

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**JAMAICA**

**REVITALIZING THE JAMAICAN COCOA SECTOR**

**(JA-M1024)**

**DONORS MEMORANDUM**

This document was prepared by the project team consisting of: Alejandro Escobar, Project Team Leader (MIF/AMC); Yolanda Strachan, co-team Leader (MIF/AMC), Wayne Beecher, Supervision Team Leader (MIF/CJA), Dora Moscoso (MIF/DEU), Irani Arraiz, (MIF/DEU), Ana Castillo (MIF/KSC), Winsome Leslie (MIF/ATF), Nobuyuki Otsuka (MIF/AMC), Anne Marie Lauschus (LEG/NSG), and Graham Williams (FMP/CJA).

Under the Access to Information Policy, this document is subject to public disclosure.

## **Revitalizing the Jamaican Cocoa Sector (JA-M1024)**

The Multilateral Investment Fund (MIF), working alongside the Jamaica Cocoa Farmers' Association (JCFA), is launching an initiative to help rural farmers of specialty cocoa in Jamaica expand into global supply chains and high-value markets.

The \$2.5 million project aims to help the recovery of the cocoa sector by empowering small holders to participate as economic agents in the value chain. It will be implemented by the JCFA, a non-profit farmers' organization that aims to improve the economic activity and income of cocoa farmers and cocoa-producing communities, and is expected to benefit 1,300 rural cocoa growers and their families through technical assistance and capacity building. The MIF will contribute about \$1,500,000 in non-refundable resources, with counterparts providing the rest of the funding.

Cocoa is an important cash crop for farming communities in rural Jamaica. The sector is comprised of an estimated 11,000 small farmers who grow cocoa commercially on plantations of less than 5 acres. In the cocoa-producing parishes of St. Mary, Portland, Clarendon, and St. Thomas, it is estimated that more than a quarter of the population lives below the national poverty line. While the international cocoa market continues to enjoy high prices and significant premiums, the incomes of Jamaica's cocoa farmers have been declining due to low productivity, variation in cocoa quality, and weak organizational capacity.

The project is geared at improving yields and productivity of existing cocoa orchards, ensuring a superior quality product by implementing a system of total quality control and certifications, and enhancing the organizational capacity of the JCFA for more effective governance, management, and marketing. It will also capture, systematize and disseminate the knowledge generated in an effort to further contribute to the development of the Jamaican cocoa sector.

Under the umbrella of the JCFA, members will begin processing cocoa at the community level, which includes collection, fermentation, and drying using JCFA community processing facilities. This approach is an innovation for the Jamaican cocoa sector and is expected to re-invigorate the value chain by allowing communities to add value locally.

The project will also play a catalytic role in revitalizing the cocoa industry, providing new employment opportunities for farmers and communities negatively affected by the decline of the country's banana, sugar, and citrus exports. It also includes activities with the objective of helping women and youth to benefit as cocoa farmers and entrepreneurs in potential new activities such as seeding production, chocolate making, and the creation of other artisan cocoa products.

By helping bolster and streamline the production of cocoa in Jamaica, the MIF honors its commitment to the peoples of Latin America and the Caribbean to considerably improve their lives.

**CONTENTS**

EXECUTIVE SUMMARY .....	1
BACKGROUND.....	2
OBJECTIVES, COMPONENTS AND EXPECTED RESULTS .....	6
A.    Objectives .....	6
B.    Components and Activities.....	6
C.    Expected Results.....	9
PROJECT COST AND FINANCING .....	10
EXECUTING AGENCY AND EXECUTION MECHANISM .....	11
A.    Executing Agency.....	11
B.    Execution mechanism.....	11
MONITORING AND EVALUATION .....	12
BENEFITS AND RISKS .....	14
A.    Benefits .....	14
B.    Risks .....	14
ENVIRONMENTAL AND SOCIAL STRATEGY .....	15

## **ANNEXES**

Annex I	Logical Framework
Annex II	Summary Budget
Annex III	Quality for Effectiveness in Development Matrix

## **APPENDIX**

Proposed Resolution
---------------------

**INFORMATION AVAILABLE IN THE TECHNICAL FILES**

Annex IV	Operational Manual for the Project
Annex V	List of Preliminary Milestones
Annex VI	Procurement Plan

## ACRONYMS AND ABBREVIATIONS

ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
CIB	Cocoa Industry Board
DNA	Diagnostic of Executing Agency Needs
ESR	Environmental and Social Review
EU	European Union
GAP	Good Agricultural Practices
HAACP	Hazard analysis and critical control points
ICCO	International Cocoa Organization
IDB	Inter-American Development Bank
IICA	Inter-American Institute for Agricultural Cooperation
JCFA	Jamaica Cocoa Farmers' Association
JOAM	Jamaican Organic Agriculture Movement
MAJIC	Marketing and Agriculture for Jamaican Improved Competitiveness
MIF	Multilateral Investment Fund
NGO	Non-Governmental Organization
PEU	Project Execution Unit
PSC	Project Steering Committee
PSR	Project Status Report
RADA	Rural Agricultural Development Authority
RECREATE	Re-Engineering the Cocoa Economy Through Agro Processing, Eco-Tourism, and Entrepreneurship
TOR	Terms of Reference
USAID	United States Agency for International Development
UWI	University of the West Indies

