

SUMMARY OF THE PROJECT IN DESIGN * (*)

Chocolate Island Cocoa, Carbon and Community

PITCH ELIGIBILITY DATE		COUNTRY(IES)
07/11/2022		Trinidad y Tobago
ALIGNED WITH COUNTRY STRATEGY?		
Yes		
PARTNER(S)		
The Cropper Foundation		
PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT		
B (**)		
TOTAL BUDGET	IDB Lab	LOCAL COUNTERPART AND COFINANCING
US 800,000	US 400,000	US 400,000
DESCRIPTION		

The problem Trinidad and Tobago is a small (500 – 600 mt annually) but exclusive producer of fine or flavor cocoa with a global reputation for quality that attracts premium pricing as compared to bulk cocoa. With the burgeoning boutique chocolate market segment growing at a faster pace globally than that of bulk cocoa and its ensuing products, Trinidad and Tobago is well positioned to leverage these natural advantages to meet the growing demand. The Government of Trinidad and Tobago has identified cocoa as a strategic crop with comparative advantages to support its quest for economic diversification. The cocoa strategic plan of T&T aims to increase cocoa production to 15,000 mt per annum with at least 50% of the produce exported as value-add products.

Globally the cocoa and chocolate industry has not fared any better as supply chains were detrimentally affected by Covid 19, particularly the supply of bulk beans out of West Africa. While demand decreased in 2020 and 2021, the global chocolate market is expected to rebound and become even more competitive with Europe predicted to lead consumer demand with a correlating expectation of a higher quality product. These consumers have placed an increased emphasis on high quality chocolates made from fine flavour cocoa and have shifted towards the purchase of products branded as single-origin, organic, handmade and artisan.

Cocoa farmers, chocolatiers and companies looking to export into the European market not only have to contend with consumer tastes and demands regarding quality and luxury, but also comply with new environmental policies, specifically the EU Deforestation Regulation whereby companies will need to monitor their supply chains and submit evidence that their products and practices have not contributed to deforestation or forest degradation. A recent UK study found that the Global Warming Potential (GWP) of chocolate ranges from 2.9-4.2 kgCO₂ eq./kg and approximately 10,000l of water is needed to produce a kg of chocolate, furthermore, land use change for cocoa production increases GWP by 3-4 times, however GWP of the industry could be improved by 14-19% through various improvements. For high value dark chocolates the carbon footprint could be as large as 5-7.5 kgCO₂ eq./kg due to the high cocoa content. Finally, cocoa production in Central and West Africa has been

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**The IDB categorizes all projects into one of six E/S impact categories. Category A projects are those with the most significant and mostly permanent E/S impacts, category B those that cause mostly local and short-term impacts, and category C those with minimal or no negative impacts. A fourth category, FI-1 (high risk) Financial Intermediary (FI)'s portfolio includes exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, mostly irreversible or unprecedented, FI-2 (medium risk) FI's portfolio consists of business activities that have potential limited adverse environmental or social risks or impacts, FI-3 (low risk) FI's portfolio consists of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

associated with deforestation and child labour, in addition to climate, consumers may also be asking ethical questions concerning their purchases.

These heightened concerns with regards to economic, environmental, and social unsustainability of cocoa and chocolate production, its high carbon cost and the impact of climate change has created considerable distress and propelled large chocolate companies to invest into their own sustainability programs. The resolutions coming out of COP26 as well as by the UN Sustainable Development Goals (SDGs) has added to the urgency to reconfigure the supply chains of their cocoa-based products. Innovative approaches to investment and financing are therefore required to reconfigure the chocolate and cocoa supply chains to become ESG compliant as well as address the impacts of climate change while increasing yields. Hence investors are also looking for opportunities for impact investments that will lead to sustainable ESG compliant supply chains.

The solution The proposed solution will brand Trinidad and Tobago as the “Chocolate Island” and seeks to propel the Trinidad and Tobago cocoa and chocolate industry forward in a post pandemic and ESG compliant world, by providing an innovative approach to attracting impact investors through a bundled investment package of “Cocoa, Carbon and Community” thus providing not only a financial return on investment but also environmental and social returns as well.

Trinidad and Tobago represents the ideal location to pilot an impact investing model in the cocoa sector for several reasons. Despite a substantial decline in domestic production over several decades, the country has managed to maintain its reputation for producing fine/flavour cocoa for over 200 years with the country holding the record for most international cocoa awards.

The beneficiaries There are an estimated 1200 cocoa farmers in Trinidad and Tobago consisting of mainly small holder farmers, many of whom operate via small cooperative models or independently and are responsible for 80-90% of the production, while the remaining production falls under large estates the majority of which are family owned and operated.

The local cocoa industry also comprises 7 fermentary operators and over 50 value added producers, many of whom produce their own chocolates and other products such as cocoa butter, nibs, liquor and cocoa powder for both export and the local market. Additionally, there are currently 25,000 ha of abandoned farms, the majority of which are privately owned and are also being specifically targeted for investment to expand national production volume to 15,000 tonnes according to the cocoa industry strategic plan.

These actors will be the primary beneficiaries for this intervention which will consist of a diverse group of individuals particularly in the context of the Caribbean where farmers represent the cultural diversity of Trinidad and Tobago, specifically afro descendants and persons from east Indian descent.

The partner IThe Cropper Foundation (TCF) was incorporated on August 24th, 2000, in Trinidad and Tobago as a Non-Governmental Organization (NGO) by John and Angela Cropper, as a vehicle to continue their decades-long commitment to the sustainable development of the Caribbean region, which they both called home. The TCF has sought to lead global efforts at understanding the state of the world’s environment.

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Now in its second decade of contributing to Caribbean development, TCF has sought to expand its understanding and influence, and has established its reputation as a thought leader in key thematic areas that include: natural capital, data for development, education for sustainable development, civil society leadership and sustainability financing.

The IDB Lab's contribution will be USD \$400,000 non-reimbursable technical cooperation.

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