



Financing Climate Smart Practices to Protect Forests and Improve Livelihoods

Type	Sustainable Agriculture	Financial instrument	Debt (7–15 year term)
Regions of interest	West Africa, Latin America, Southeast Asia	Proof of concept	In progress
Blueprint owner	Rainforest Alliance		

In a nutshell

The challenge for small-scale cocoa farmers is to access the capital and tools to support their transition to more productive and sustainable practices, which often entails farm renovation and rehabilitation (R&R). This blueprint presents an innovative, blended value chain finance approach, involving investment from external investors and cocoa offtakers in smallholder cocoa farms by bundling loans through ground operators.

Investment and operating model

Based on a blended finance investment vehicle, the model pools public and private sector capital in a layered capital structure. The cash flow is managed by a ground operator who administers the income and ensures that farmers receive technical assistance, loans, and agricultural inputs (e.g. fertilizers and planting materials) to improve their production and/or obtain sustainability certifications. The operator then acquires cocoa from the farmers (cutting the costs of input and technical assistance from the price paid to the farmers) and resells it to offtakers.

The investment structure requires long-term financing commitments with a minimum of 7–15 years' maturity, in line with the repayment period associated with replanting.

In order to finance successive parcels of a cocoa field using a staggered approach, the investment structure may operate as a revolving facility. The option to enable trading loans on the secondary market is under consideration, which would allow for early exits.

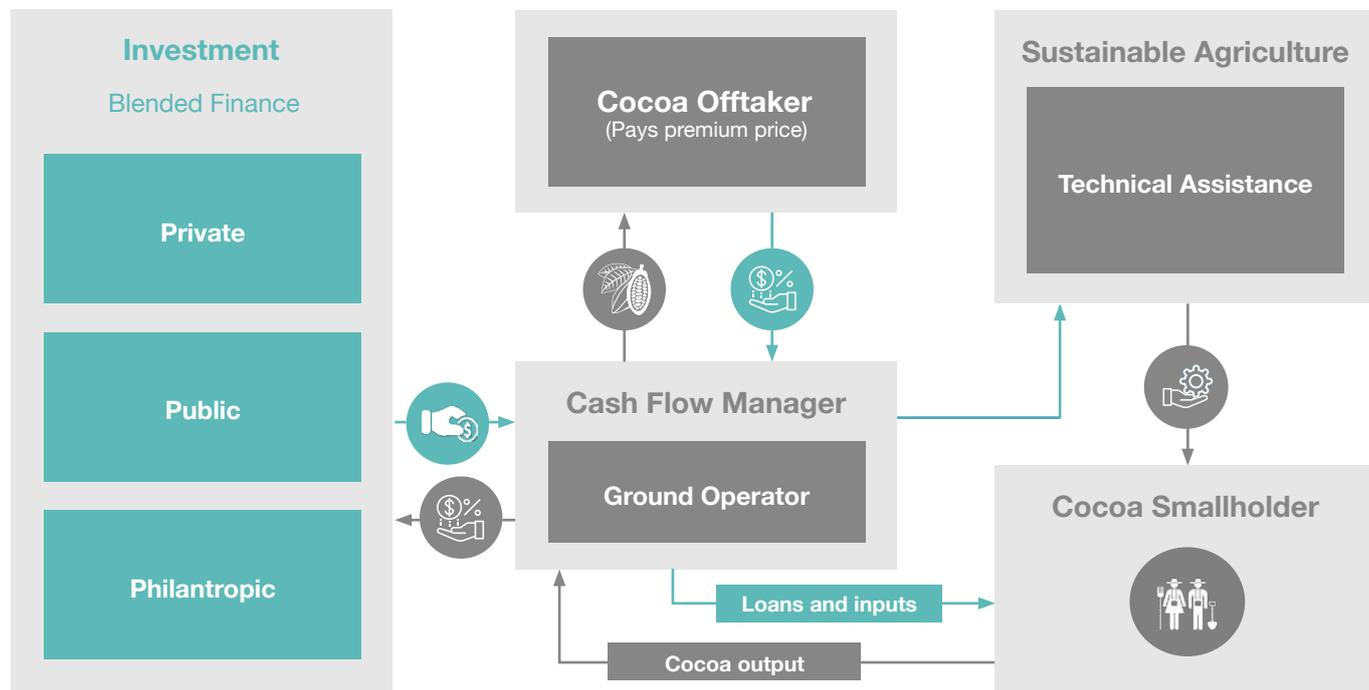
Impact measurement

R&R practices in the cocoa sector can deliver a suite of ecosystem services, such as restored tree stocks and soil, improved water retention, reduced fertilizer use, prevented deforestation, and reforestation. The [IRIS tool](#) of the Global Impact Investment Network provides standardized metrics to measure these. Other readily available tools, such as [IBAT](#) and [TESSA](#), could be considered.

Scalability and replication

This blueprint is based on smallholder cocoa farming in West Africa and could be replicated (or adapted) for other smallholder cultivated tree crops, such as coffee and palm oil in Latin America and Southeast Asia. Replication can be considered where small-scale farmers are in need of new farming practices to sustain production and adapt to climate change but are facing low or negative cash flows for their implementation. Preconditions include access to qualified ground operators and enough market demand for premium cocoa.

Investment and operating model



Would you like to know more?

The Coalition for Private Investment in Conservation (CPIC) is a global, multi-stakeholder initiative with a mission to enable conditions that support a material increase in private, return-seeking investment in conservation. These blueprints support this mission by providing replicable investment models that incorporate innovative finance solutions to encourage the participation of private investors.

More information on this blueprint is available [here](#).