**JAMAICA: REVITALIZING THE JAMAICAN COCOA SECTOR  
(JA-M1024)**

**I. EXECUTIVE SUMMARY**

<b>Country:</b>	Jamaica						
<b>Executing agency:</b>	Jamaican Cocoa Farmers' Association (JCFA)						
<b>Beneficiaries:</b>	<i>Direct beneficiaries:</i> The project is expected to directly benefit 1,300 cocoa growing families in rural parts of Jamaica including the Northeast (St. Mary & Portland), South Central (St. Catherine & Clarendon), Southeast (St. Thomas & St. Andrew) and West (Hanover & Westmoreland).						
<b>Objectives and Description:</b>	The general objective of the project is to contribute to increased income for smallholder farmers of specialty cocoa in Jamaica. The specific objective is to sustainably position JCFA cocoa in global supply chains and high value markets.						
<b>Amount and Source:</b>	<table> <tr> <td>MIF (non reimbursable):</td><td>US\$ 1,817,499</td></tr> <tr> <td>Local Counterpart:</td><td><u>US\$ 840,989</u></td></tr> <tr> <td><b>Total:</b></td><td><b>US\$ 2,658,488</b></td></tr> </table>	MIF (non reimbursable):	US\$ 1,817,499	Local Counterpart:	<u>US\$ 840,989</u>	<b>Total:</b>	<b>US\$ 2,658,488</b>
MIF (non reimbursable):	US\$ 1,817,499						
Local Counterpart:	<u>US\$ 840,989</u>						
<b>Total:</b>	<b>US\$ 2,658,488</b>						
<b>Terms:</b>	<p>Execution Period: 36 months</p> <p>Disbursement Period: 42 months</p>						
<b>Exceptions to the Bank's policies:</b>	None.						
<b>Special Contractual Conditions:</b>	Conditions prior to the first disbursement: (i) selection of the Project Coordinator; (ii) approval of the Project's Operating Regulations and (iii) establishment of the Project Steering Committee.						
<b>Environmental/Social review:</b>	ESG reviewed this operation on June 29, 2012, and there were no observations. The operation has been classified as category "C" operation.						
<b>Coordination with other official financing institutions of development:</b>	Counterpart resources for the project will be provided by USAID in the amount of \$367,627. The project will also complement ongoing efforts funded by the EU to rehabilitate cocoa orchards and promote value added production through cottage industries.						

## II. BACKGROUND

### A. The Jamaican cocoa sector

- 2.1 The world market for specialty chocolate (which includes fine/flavored, single origin, organic, and fair trade cocoa) has grown significantly in recent years driven by increasing consumer awareness and growing interest from the world's leading chocolate manufacturers in the premium segment<sup>1</sup>. This has translated into a growing demand for specialty cocoa beans. The world cocoa market distinguishes between two broad categories of cocoa beans: "fine or flavor" cocoa beans, and "bulk" cocoa beans. In general terms, fine or flavor cocoa is recognized for its unique tasting notes and aroma. It is considered top quality cocoa and used in gourmet chocolate products by premium chocolate makers. In contrast, bulk cocoa beans are cultivated for mass production and have a more classic flavor and a lower price. Bulk beans account for more than 90 percent of world production and they are largely used for industrial confectionery. From the perspective of the grower, the ability to tap into the specialty market represents an opportunity for significant premiums above commodity pricing.
- 2.2 Jamaica produces a unique fine flavor cocoa which occupies a niche market. The country is one of eight exclusive suppliers, delivering a small quantity of high quality cocoa which fetches a premium price on international markets. Jamaica's cocoa beans are exported mainly to Europe, the United States, and Japan. Among fine flavor producers, Jamaica boasts a heritage of quality and recognition in international markets. However, production has experienced a steady decline for the past two decades with annual exports falling from 2,000 tons in the 1980's to less than 400 tons today.
- 2.3 Currently, the sector is at a turning point. The Government of Jamaica is in the process of reviewing the role of the Cocoa Industry Board (CIB) and is working to deregulate its role in commercial functions<sup>2</sup>. Until 2008, the CIB was responsible for the entire chain of post-harvest operations including fermentation, drying, export, and marketing. CIB pricing policies were highly unfavorable to producers, passing hardly 50% of the international cocoa price to farmers, compared to an average of 70% received by farmers in other countries. The low farm gate prices disincentivized production at the farm level and played a major role in falling production<sup>3</sup>.
- 2.4 **The JCFA as a key player.** In response to the problems affecting the sector, the Jamaica Cocoa Farmers' Association (JCFA) was established in May 2008 as a non-profit farmers' organization to pursue a farmer-centered approach towards the sustainable development of the cocoa economy. It became the country's first private sector entity to engage in post-harvest processing and export of Jamaican fine flavor

---

<sup>1</sup> "The Market For Organic And Fair-Trade Cocoa", United Nations Food and Agricultural Organization, September 2009.

<sup>2</sup> The CIB was created as a statutory body in 1957 to regulate and promote the industry. It was primarily established to ensure and protect the quality of cocoa by centrally fermenting and drying cocoa beans. In 2008, the government announced plans to restructure the CIB and change its function from a commercial to a regulatory entity.

<sup>3</sup> Falling production levels, volatile world prices, and the high costs of maintaining centralized processing operations triggered a gradual decline of the industry.



cocoa. Its mission is to improve economic activity and increase the income of cocoa farmers. Since its establishment, the organization has grown to 1,300 members across the country, over 80% of which are small holder farmers. It is currently pursuing a community-based processing approach which empowers farming communities to process their own cocoa beans. It has established four community processing centers which collect, ferment and dry cocoa at the community level before it is packed and shipped for export. In keeping with its farmer-centered approach, JCFA members receive 66% of the international market price, although a long-term goal of 80% is envisioned<sup>4</sup>.

