mentioned crop is cashew (also an important export). Rubber and coffee are also mentioned sometimes.

So the transferability is limited in terms of crops – at least for some of the approaches. MFIs reaching out to individual farmers – currently largely via their cooperatives – are likely to reach a wider group of farmers, though they may only qualify for quite a limited range of financial products.

Strengthening the cooperatives to provide better services for members is important and notionally transferable, but the engagement of those cooperatives is likely to be strongest where it is linked to a cash crop, markets and possible access to finance (Gordon, 2021).

So there are some important gaps relating to other crops, and POs and services for poorer farmers.   Working with players whose ambitions are not sector-related (e.g., MFIs) may lead to the development of new models with wider applicability and transferability.

SCOPEinsight (pers. comm., July 2022) argues for alignment on standards, to promote transferability – in relation to the ISO standard for professional farmer organisations (IWA 29) and the Bankability Metrics.

<u>Sustainability</u>

Here "sustainability" is used to refer to the on-going operation of an initiative, post-project (not to the social and environmental concerns that are important in the certification and sustainability activities of the cooperatives). Cost-effectiveness, including an effective business model, ownership/responsibility and addressing a clear felt need are strong determinants of sustainability. Initiatives that work with players with strong shared interests, who have a long-term stake in the sector, and co-invest their own resources, have the best prospects for sustainability.

An individual cooperative may not be sustainable, so the planning lens needs to be broader. A cohort of trained cooperative professionals can contribute to the sector, irrespective of the demise of a particular PO. Farmers' interests may be better served by smaller cooperatives merging with larger entities.

Government players are also likely to continue to be present – and ANADER will work across a range of sectors. Finding effective ways to work with CCC and ANADER can also be important for sustainability.

Recommendations

The recommendations derived from this case study build on a central proposition:

> Given the prevalence of poverty in the cocoa sector, it is important to view the producer cooperatives as potential harbingers of change in rural communities and plan initiatives that include strengthening cooperatives' reach and the services they offer members. Whilst this may seem obvious and an almost exact fit with what cooperatives are supposed to do, it merits emphasis because (a) many of the cooperatives have very weak member services and (b) very high rates of poverty persist among cocoa farmers, and (c) the cooperatives present one of very few channels through which this might be addressed. Moreover, potentially, the POs can effect change that is felt more broadly within rural communities, beyond their membership.

1. Developing the right partnerships is important. Projects that partner with the key players who co-invest (government, private sector, organisations targeting rural markets) - and/or projects that work as catalysts - are likely to be most successful (in terms of necessary innovation, scale, cost-effectiveness and sustainability). Key considerations include:
    - shared interest
    - scale (and depth) of reach (see points above on which players have the widest reach)
    - sector knowledge (if the focus is finance, work with FSPs active in rural or poor markets)
    - reducing and sharing risk (by sharing knowledge and information, and by co-ordination)
    - leveraging resources.

2. If inclusion (of the poor, women and/or youth) is a key consideration, working with cooperatives to strengthen outreach will contribute, but nonetheless it will still be important to:
    - adopt an "inclusion lens" to critically review and, if necessary, modify plans
    - monitor results, collect the right data (identify initial quick-win entry points, e.g., the percentage share in cooperative crop volumes of, say, the top 5 members).

3. Regarding segmentation, the differing approaches and emphases of the various organisations have been outlined. Much of the assessment of cooperatives (for participation in programmes or targeting training) is tailored to very specific needs of the implementing party. Considerations that seem most relevant to AMEA and its partners are noted.
    - Chief among these must be some measure of scale, below which it would make better sense to encourage cooperatives to merge with larger entities, better able to service their rural constituencies (potentially a worthwhile intervention, *per se*).
    - Where the objective is to improve cooperative and farmer access to finance, aligning segmentation approaches with progressive financial partners would seem appropriate. This might inform a more graduated approach, beyond looking broadly at issues of scale (eliminating the smallest and the largest, focusing on the large "middle").

- a cooperative's potential reach is also important, to inform both the selection of cooperatives for a programme and its emphasis or content (though realistically this may be no different from a consideration of scale, including size of membership).

4. Stakeholders do not seem to have a strong interest in a PO shared database or platform. However, if AMEA and its partners wanted to probe that further, suggested steps would be to:

   - conduct an email or telephone survey
   - collect information on comparable experience elsewhere
   - convene a workshop, informed by the above, with the intention of eliciting

     i. clarity on the purpose of and audience for such a platform or database
     ii. a sharp focus on balancing its utility (what would be its value added?) with the practicality of collecting (and maintaining) the necessary information (strictly minimal necessary data, that can be accurately collected and updated)
     iii. whether it should serve stakeholders in Côte d'Ivoire alone, or in Ghana as well
     iv. identification of a cost-effective means to develop and maintain the initiative
     v. a decision on who should manage it and who should have access to it
     vi. consideration of how it would align with the relevant data-protection laws, and
     vii. a road-map, including responsibilities for the next steps.

