

# Training Topic

## Tracking Fairtrade Payments in Ghana

### Target group

This topic is to train the secretariat (staff) of Small-Scale Producer Organizations (SPOs) in Ghana. Participants need to be literate and computer literate.

After the session, **participants will be able to:**

- Set up an accounting system for the payment of Fairtrade income as specified in cocoa requirements 4.3.4, 4.3.5 and 4.3.6.

This training session is in line with part of Chapter 4 of the document “Fairtrade cocoa guidelines and best practices on the distribution of the Fairtrade Minimum Price (FMP) differential and Fairtrade Premium (FP) cash payments for Ghana”.

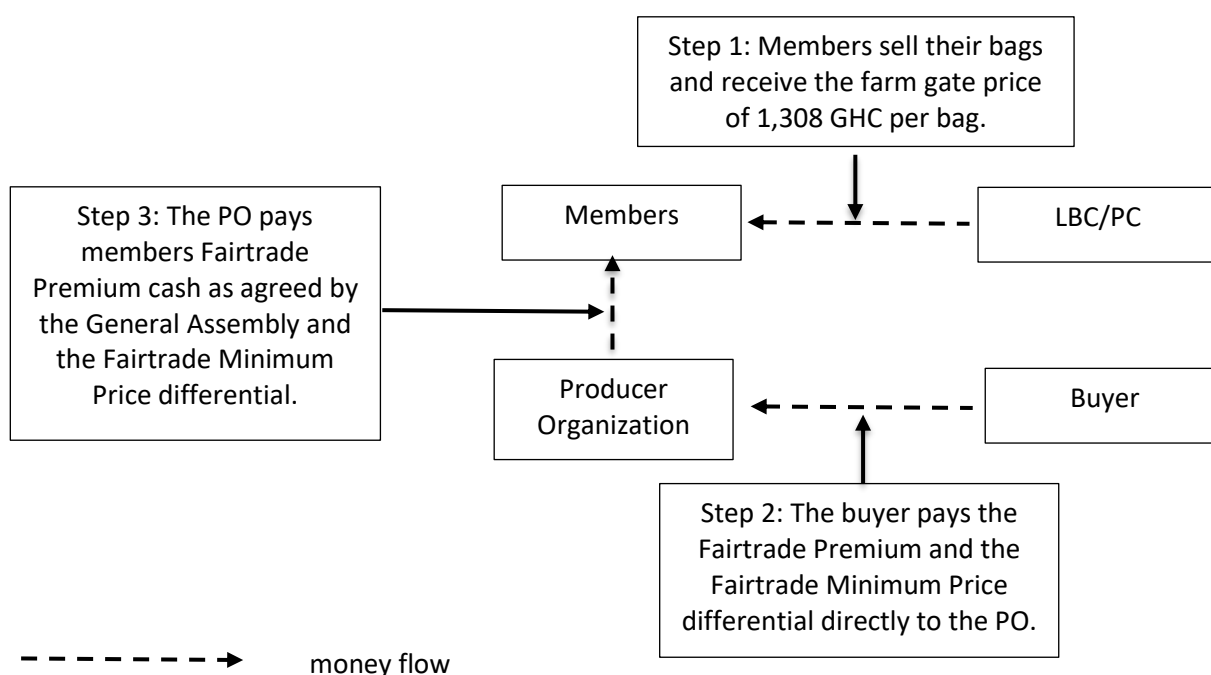
### Key Information

Fairtrade requires **an accounting system that tracks and identifies price differential payments and premium cash payments transparently** (cocoa requirement 4.3.4). The requirement compliments the SPO Standard requirement 4.1.8 on having an accounting system that accurately tracks the Fairtrade Development Plan expenses and in particular identifies the Fairtrade Premium. In addition, Producer Organizations (POs) need to have digital records of Fairtrade income payments to individual members (cocoa requirement 4.3.5) and can opt to use e-payments for the payment of Fairtrade income to members cocoa requirement 4.3.6).

### Money Flows of the FMP Differential and FP Cash Payments

It is good to understand how the premium and differential money flows, as can be seen in diagram 1.

Diagram 1 Payment of FP and FMP differential



Once members sell their cocoa to a Licensed Buying Company (LBC) or Purchasing Clerk (PC), they receive the farm gate price as set by COCOBOD<sup>1</sup>. The LBC sells the cocoa to COCOBOD and COCOBOD (through the Cocoa Marketing Company) sells it to a buyer. The buyer pays the Fairtrade Minimum Price differential and Fairtrade Premium **directly** to the Producer Organization. The PO pays the FMP differential and FP cash payment to its members.

How the exact payment is done, depends on the distribution system the PO has decided on. Sometimes the payment from the PO to members is done through primary societies.

## Fairtrade Requirements Concerning Payment Tracking

There are several requirements of Fairtrade that concern the tracking of payment. Below is an overview of all the steps as depicted in Diagram 4 in Chapter 4.1 and any link to Fairtrade requirements.

### Step 1: Sales per member

Every time a member sells cocoa to an LBC, there are several records of this, including the passbook of the member, the records of the PC/LBC and the receipt issued by the PC/LBC to the member. To ensure the PO can make the correct calculations and transfer, this information needs to be known and recorded at all levels (1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup>) of the PO.

### Step 2: Payment of premiums and differentials to the PO

As part of the requirements, the PO needs to:

- **Cocoa requirement 4.3.4 point 4:** Demonstrate in documentation separately the amounts received of Fairtrade Premium and Fairtrade Minimum Price differential. The premium and differentials are paid by the buyer directly to the PO with a bank transfer. That means there will be a record.