- 2.5 There is clear interest among buyers in Jamaican fine flavor cocoa. The JCFA has secured a contract with Valhrona<sup>5</sup>, one of the world's foremost chocolate manufacturers, to supply 3 containers (75,000 lbs) of cocoa per year on a rolling basis. To maximize market access and facilitate relationships with buyers, the JCFA is partnering with the Transmar Group<sup>6</sup>, an international cocoa trading company. Under this arrangement the company has been contracted to manage warehousing, sales and marketing for the first few years of the JCFA's operation. The company also provides pre-export short-term financing to enable to JCFA to purchase wet cocoa beans from members.
- 2.6 The JCFA has experience in implementing donor-funded projects. It was awarded three small USAID grants over the past five years. In 2007, the organization benefitted from a \$39,000 grant to undertake strategic planning for the association and to set up and pilot the use of two solar dryer units in St. Thomas and St. Mary for the post-harvest handling of cocoa beans. This was followed by another \$70,000 grant, implemented by ACDI/VOCA<sup>7</sup>, to build JCFA capacity and train farmers on post-harvest techniques. The successful execution of these projects resulted in the award of a \$756,000 grant to the JCFA to establish post-harvest processing infrastructure in selected farming communities and to implement a community-based management structure for the processing facilities.

## **B. Problem Statement and Causes**

- 2.7 While the international cocoa market continues to enjoy high prices and significant premiums, the incomes of Jamaica's cocoa farmers have been declining. With the introduction of a community-based processing model, and improved cultivation and processing techniques, JCFA farmers now have an opportunity to redefine their position in the value chain, access new markets and as a result enhance their incomes. Nevertheless, they face a number of constraints that limit their ability to compete in international supply chains for specialty cocoa. Therefore, the central problem that

---

<sup>4</sup> JCFA members currently receive J\$2500 (\$28) per box compared to J\$1800 (\$20) per box from the CIB.

<sup>5</sup> Valhrona is a French chocolate manufacturer that focuses mainly on high-grade luxury chocolate marketed for professional as well as for private consumption. The company uses Jamaican chocolate for its Grand Cru Caribbe products, which feature terrior cocoa from the Caribbean.

<sup>6</sup> Transmar recently incorporated a local subsidiary, Transmar Jamaica Limited, to manage operations for sourcing cocoa from Jamaica.

<sup>7</sup> ACDI/VOCA is an international non-profit technical assistance provider with significant experience in the development of agricultural value chains.

will be addressed by this project is the JCFA's lack of competitiveness to expand and diversify in high value markets<sup>8</sup>.

- 2.8 **First, after more than two decades of declining production, volumes and productivity on cocoa plantations are well below potential.** In Jamaica, more than half the cocoa plantations are more than 25 years old and in need of replanting or rehabilitation. The total area under cocoa cultivation is estimated at 9,000 acres and yields an average of 200 lbs/acre of dry cocoa, currently well below a healthy 800 lbs/acre mark. Increasing productivity and volumes is critical for reaching economies of scale, lowering production costs, and most importantly attracting buyers, who need to be assured of a steady supply.
- 2.9 **Second, the current lack of standardized systems along the production chain has led to variation in cocoa quality.** In the marketing of cocoa beans, one of the most important factors in achieving buyer satisfaction is consistency in the quality of the product. Specialty cocoa beans will achieve their "niche" position and fetch an appropriate premium in the cocoa market only if they continue to be produced in steady quantities and with consistent quality. For the JCFA, this will require investments to standardize processing, attain quality certifications, and implement well-functioning quality control and traceability systems.
- 2.10 **Third, as a new player in the cocoa industry, the JCFA has not yet adopted improved practices and tools to manage business operations, conduct effective marketing and branding, and expand into new products.** Developing detailed business plans, introducing new systems for managing farmer records, and monitoring prices in real time will improve operating efficiency and transparency. Furthermore, improving the association's capacity to reach out to new buyers will broaden its market profile and improve negotiating power.
- 2.11 Overall, investing in JCFA's technical and institutional capacity is critical for its long-term sustainability and the sustained incomes of the farmers which make up its supply chain. To the extent that the JCFA can deliver a consistent volume of high quality fine flavor cocoa, it will be better positioned to develop and deepen long-term relationships with buyers who are willing to pay a premium.

### **C. Opportunity for systemic impact**

- 2.12 Cocoa is an important cash crop for farming communities in rural Jamaica. The cocoa farming population is comprised of an estimated 11,000 small farmers who grow cocoa commercially on plantations of less than 5 acres<sup>9</sup>. Cocoa is produced in eleven Parishes (St Thomas, Portland, St Mary, St Andrew, St Catherine, St Ann, Clarendon, Trelawney, St James, Westmoreland and Hanover). The project is expected to benefit 1,300 rural cocoa growers and their families through technical assistance and capacity building.

---

<sup>8</sup> This low competitiveness includes, inter alia, low productivity, variable product quality, lack of standards compliance, high transaction costs, and lack of marketing and buyer networks.

