



CASE STUDY 6.1

EMPOWERING LOCAL CACAO FARMERS IN COLOMBIA WITH BLOCKCHAIN

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Fragile contexts, where governance and institutions struggle, hinder sustainable development and fair profits. In the post-conflict regions of Colombia, many cacao farmers live in poverty due to a lack of access to education, finance, insurance, markets, and technology.

In 2016, the Colombian government reached a peace agreement to end a 50-year conflict with guerrilla groups and initiated a program to substitute productive agricultural crops such as cacao for illicit crops such as coca—the core ingredient in cocaine. In return, farmers received multiple benefits, including funds and technical assistance. Private sector participation in this program was fundamental to mobilize capital and support market access, as well as provide education and tools to improve the chances of success for farmers and ensure their ability to transition to cacao cultivation successfully.

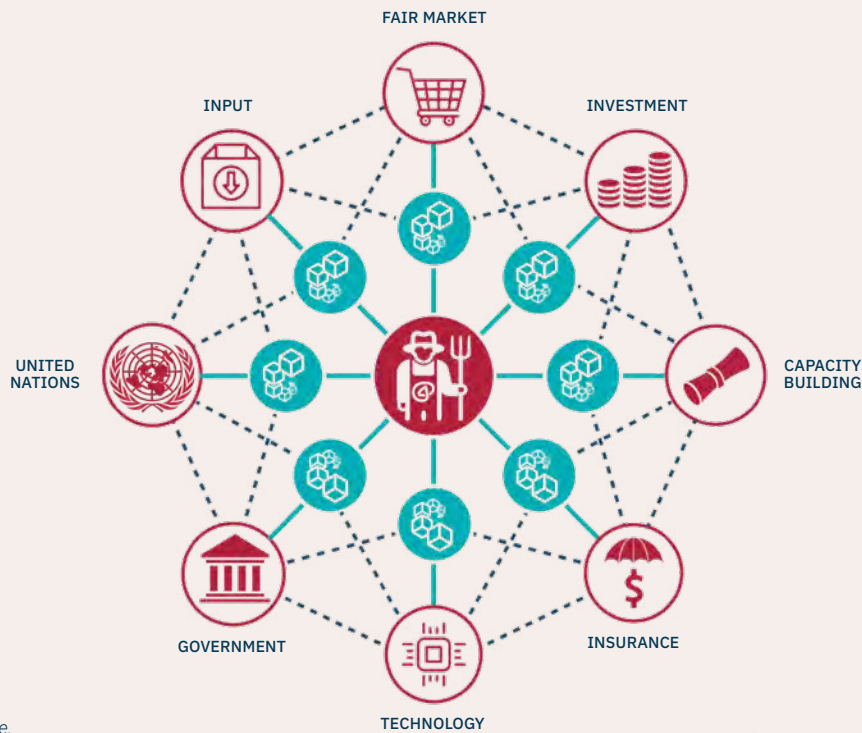
Colombian cacao farmers primarily sold their products at bulk prices to two Colombia-based multinational companies who bought over 80 percent of Colombian cacao. Neither company paid a premium for the higher quality of local *fino de aroma cacao*, which constitutes the vast majority of Colombian cacao.¹⁶⁹ Furthermore, the bulk nature of trading prevented small farmers from accessing international markets, for which they would need intermediaries who offered premium prices. Consequently, small-holder farmers were poorly paid for their high-quality cacao and often reverted to illegal coca cultivation which offered a more lucrative alternative for survival.

To address this situation, Choco4Peace helped small holding farmers to use smartphones to access a digital platform, which facilitated international market access, including direct communication with buyers, banking and insurance options, and essential market information. The platform enabled farmer and farming cooperatives to record cacao quality, the social and environmental impact, and the provenance information. This way, buyers could gain access to crucial supply chain information which added value to their purchase.

Choco4Peace also developed an innovative business model using blockchain to power a decentralized inclusive economic network, that offered digital tracking and certification of any transaction (FIGURE 6.1).

This blockchain-based system aggregated cacao growers, investors, and buyers, providing cacao producers with capacity building, finance, insurance, technology, and certification services necessary to produce cacao and mitigate investment risk sustainably. Using this digital platform, banks could reach farmers directly and offered loans and financial support which addressed the US\$215 million per year financing gap of the Colombian cacao sector.

Choco4Peace's project promoted peacebuilding through sustainable agricultural practices and the empowerment of marginalized people. It provided a platform that builds trust, transparency, and traceability while reducing time spent and costs, thus supporting small farmers to transition from illegal crops to cacao cultivation.

FIGURE 6.1: MODEL OF CHOCO4PEACE'S DECENTRALIZED INCLUSIVE ECONOMIC NETWORK.

Source: Choco4Peace.

The project initially operated in Tumaco, located in the southwestern corner of Colombia, near the border with Ecuador. Here 80 percent of farmers lived below the poverty line, and 74 percent of people were unemployed, which often drove individuals to resort to illegal activity for survival. The platform helped to lift 100 farming families out of poverty, most of whom were war victims

and ex-coca producers, with priority support to women and indigenous producers (FIGURE 6.2). Thanks to partnerships and new funding, the project was scaled up to 1,000 farmers and aimed to support all 70,000 cacao farmers in Colombia. Choco4Peace's model shows that digital technologies can enable formalization of livelihoods, market access, and poverty reduction outcomes.

FIGURE 6.2: COLOMBIA'S FARMERS AND ENTREPRENEURS USING BLOCKCHAIN TO TRADE THEIR CACAO.

Source: Choco4Peace.