5. On a different note, some points on data analysis are made[45]:

   - AMEA would like to exploit the potential of existing data rather than direct resources to formal surveys; nonetheless, where existing data only covers a limited portion of the PO landscape, findings derived from its analysis can only be contextualised if there is more information about *all* the POs. That might be possible if organisations with overview data (e.g., Government) make such information available; alternatively, tools such as "SCOPE Rapid" [46] – or similar - might contribute to understanding that broader picture.

   - The value of data and its analysis is increasingly obvious in today's digitally connected world. Much of the information that would be useful is already being collected, but commercial sensitivity and privacy concerns limit the extent to which it is shared. These considerations need to be explored at an early stage where shared data is a key input to an intervention or study.

   - The case study has highlighted challenges in the use of quantitative analysis to explore and attribute the results of BDS programmes. It has also highlighted some interesting findings with respect to variability in assessment scores beyond the 2nd assessment (using the same assessment tools), possibly related to the reportedly relatively short life-span of cooperatives in Côte d'Ivoire. Both findings should be tested more widely.

   - Those findings also demonstrate the importance of looking beyond averages to understand results better. The amount of variance in reported change should be considered. Only then

[45] See also Chell and Gordon, 2022.
[46] https://scopeinsight.com/how-our-newest-tool-can-help-transform-agricultural-landscapes/

can the statistical significance of an *average* improvement, in a group of POs, be established. (For example, the earlier analysis considered 45 pairs of 2nd and 3rd assessments where, on average, the group improved, but only just. There was considerable variance in response and for 42% of the POs, there was a decline in overall score, when assessed for the 3rd time compared to the 2nd.)

- The importance of controlling for key factors has also been highlighted, as this can have a significant effect on the findings. However, this creates additional challenges, as it is harder to generate robust findings, where smaller sub-sets of data are analysed.

- A good understanding of distributional issues within cooperatives remains a gap. This could be addressed in a number of ways but data on, e.g., the share of production contributed by the largest *x* members (perhaps 5 or 10) would be a helpful start.

Summing up these findings, to discern a way forward, particularly in relation to the key questions posed by AMEA for this case study – points to the following priorities:

- recognizing the life cycle of the cooperatives and the weakness of many - and finding pragmatic ways to strengthen the sector, but not diverting undue resources to very small cooperatives

- working with partners capable of achieving scale, who can also co-finance and bring know-how

- keeping a paramount focus on the cooperatives as providers of rural services is particularly important in the light of ongoing high rates of poverty among cocoa farmers

- accepting that different parties will want to organize training to suit their needs (selection of POs and content); common elements offer scope for standardization (the ALP would provide a good basis) but there will still be differentiation among them. Promoting a standardized approach with the largest players would be useful (indeed, this has already happened with the largest off-takers, but there may be more that could be done with ANADER[47] and/or CCC).

- The landscape for cooperative and farmer access to finance in Côte d'Ivoire is developing rapidly. Some of the most innovative and effectively poverty-focused initiatives are coming from the MFIs. Partnering and understanding their approaches to segmentation and targeting can inform the development of ways to improve cooperative and farmer access to finance.

- As the cocoa sector in Ghana faces very similar issues – and is of comparable importance in scale – AMEA might consider how to link its work in Côte d'Ivoire with partners or initiatives in Ghana.

[47] ANADER has a diagnostic tool covering cooperative governance, management and "goods and services", rated as start-up, growth, expansion. Understanding how this works in practice, and how it affects the training provided, might provide an entry point to working with ANADER.

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ANNEX 1: TERMS OF REFERENCE
(including subsequent revisions made in March 2022)

Case Study on Private Sector Driven Farmer Organizations Development Strategies within the Cocoa Sector in Côte d'Ivoire (September 2021)

Background

In 2020, AMEA published one case study[48] drawing learning from three IFC projects in West Africa:

- Cargill Coop Academy, Côte d'Ivoire;
- Telcar, Coop Academy, Cameroon;
- Olam Cocoa/Cotton capacity building program, Côte d'Ivoire

In addition, in early 2021 AMEA designed a guidance document for the activities of the Access to Finance Working Group (A2F WG), which includes a learning agenda outlining four key questions that the WG would like to answer this year:

1. Has Technical Assistance (TA) / Business Development Services (BDS) support to farmers and producer organizations (POs) enabled access to finance?
2. What are the most promising initiatives in each (AMEA Local Network) country to enable farmers and POs to have a financial track record and access to finance?
3. Would a PO database that provides details on PO capacities be valuable to Government, FSPs, and potential value chain partners?
4. What could be an efficient and effective approach for delivering segmented, targeted capacity building which enables access to finance?