<sup>9</sup> "An Evaluation of The Cocoa Sector In Jamaica: Challenges and Opportunities", USAID/ Protected Areas and Rural Enterprise Project (PARE), October 2008

- 2.13 Jamaica's Vision 2030 Poverty Reduction Strategy states that poverty remains a problem for the country, and is more acute in rural areas where 21 percent of the population lives below the poverty line. In 2007, over 71 per cent of the country's poor were living in rural areas compared with 29 per cent in Kingston and other towns. In the parishes of St. Mary (31%), Portland (30%), Clarendon (28%), and St. Thomas (25%), it is estimated that more than a quarter of the population lives below the national poverty line.<sup>10</sup> Revitalizing the cocoa sector is expected to provide new employment opportunities for farmers and communities that were negatively affected by the dramatic decline of the country's banana, sugar, and citrus exports.
- 2.14 The project will ensure that all training activities are gender sensitive to the needs of both women and men to ensure maximum participation and benefit. Approximately 19 percent of Jamaica's cocoa farmers are women. In addition, women from the communities have demonstrated remarkable skill in post-harvest processing. The JCFA in conjunction with ACDI/VOCA is currently undertaking youth and gender outreach to integrate women and young people into the cocoa production process (e.g. through employment in processing centers, nurseries, and on farms). These efforts will be expanded under the proposed project, with the objective of helping women and youth to benefit as cocoa farmers as well as entrepreneurs in potential new activities such as seeding production, chocolate making, and the creation of other artisan cocoa products.

#### **D. Proposed Project**

- 2.15 The project will support a new community-based management structure for cocoa processing to improve the production, quality, and thus position the JCFA cocoa product in high value markets. Under the umbrella of the JCFA, members will process cocoa at the community level, which includes collection, fermentation, and drying using JCFA community processing facilities. Four community facilities have been established<sup>11</sup>, each featuring fermentation bins, solar dryers, with the capacity to produce between 1.4 and 2.5 tons of dried beans per week. This shift is expected to re-invigorate the value chain by allowing communities to add value locally and eventually to adjust the production process and fermentation periods to produce the flavor required by specific buyers.
- 2.16 The project belongs to the agenda "Linking Small Producers to High Value Agricultural Markets". The project will test the community based approach as a model to enable small farmers to add value to their cocoa and access higher value markets. The project will contribute to better understanding of the efficacy of the model and its potential for scaling up.
- 2.17 Lessons learned from previous MIF operations in the cocoa sector and other agricultural value chains have been taken into account in the design of this project.

---

<sup>10</sup> Jamaican National Census, 2002

<sup>11</sup> Approximately eight facilities will be established in the target parishes over the next 18 months. Processing centers have already been established in Trouthall (Clarendon), Kellits (Clarendon), Woodside (St. Mary), and at the College of Agricultural Science and Education (Portland). The processing centers are staffed by residents of the community and managed by the JCFA. Although, the cocoa is processed at a community level, each individual farmer is accountable for the quantity and quality of cocoa he/she sells to the JCFA.

First, a market approach is essential. Each intervention should start with an analysis of the value chain with a focus on demand, buyers' specific requirements and competitive actors. Second, interventions should aim to improve links between small and medium players and important buyers nationally and internationally. This link to the market is fundamental in order to sustain producers once the project comes to an end. Third, training for small producers must go beyond improving production and quality to include training in entrepreneurial business skills. Fourth, the executing agency is fundamental for successful projects. The agency must have experience working in the product group, region and with the beneficiary group. The agency should have a clear market orientation and empower the beneficiary to become a productive economic agent.

### **III.OBJECTIVES, COMPONENTS AND EXPECTED RESULTS**

#### **A. Objectives**

- 3.1 The goal of the proposed project is to contribute to increased income for rural cocoa farmers of specialty cocoa in Jamaica. The specific objective is to sustainably position JCFA cocoa in global supply chains and high value markets.
- 3.2 The project will focus on providing training, new technologies, and technical assistance to farmers to improve yields and product quality, attain certifications, implement protocols for traceable acquisition, and market the product based on its unique flavor profile and qualities.
- 3.3 To this end, the project is structured into three components geared at: (i) improving yields and productivity of existing cocoa orchards; (ii) ensuring a superior quality product by implementing a system of total quality control and certifications; and (iii) enhancing the organizational capacity of the JCFA for more effective governance, management, and marketing. The project will also finance activities and knowledge products to capture and disseminate knowledge generated.

#### **B. Components and Activities**

##### **Component 1: Research and Technical Skills Development to Enhance Productivity of Cocoa Farms (MIF: US\$707,000; Counterpart US\$192,250)**

- 3.4 The objective of this component is to raise the productivity of existing cocoa farms in an environmentally sustainable manner. It supports JCFA's strategy of re-engaging farmers, particularly its member base, through extension services and knowledge transfer. It will focus on rehabilitating old cocoa orchards in accordance with sustainable agricultural practices. Similarly, farmer field schools will be established to provide training on cleaning, pruning, organic fertilization, and organic pest management. It will also finance a program of plant research in collaboration with the Cocoa Research Unit of the University of the West Indies to identify high yielding varieties of Jamaican cocoa. Two JCFA nurseries will be established to propagate these high yielding plants and make them available to the JCFA membership for restocking orchards. Lastly, a key activity under this component for farmers and youth will be training in business skills and farming as a microenterprise in order to elevate the importance of managing the farm as a firm.

- 3.5 The expected outputs of this component are (i) 400 acres of cocoa farms are rehabilitated and producing cocoa; (ii) 2 high yielding varieties identified, propagated and stocked in nurseries; (iii) 500 farmers trained on sustainable agricultural practices; and (iv) 250 farmers and young people trained in farming as a business and agricultural entrepreneurship skills.

