Rainforest Alliance Sustainable Cocoa Investment Challenge
Deliverables and Judging Criteria

DELIVERABLES

The Rainforest Alliance seeks to develop an innovative financing mechanism to provide long-term "rejuvenation loan packages" to smallholder cocoa farmers in cocoa producing countries. Loan packages, that will include a holistic set of products and services, will be used by smallholder cocoa farmers to implement multi-year farm renovation and rehabilitation projects aimed at improving the productivity and sustainability of their cocoa plantations.

Proposals must be a fit for public and private investors with different risk and return profiles, including, but not limited to impact investors, microfinance lenders and investors, development finance institutions, program related investors and grant providers.

Proposals must be adaptable to multiple geographies. However, based on the nature of the background information available and on the prominent share of Côte d'Ivoire into the cocoa production landscape, Côte d'Ivoire can be used as an anchor example for developing proposals. In that case, a proposal must be transferable to other geographies and highlight a clear path for migration.

The Rainforest Alliance Sustainable Cocoa Investment Challenge is looking for innovative financing mechanism proposals that are readily implementable across geographies. Teams are encouraged to think creatively and to use the deliverable and judging criteria sections of this document as general indications for the development of their proposal.

1st Round Submission

A 2 to 3-page investment prospectus (hereafter “prospectus”) summarizing the fundamental information about the team proposal in a clear and concise way. The prospectus must be submitted by midnight on February 16th, 2015. The prospectus should outline a unique financing mechanism proposal to finance the rejuvenation of aging and unproductive cocoa farms held by smallholder farmers in cocoa producing countries. Prospectuses will be reviewed by Stern faculty and members of Rainforest Alliance’s Sustainable Finance Initiative. Please email prospectuses to cfink.temp@ra.org.
Prospectuses should take into account the following considerations:

- Long-term loans must be disbursed at the farmer-level in order for the farmer to implement cocoa farm rejuvenation practices and to feel empowered as the agent of change;
- Technical assistance will need to be provided by various service providers to farmers and to in-country value chain participants in order to successfully implement the investment mechanism;
- The prospectus should primarily focus on linking smallholder cocoa farmers to capital providers; providing as much details as possible on the structure of the flows of capital between capital providers, financial intermediaries, service providers, value chain participants and smallholders;
- The selection committee is familiar with sustainable investing, the cocoa industry at large and all the assumptions outlined in the case including the financial opportunity of investing in cocoa farm rejuvenation. As such, participants should avoid overemphasizing general observations about these aspects in the prospectus.

If applicable to your proposal, please include the following elements in your prospectus:

- Diagram of financing mechanism instrument or investment mechanism
- Diagram of capital flows from investors to smallholders and in between mechanisms participants
- Revenue model to investors
- Asset class and capital structure
- Risk hedging mechanism and/or guarantee mechanism
- Target investor pool(s)
- Target fund size
- Fees and incentives
- Expected return on investment per investor pool(s)
- Investment size and investment criteria
- Time horizon
- Metrics for impact
- Governance structure
- Implementation and scale-up strategy

The above elements can also be used as titles of sections to organize the prospectus.

2nd Round Submission

After receiving and incorporating feedback from the first round, participants will prepare a 15 minute presentation of their proposal to a panel of judges followed by a 15 minute Q&A session on March 25th, 2015. The judging panel will be comprised of NYU Stern faculty, investors, and members of Rainforest Alliance’s Sustainable Finance Initiative. Participants should send PowerPoints to cfink.temp@ra.org by midnight on March 23rd, 2015.
Guidelines and judging criteria will be the same for the two rounds. The following questions are provided to help guide participants, however participants are not required to answer each question in their prospectus.

**Feasibility (30%)**
- Does the proposal take into account constraints relative the cocoa industry and its geographies?
- Does the proposal take into account the unique nature of cash flows in the cocoa value chain?
- Does the proposal take into account the high risk associated to long-term lending to smallholders?
- Could you see the targeted pool(s) of public and/or private investors responding and investing in the vehicle?
- Do the returns have the potential to attract market-rate investors on a risk-adjusted basis?
- If the instrument requires a gestation period with noncompetitive returns, is there a clear path towards market-rate returns (based on targeted investor pool)?
- Is there a clear risk sharing and/or risk mitigation strategy?
- Does the proposal clearly identify the role, costs, and incentives of the various entities participating into the mechanism?
- Does the proposal take into account the need of providing technical assistance to farmers and value chain participants (in the form of training, agronomic services...)?

**Innovation and Creativity (25%)**
- Is this a unique look at the cocoa market, its cash flows, constraints and opportunities?
- Does the proposal outline a new way to look at the problem?
- Does the proposal identify new revenue, cash flow or value streams, new ways to structure flows of payments, products and services between parties, new risk management opportunity, etc.?
- Does the proposal have a unique capital structure that allows to cope with the high risk associated with providing long-term finance to smallholders in cocoa producing countries?
- Does the proposal offer a unique way to generate the right mix of risk/return/impact to targeted investor pool(s)?
- Does the proposal make unique use of different forms of capital (incentives, grants, PRIs, DFIs, mainstream investor capital) and types of institutional investors?

**Transferability (15%)**
- Can the proposal be implemented across cocoa producing geographies/countries?
- If not, does the proposal outline specific geographic implementation constraints and a clear path to migrate the structure from one geography to another?

**Quality of Proposal (30%)**
- Does the proposal take into account the constraints mentioned in the guidelines document?
- How rich is the background research and understanding of the investment thesis?
• Have the key investment structure questions related to the financing mechanism's structure, cash flows, terms, management, risk mitigation, technical assistance be addressed?
• Do the investment return and cash flows structure make sense? Do they reflect on-the-ground reality?
• Is the proposal clear and concise?