In view of this background, AMEA aims to draw new and deeper lessons, building from the Case Study Report in 2020 and contributing to the A2F learning agenda.

Overview and Purpose of the Case Study

AMEA sees an opportunity to dive deeper into three projects in Côte d'Ivoire and draw learning from the design of BDS and the effectiveness of BDS to enable POs to develop capacities that enable them to deliver better returns to members. The case study will also examine the potential for BDS to be sustainably scaled up through recurring public sector programs and private sector business models. This will lead the consultant(s) to consider cost and effectiveness of BDS approaches, including methods of segmenting the PO market and delivering tailored BDS based on a deep understanding of the PO's needs.

This case study is therefore expected to be of value to a wide range of stakeholders in West Africa who aim to deliver BDS that transforms the prospects of millions of farmers and their organisations. We therefore

[48] This case study was a result of the partnership between AMEA, FAO, IFPRI and the CGIAR Research Program on Policies, Institutions and Markets (PIM), who collaborated to review "Strategies to invest in human capital in agriculture".

encourage the consultant(s) to present their findings in a form that can be used by these stakeholders to design their next phase of interventions.

Case Study Approach and Backstopping

The case study will have available to it a range of quantitative data such as the following:

- AMEA West Africa case study which draws from IFC's recent evaluation of its work with Cargill
- IDH FCIP final report including survey data and impact evaluation report
- CNFA MOCA program final report which we would expect to be produced this year
- Data available from 343 SCOPEinsight assessments undertaken in the Ivory Coast in 2020
- Data available from Conseil Café et Cacao (CCC) 100+ assessments using a different tool.
- Data available from SOCODEVI assessments
- Data available from IDH Intelligence Centre

We therefore invite the consultants to propose an approach that will use these data sources to draw out lessons and good practices which can be supported by this data. We therefore expect that the approach will include quantitative analysis which is then followed by qualitative processes to interpret the data. These qualitative processes must involve interviews with the POs and reflections from a range of the key stakeholders in the programs.

The final approach should be agreed with AMEA and IDH prior to the start of activities and backstopping support will be provided from these organizations. AMEA has also ensured this case study has commitment from IFC and CNFA.

Specific Objectives

The consultant should aim to triangulate information/data (incl. with companies) and to reflect on results by using a gender lens when possible. The case study process should aim to answer the following questions:

1. **Design and delivery of BDS and other incentives/interventions**
    - How did the different programs choose which POs to work with?
    - What are the lessons learned in the design, commissioning and implementation of assessment processes with farmers and FOs?
    - How were the different BDS[49] designed? Did the design use the assessment data? If not, why?
    - How were the different BDS delivered to farmers and the POs i.e. duration, format?

2. **Effectiveness and attribution**
    - How was the effectiveness of BDS measured?
    - What were the most significant improvements in farmers and POs capacity and did these significantly lead to improved business performance?

[49] Please provide a typology of the type of BDS delivered such as the one included in https://www.icco-cooperation.org/en/wp-content/uploads/sites/2/2021/04/BDS-Learning-brief.pdf

- What is the tipping point for POs to have a step change in their growth e.g. become bankable and part of a new supply chain that delivers better returns? Assessment data should be used to show the degree of correlation/causation and AGRA's Bankability Metrics should be tested if possible.
- What combination of BDS and other support (e.g. access to finance, storage, transport) leads to an sustained acceleration in FO development?
- What impact did the BDS have on farmers and POs taking into account the uncontrollable externalities?
- Did other factors (e.g. policy interventions; other forms of support) have a stronger impact in terms of contributing to PO development?
- What do we not know? How would we improve the generation of data to enable effectiveness of BDS to be measured more reliably?

3. Scaling strategies

- What is the cost effectiveness of different BDS approaches used to support the FOs that have achieved a step change in their growth?
- Do stakeholders[50] see value in the development of a PO data set? If they do, what are their opinions on how this would be set up and financed in a sustainable way. Consider both public and private sector strategies; and the possibility of a phased approach.
- What are the triggers for private sector clients to integrate BDS to POs into their business model?
- What is the role of public sector organizations in providing BDS to POs and how could they integrate the learning from this case study in their programs? Consider the different segments of the PO market such as early developers where private sector is unwilling to invest.
- Do stakeholders see value in creating a digital platform for sharing data and/or collaborating on BDS? If they do, how would this platform be created and sustained?
- Which (digital) agricultural technologies would be recommended for the AMEA AgTech Guide? Provide details on results and potential of the AgTech, including PO members demand.