**Component II: Building capacity to manage agricultural and food production systems (MIF: US \$285,500; Counterpart US \$184,700)**

- 3.6 This component will help the JCFA to implement systems and controls that are needed to assure international buyers a high quality cocoa with the flavor, aroma, and physical quality as expected. First, the JCFA will develop protocols to ensure adequate fermentation and drying so that its beans have consistent aroma and flavor formation. This will be accompanied by the training of association members and staff to implement the protocols. In addition, the JCFA will establish a quality assurance laboratory, with trained staff, to verify and test the quality of its beans (e.g. size, moisture content). The laboratory will also serve as a space for tasting and characterizing the flavor profile of beans from different regions in Jamaica. Second, a computerized traceable acquisition system will be established to ensure the ability to trace beans back to the communities and individual farms. Traceability is already a requirement for some large buyers and is soon expected to become a food safety requirement for export to the US and Europe. Lastly, as part of its quality and branding objectives, the JCFA will put in place certifications (fair trade, organic, Rainforest, HACCP) which facilitate access to specialty markets. Training and technical expertise to achieve certifications will be provided at both the farm level and association level.
- 3.7 The expected outputs are: (i) 6 processing centers implementing the JCFA post-harvest drying and fermentation protocols; (ii) 100 JCFA members and/or community residents trained in post-harvest handling and processing of cocoa; (iii) establishment of a quality control and testing laboratory; (iv) 3 JCFA members/staff trained in flavor profiling; (v) implementation of a computerized traceable acquisition system; and (vi) attainment of at least 2 quality and environmental certifications.

**Component III: Building Capacity for Strategic Management and Marketing (MIF: US\$331,500; Counterpart US\$6,000)**

- 3.8 Although improving production and quality are critical aspects of upgrading, producer associations need business management skills to break into new markets and develop new products. This component seeks to enhance the JCFA's organizational capacity through better business planning and the exploration of new marketing strategies and product lines. It will also improve information systems to enhance transparency and monitoring.
- 3.9 First, the project will finance the development of a medium-term business plan to help the JCFA become self-sustaining and improve its access to finance on commercial terms. Strategic plans will also be developed for the 4 regional branches of the JCFA and the associated cocoa processing communities. These plans will elaborate a strategy for growth and sustainability by setting key operational targets for production, sales, costs, capital investment, and marketing. Based on the business

plans, the project will assess the viability of providing pre-export short-term working capital of up to \$50,000 through a local financial institution based on the JCFA's ability to meet agreed targets and milestones. Improving JCFA's access to working capital will help the association to scale up purchases of cocoa from its members.

- 3.10 Second, the project will finance improvements in the JCFA's internal controls. This will include the development of a detailed farmer database and a real time market information system to relay information on pricing.
- 3.11 Third, in order to drive demand and develop a marketing profile for Jamaican cocoa, the project will finance the development of a JCFA marketing strategy and action plan. This will involve identifying the physical and flavor qualities of Jamaican cocoa that make it unique. It will also include the development of a web-based marketing platform and participation in international and local trade shows to promote the product and establish links with buyers.
- 3.12 Lastly, the development of higher value products is an important aspect of upgrading and capturing higher returns for producers. The association will promote local chocolate making with the goal of encouraging the development of cocoa cottage industries capable of generating employment opportunities for youth and women. The project will finance training for two people in advance chocolate making and cocoa tasting. These trained chocolate makers will facilitate training for an additional fifty individuals in different aspects of chocolate making. The objective is to build local capacity to process chocolate and produce at least two JCFA chocolate products of export quality.
- 3.13 The expected outputs are: (i) a medium-term business plan for the JCFA under implementation; (ii) four strategic plans for the regional branches of the JCFA duly approved and under implementation; (iii) a digital database system to track farmer records developed and functioning; (iv) a real time information system for market prices; (v) a JCFA marketing plan and web based marketing platform developed; (vi) participation in 4 trade shows (2 international and 2 local); (vii) at least 1 new business relationships established with a buyer or trader; (viii) 50 JCFA members (particularly youth and women) trained in chocolate making; and (ix) 2 JCFA cocoa/chocolate products developed.

**Component IV: Capturing and Disseminating Knowledge (MIF: US\$126,000; Counterpart US\$0)**

- 3.14 This component aims to capture, systematize and disseminate the knowledge generated by the project in an effort to further contribute to the development of the Jamaican cocoa sector.
- 3.15 In an effort to capture "cutting edge" knowledge from leaders in the industry, it will finance the following activities: (i) two learning exchanges with other fine flavor cocoa producers in Latin America to share information on production, management and marketing approaches; (ii) an assessment of best practices in other fine flavor producing nations; and (iii) establishment of a small cocoa library/resource center in partnership with the UWI to house technical literature relevant to producing and marketing cocoa.

- 3.16 In order to disseminate lessons learned to strategic audiences, two principal knowledge products will be delivered (i) a technical note on the effectiveness of the community processing model; and (ii) a case study and an audiovisual presentation on lessons learned in community-based cocoa processing and the development of new value-added products for the local and the foreign market (e.g. chocolate making).
- 3.17 Among the audiences interested in the results of the project are: (i) the Jamaica Cocoa Farmers' Association; (ii) the Cocoa Industry Board and other public sector institutions in Jamaica and other Caribbean countries; (iii) multinational food companies and investors; and (iv) development banks and other donor organizations (EU, USAID). Messages to these audiences will include (i) how small producers can increase their participation in nontraditional export markets by improving productivity, quality, and organizational capacity, (ii) how sourcing from small farmers can add unique value to agricultural supply chains, and (iii) how agricultural supply chains can create economic opportunities for rural poor.
- 3.18 The project results will be disseminated in specialized channels including, agricultural value chain conferences, presentations at roundtables, trade shows, industry publications, websites, and social media. A final workshop to be organized between JCFA and MIF will reinforce this strategy. Proven solutions from this project will also be featured in Nexso, the MIFs interactive marketplace for exchanging results, best practices and successful work in development.

### **C. Expected Results**

- 3.19 The following indicators will be used to measure project results: (i) growth in JCFA cocoa exports from 30 tons to 150 tons per year; (ii) 1 new export market tapped (geographically i.e. United States or Asia or by specialty i.e. organic or fair trade); (iii) average per-acre yields increased by 50% after 2 years due to rehabilitation and cultural practices; (iv) 500 farmers are successfully applying improved cultivation and processing techniques; and (v) at least 20% of JCFA cocoa producing communities are in the process of obtaining organic certification.
- 3.20 In terms of impact, the project aims to improve incomes for JCFA members by integrating them into sustainable agricultural supply chains. By the end of the project, small-scale farmers who are implementing improved practices are expected to see their incomes from cocoa sales increase by 25% due to higher per-acre yields and improved quality. In addition, JCFA members are expected to receive an 80% share of the f.o.b. international cocoa price, an increase from the current 66% in the longer term.
- 3.21 **Alignment with the Bank's country strategy.** In coordination with the Government of Jamaica, the Bank has identified three priority sectors for support. This initiative falls under the priority of promoting and facilitating private sector development. Specifically, through this initiative, the MIF will complement ongoing IDB Group initiatives in the agricultural sector, particularly the \$15 million Agricultural Competitiveness Programme (JA-L1012) which will support the development of agricultural and agro-processing value chains, including possibly financing investments to upgrade the cocoa value chain.

- 3.22 **Complementary initiatives.** The project will leverage a \$756,000 USAID grant to help the JCFA establish processing infrastructure and community facilities. MIF funds will complement USAID's investment by providing technical expertise to improve the JCFA's operational and institutional capacity. Furthermore, the project will take advantage of synergies with the EU's €300,000 RECREATE program which aims to improve nurseries and restock cocoa plantations as well as provide training to micro entrepreneurs to encourage the growth of cottage industries in value added cocoa products.

#### IV. PROJECT COST AND FINANCING

- 4.1 **Cost and financing.** The cost of the Project is estimated at US\$2,658,488. The MIF will contribute US\$1,817,499 on a non-reimbursable basis and the executing agency will be responsible for providing US\$840,989 as counterpart resources. The counterpart resources will come from the Jamaica Cocoa Farmers' Association.

<b>Table 1. Budget (in US\$)</b>			
<b>Descriptions</b>	<b>MIF</b>	<b>Counterpart</b>	<b>Total</b>
Component I. Enhancing Productivity of Cocoa Farms	617,000	192,250	809,250
Component II. Building capacity to manage agricultural and food production systems	285,500	184,700	470,200
Component III. Building Capacity for Strategic Management and Marketing	381,500	56,000	437,500
Component IV. Capturing and Disseminating Knowledge	126,000	0.00	126,000
Project Administration	218,000	378,500	596,500
Baseline, Monitoring and Evaluation	29,000	20,000	49,000
Ex post reviews	12,000	0	12,000
Contingencies	33,380	9,539	42,919
<b>SUBTOTAL</b>	<b>1,702,380</b>	<b>840,989</b>	<b>2,543,369</b>
% of Financing	67%	33%	100%
Impact evaluation account (5%)	85,119	0	85,119
Agenda Knowledge Sharing	30,000	0	30,000
<b>TOTAL</b>	<b>1,817,499</b>	<b>840,989</b>	<b>2,658,488</b>

- 4.2 **Sustainability.** The project has an emphasis on facilitating market linkages and capacity building to maximize the sustainability of results. This will be achieved by improving JCFA capacity to integrate into international supply chains and secure long-term commercial relationships in high value markets. Enhancing the JCFA's business management and financial model is expected to improve its access to working capital on commercial terms and its long term sustainability. Furthermore, the project's focus on training and knowledge transfer will build skills among farmers, chocolate makers, and local artisans.



## V. EXECUTING AGENCY AND EXECUTION MECHANISM

### A. Executing Agency

- 5.1 The Project will be executed by the JCFA through its headquarters offices based in Kingston. The JCFA was formed in May 2008 as a non-profit farmers' organization to pursue a farmer-centered approach towards the sustainable development of the cocoa economy within Jamaica. The Association's mission is to improve economic activity and income of cocoa farmers and cocoa producing communities. It plays an important role in lobbying for policies that improve productivity and maximize the return to farmers.
- 5.2 The JCFA is governed by an eleven-member Board of Directors which is elected every two years. Among its board members, seven are elected by the general membership at the Annual General Meeting, and four are appointed by the new board. Key decisions regarding operational issues and hiring are made by an Executive Board of Directors, which consists of the President, Vice President, Secretary and Treasurer. The Association has 8 employees with an approximate annual operating budget of US\$180,000.