[50] Public sector, private sector, financial sector, PO sector, etc.

PO ACCESS TO FINANCE: LESSONS FROM THE COCOA SECTOR IN COTE D'IVOIRE

Revised Terms of Reference (7th March 2022)

Context: Interim findings

The first phase of the study – quantitative analysis of available data - is now largely complete. In relation to the intended focus of this study (PO professionalism and bankability, and BDS that promote bankability), the quantitative analysis has contributed an improved understanding in three areas particularly:

- how PO assessment data can be used and interpreted
- factors associated with PO access to loans, and
- a possible (and plausible) implication that PO benefits from training may start to "plateau" (mixed results from 3rd assessments and beyond).

In general, the quantitative analysis has not helped identify the effect of different programmes of assistance on PO access to finance – although clear differences between those programmes are evident.

Those findings have been reported in the interim summary of findings (updated 25th February) and discussed with the AMEA team on 28th February. It was agreed that the ToRs for the 2nd part of the work (qualitative follow-up including field work) should be modified to more closely build upon those results. These revised (draft) ToRs therefore focus on the intersection between those interim findings and AMEA's interests in relation to PO access to finance.

AMEA interests in relation to PO access to finance

The AMEA ToRs (September 2021) refer to the 2020 case study of IFC projects (Gordon, A., 2021) and the learning agenda of its Access to Finance (A2F) working group, whose key interests focus on:

A1. Have technical assistance (TA) and Business Development Service (BDS) support to farmers and POs enabled access finance?
A2. What are the most promising initiatives in supporting farmer and PO access to finance and development of a financial track record?
A3. Would a database of PO capacities be useful to governments, financial service providers and value chain actors? and
A4. What is an efficient and effective approach for the delivery of segmented, targeted capacity development for the improvement of farmer and PO access to finance?

AMEA wish to use analysis of the quantitative data, shared by its partners in Côte d'Ivoire, supported by subsequent qualitative investigation, to build on the earlier work and contribute to the A2F learning agenda.

Proposed revised ToRs

Access to finance

1. Validate interim findings relating to access to finance including:
    a. Importance of PO scale (various measures) in A2F and how much can be borrowed

   b. Importance of strong internal and financial management in A2F, and related factors
   c. The potential and actual role of (various) metrics in determining A2F
2. Where relevant, explore other factors stakeholders consider important in relation to A2F.

Findings will contribute to A1 and A2 above.

How POs respond to intervention programmes

3. Validate interim findings on:
   a. smaller weaker POs seeming to "catch up" with the stronger POs, after interventions (training)
   b. possible signs that the benefits of training "plateau" (mixed results from 3rd assessments and beyond)
4. Explore possible causes of different results and patterns of results (e.g., in relation to the quantitative analysis of Groups 1 and 2 assessments).
5. Explore the process by which POs are "recruited" into different programmes and the extent to which assessment data (or other information) are used to tailor interventions and training.

Findings will contribute particularly to A4 above (relevance to segmentation and tailored training) and also A1 and A2. In as much as the available data has not permitted a robust quantitative analysis of which BDS "packages" are most effective in promoting PO bankability, the consultants will also consider what data would be needed, and the practicability of its collection, for such analysis.

Interpreting PO assessment data and how this could relate to a potential PO database

6. Explore experience with and perceptions of assessment data (how much is it used, by whom and for what purpose – and how that experience and those perceptions differ among stakeholders)
7. Explore the value/perceived value of a PO database (who wants it?, what do they want/"expect"? is there anything in use or being piloted at present - e.g., with CCC? what is known about the POs not being "assessed").
8. Consider what data might be useful and practicable to collect, and how it might be managed (how funded, how objective, how shared and used).

Frame subsequent recommendations based on field follow-up and the prior interim findings on the analysis and interpretation of those data.

This would address A3 of the A2F learning agenda.

<u>Information sources</u>

These topics would be explored particularly with FIs and MFIs, off-takers, those providing training and assessment services as well as relevant donors and NGOs, representatives of cocoa associations, and government, including the CCC. As far as possible, input and experience from a range of cocoa associations will be sought, including experience beyond those projects referenced in the AMEA ToRs. Where relevant, follow-up may be with key informants outside Côte d'Ivoire. Review results alongside information contained in other relevant documents and studies.