### B. Execution mechanism

- 5.3 **Project Steering Committee.** A Project Steering Committee (PSC) will be established, comprised of the JCFA President (JCFA Project Director), the Project Manager, one JCFA member to represent farming communities, the IDB Natural Resources Specialist and the MIF Senior Specialist in Jamaica, and industry representatives from the Ministry of Agriculture, RADA, the CIB, USAID, and Ministry of Industry and Commerce. Its main functions are to guide project execution and to ensure targets and outputs are being reached on schedule. The Committee will meet quarterly to discuss the project's quarterly progress reports and to make recommendations on project implementation. It will make decisions by consensus. A TOR will be included in the Operations Manual detailing frequency of meetings and decision making power.
- 5.4 **Project Execution Unit.** The JCFA will house the project-execution unit (PEU) comprised of the JCFA Project Director, Project Manager, Monitoring Officer, Accountant, and Administrative Assistant. Key project staff from JCFA will be collaborating closely with the PEU in project execution.
- 5.5 The Project Manager will oversee field operations, including, but not limited to project set-up and implementation, logistics coordination, financial planning and monitoring, staff recruitment and training, and coordination with other partners and stakeholders in the project. Also, the Project Manager will have the following specific responsibilities: (i) preparation of an annual work plan; (ii) supervision of the activities under the different components; and (iii) periodic review of the progress of the Project fulfillment of the contractual obligations. The Project Manager will report to the JCFA Project Director and the JCFA Executive Board and will provide quarterly updates to the Steering Committee.

- 5.6 The Monitoring Officer will assist the Project Manager in execution and monitoring of project activities. This will include responsibility for establishing baseline data and developing a monitoring and evaluation system for tracking key milestones, outputs and outcomes against targets and results in the logical framework. The Accountant will be responsible for ensuring compliance with the applicable IDB/MIF policies and procedures in regards to the procurement of goods and contracting of consulting services and financial management. The project will contract an Administrative Assistant who will be responsible for: i) the proper maintenance of the Project's administrative monitoring system and financial accounting records; and ii) the adequate filing of the project supporting documents and organization of the archives.
- 5.7 **Disbursements by results.** The project will be monitored and supervised by the MIF Senior Specialist in the Jamaica country office. Project disbursements will be contingent upon verification of the achievement of milestones. These milestones will be verified using the means of verification, which will be agreed upon between the Executing Agency and the MIF. Achievement of milestones does not exempt the Executing Agency from the responsibility of reaching the logical framework indicators and project's objectives.
- 5.8 According to the Performance and Risk-based Project Management approach, project disbursement amounts will be based on the project's liquidity needs, for a maximum period of 6 months. These needs must be agreed upon between the MIF and the Executing Agency and will reflect the activities and costs scheduled in the annual planning exercise. The first disbursement will be contingent on reaching Milestone 0 (conditions prior). Subsequent disbursements will be issued as long as the following two conditions are met: i) MIF has verified that milestones have been achieved, as agreed to in the annual plan; and ii) that the Executing Agency has justified 80% of all cumulative advances
- 5.9 **Procurement and Contracting.** For the procurement of goods and contracting of consulting services, the Executing Agency will apply the IDB Policies (GN-2349-9 and GN-2350-9. Given that the Diagnostic of Executing Agency Needs (DNA)<sup>12</sup> generated a **low level of need/risk** classification, the project team has determined as stipulated in Appendix 4 of the IDB Policies, that the Executing Agency which belongs to the private sector, will use the private sector procurement methods specified in Annex 1 of the Operational Guidelines for Technical Cooperation Projects (OP-639). In addition, the review of procurement and contracting processes for the project will be conducted **ex-post** and on an **annual** basis. Before project contracting and procurement begins, the Executing Agency must submit the project Procurement Plan for the IDB/MIFs approval which should be updated annually and when there are changes in the methods or goods or services to be procured.

## VI. MONITORING AND EVALUATION

- 6.1 **Financial monitoring.** The executing agency will establish and will be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB/MIF. Given that the

---

<sup>12</sup> <http://mif.iadb.org/projects/prjrissummary.aspx?proj=JA-M1024>

Diagnostic of Executing Agency Needs (DNA) generated a **low level of need/risk** in financial management, the review of supporting documentation for disbursements will be conducted **ex-post** and on an **annual** basis. The IDB/MIF will contract independent auditors to carry out the ex-post reviews of procurement processes and of supporting documentation for disbursements. Ex post reviews will include an analysis of the Financial Statements that the executing agency should prepare as part of its financial management. Financial statements will be prepared on an annual basis for ex-post review. The costs associated with this contract will be financed with the MIF contribution resources according to IDB procedures.

- 6.2 During project execution, the frequency of ex post reviews for procurement processes and supporting documentation for disbursements as well as the need for additional financial reports can be modified by the MIF based on the results of the ex post review reports conducted by external auditors during the project execution.
- 6.3 **Project status reports (PSRs).** The Executing Agency will be responsible for presenting Project Status Reports (PSRs) to the MIF within thirty (30) days after the end of each semester, or more frequently as determined by the MIF by providing at least sixty (60) days advance notice to the Executing Agency. The PSR will contain information on the progress of project execution, achievement of milestones, and completion of project objectives as stated in the logical framework and other operational planning tools. The PSR will also describe issues encountered during execution and outline possible solutions. Within ninety (90) days after the end of the execution term, the Executing Agency will submit to the MIF a Final Project Status Report (Final PSR) which will highlight results achieved, project sustainability, evaluation findings, and lessons learned.
- 6.4 **Baseline and Evaluations.** A baseline will be established at the start of the Project, and two process evaluations (a midterm and a final evaluation) will be performed. The baseline information will be presented under the project monitoring system and the indicators established in the Logical Framework will also be included.
- 6.5 The midterm evaluation will be done once 50% of resources have been disbursed or 18 months after Project commencement, whichever occurs first; and the final evaluation will be carried out once 95% of resources have been disbursed or at the end of the execution period, whichever occurs first. The midterm evaluation will cover, among other issues: (i) the efficacy of the actions undertaken, the degree to which programmed activities were carried out and targets met, and progress with regard to logical framework indicators; (ii) the performance of the consultants involved in execution, in terms of efficiency and quality of products or services to beneficiaries; (iii) the beneficiaries' satisfaction with the services and economic opportunities developed; and (iv) the progress related to project sustainability.
- 6.6 The final evaluation will be conducted within three months of the end of the execution period and the following factors will be analyzed: (i) the level of achievement of result indicators; (ii) effectiveness of the farmer field school methodology; (iii) level of learning acquired by the beneficiaries from the "community-based" groups and experiential learning activities; (iii) effectiveness of project's activities (certification, new cultivation techniques to improve quality of

production to reach high value markets); (iv) degree of effectiveness of tools developed within the project such as marketing platform and farmer registry.

- 6.7 An impact evaluation will be conducted for this project. The possibility of using an experimental methodology (randomized controlled trial) will be explored. This evaluation will rely on: (i) a data collection instrument specifically designed for this project to gather baseline and other socio-economic data; and, (ii) the monitoring and evaluation system to be developed to measure progress among the beneficiary small producers of the project. The evaluation will address a number of questions, some of which may be: (i) Does this model improve the competitiveness and productivity of small holder Jamaican cocoa farmers and thus increase their incomes; (ii) To what extent does the community processing model allow the small holder cocoa producer to reach high value markets more effectively; and (iii) To what extent can the model be replicated in other regions of Jamaica (in both cocoa and non-cocoa producing regions)?
- 6.8 A closing workshop will be organized by the executing agency at least three months prior to the end of the Project's execution period, so that the executing agency, Bank personnel, and any other interested persons agreed upon with the Bank can jointly evaluate the outcomes achieved, identify additional tasks to ensure the sustainability of project-initiated actions, and identify lessons learned. A sustainability workshop will also be organized with the executing agency and other project stakeholders at least one year before project completion to evaluate progress achieved in ensuring projects' actions sustain after MIF funds are exhausted.

## **VII. BENEFITS AND RISKS**

### **A. Benefits**

- 7.1 The project will directly support 1,300 small scale cocoa farmers who will improve their income as a result of improved productivity and quality of production, better business skills, and diversification into other income-generating activities. These beneficiaries live in the rural parts of Jamaica including the Northeast (St. Mary & Portland), South Central (St. Catherine & Clarendon), Southeast (St. Thomas & St. Andrew) and West (Hanover & Westmoreland). The project will also benefit the JCFA and its members with more secure long-term market linkages and improved business practices. Secondary beneficiaries would include other members of the communities where beneficiaries are located, who would benefit from increased economic activity in cottage industries linked to cocoa farming.

### **B. Risks**

- 7.2 The following risks have been identified: (i) **Risk 1: Market risk:** World cocoa prices have continued to be high in recent years despite the general world economic downturn. Notwithstanding, there is the risk that the world price of conventionally cultivated cocoa could fall. **Mitigating Action 1:** In the case of specialty cocoa, however, this risk is mitigated by an increasing demand for sustainably cultivated and organic, fair trade crops in the sophisticated markets of the developed world. Regardless of price variations, niche market prices are generally steady. The project will help the JCFA to attain fair trade and organic certification and thus to command

a premium price in the niche chocolate market. (ii) **Risk 2:** Institutional Risk: The JCFA is a young organization that is highly dependent on donor funding and has not yet reached significant levels of turnover to hire its own full time staff and consolidate its position independent of donor support. **Mitigating Action 2:** The project will support the development of a business plan that will build a financial model that is appropriate for the JCFA as well as put in place a permanent staff cohort. It will consider “Fee-for-service possibilities” in providing services to its membership and carefully assess the revenue generating capacity for the JCFA. **Risk 3:** Operational risk. The JCFA is dependent on Transmar Jamaica Ltd. for its marketing and export operations. There is a small risk that Transmar could cease operations in Jamaica, leaving the JCFA without a partner to manage a key part of its operations. **Mitigating Action 3:** The project will build the capacity of the JCFA to undertake its own marketing and export operations through a marketing plan, trade shows, and web based platform. However, in the event that the arrangement between the JCFA and Transmar Jamaica Ltd comes to an end, JCFA will put in place a contingency plan to contract with another entity to provide these services.

## VIII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 8.1 This project will work with existing small cocoa producers to improve production practices and reduce negative impact on the environment. It includes training and technical assistance in sustainable agricultural practices and organic production methods. The use of green technologies, such as composting and solar dryers, that could reduce the negative impact in the environment caused by agriculture activities, will be prioritized. In accordance with the Bank’s toolkit, this project has been classified as a category “C” operation.
- 8.2 The project must comply with applicable local environmental legislation. The project will take into account and comply with the exclusion lists of the Stockholm Convention on Persistent Organic Pollutants (POP), the Rotterdam Convention on Hazardous Chemicals and Pesticides as well as that of the Bank.