### Step 3: Payment of premiums and differentials to the members

According to the requirements, POs need to:

- **Cocoa requirement 4.3.4 point 1:** Communicate to all members the values to be paid per member in price differential and any Fairtrade Premium, prior to payment. It is important to be transparent and communicate not only how much each member will receive but also the total FP and FMP differential received by the PO and the system used to calculate the distribution of Fairtrade income. In case any other types of premiums are distributed, for example from buyers or other certification schemes, the PO can communicate this at the same time but needs to ensure that all premiums are clearly described. The communication needs to be done in writing, because the PO needs proof that the values were communicated to all members.
- **Cocoa requirement 4.3.4 point 2:** Provide receipts to individual members detailing the value of:

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<sup>1</sup> The farm gate price in Ghana for the 2023/2024 season is 1,308 GHC per bag. This price is irrespective if the member sells to the designated PC/LBC or not. It is a standard price that every cocoa farmer in Ghana receives for his/her cocoa.

- the FMP differential paid, including date, volume, and cocoa season.
- any Fairtrade Premium paid in cash, including date, volume, and cocoa season.

An example of such a receipt is in Annex 3. In case the PO distributes other premiums, these can be added to the receipt as long as the premiums are clearly described. The receipt should be signed by the member and someone from the PO (most likely the treasurer): the member receives the original while the PO keeps a copy.

- **Cocoa requirement 4.3.4 point 5:** Demonstrate each cocoa season that the amount of FMP differential distributed to the members reconciles with the FMP differential received by the PO. To be able to do this, keep track of how much FMP differential was distributed to members in total and compare this to the total FMP differential received by the PO.
- **Cocoa requirement 4.3.4 point 6:** Report to the members collectively (during the General Assembly) on total amounts of FMP differential, and Fairtrade Premium cash payments, if any.
- **Cocoa requirement 4.3.4 point 3:** Publish information about the total value of price differential and Fairtrade Premium distributed to members with distribution dates, the total Fairtrade Premium the PO received, and the proportion distributed in cash. The information should be available to FLOCERT on request.
- **Cocoa requirement 4.3.5:** Deploy solutions that support your organization to digitally record, and report Fairtrade Premium and price different payments made by your organization to individual members.
- **Cocoa requirement 4.3.6:** Deploy solutions that support your organization to make e-payments to your individual members when transferring Fairtrade Premium and price differential payments. The use of Mobile Money (MoMo) or bank transfers will automatically provide a trace and proof of payments to members.

As of January 2024, development requirement 4.3.6 promotes the digital payment of Fairtrade income to members, which means SPOs can choose to pay members through **bank transfer** (if members have bank accounts) or **mobile money** (if members have access to any of the mobile money systems). SPOs will still be able to make cash payments to members but core requirement 4.3.5 means that cash payments must be recorded digitally. The advantage of transfers through a bank or mobile money system is that the amounts transferred to each member are traceable digitally and it reduces the risks of theft either when cash is transported physically to the members or after the members have received it. Another advantage is that it can help members to better manage their money (because you spend money in a bank account or MoMo less quickly than cash). A disadvantage is that not all members have a bank or MoMo account (or not even a smart phone) and not all communities have a bank branch or mobile network. Another disadvantage is that having a bank account or mobile money system will incur costs for members. The PO needs to decide who will bear these costs: the member, the PO, or share the costs. The PO will also incur costs when transferring mobile money but that might be cheaper than the cost of physically transporting the money to members.

## Fairtrade Standards and Compliance Criteria

Year of audit	FLOCERT Criteria Type and Applicable For	Fairtrade Standard for Small Producers Organisations	Fairtrade Standard Guidance	FLOCERT Compliance Criteria Number	FLOCERT Rank 3 (minimum practice needed for compliance)	FLOCERT Rank 5 (best practice)
0	Core, SPOs in Ghana and Côte d'Ivoire	<p>4.3.4 You have an accounting system that tracks and identified price differential and Fairtrade premium payments transparently. The organization:</p> <ol style="list-style-type: none"> <li>1. Prior to payment, communicates with all members the values to be paid per member in price differential and any Fairtrade premium. Your value of price differential and Fairtrade premium payments will be expressed either per kilo of cocoa if your organization uses a quota system or as a common value per member if your organization uses an allocation system.</li> <li>2. On payment, provides receipts to members using the templates provided detailing separately the values of the price differential and any Fairtrade premium paid with payment dates.</li> <li>3. After payment, publishes information about the total value of price differential and Fairtrade premium distributed to members with distribution dates, the total Fairtrade premium the SPO received, and the proportion distributed in cash. This information is available to FLOCERT upon request.</li> <li>4. Demonstrates in documentation separately the amounts received by the organization of Fairtrade premium and price differential.</li> <li>5. Demonstrates each cocoa season that the amount of price differential distributed to the members reconciles with the price differential received by the organization.</li> <li>6. Reports to members collectively (at the General Assembly) on total amounts of price differential, and Fairtrade Premium distributed as cash, if applicable.</li> </ol>	The price differential is defined as the difference between the Fairtrade Minimum Price and the market reference price.	4.1.0.31	All requirements for transparent handling of the FMP differential are met.	Rank 3 AND there is a documented procedure requirements for the transparent handling of the FMP differential.
3	Core, SPOs in Ghana and Côte d'Ivoire	4.3.5 You deploy solutions that support your organization to digitally record, and report Fairtrade premium and price differential payments made by your organization to individual members.	Solutions can include this party software applications or data management tools. This requirement compliments requirement 4.3.4 on accounting systems for price differential and premium.			



**FAIRTRADE**  
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Year of audit	FLOCERT Criteria Type and Applicable For	Fairtrade Standard for Small Producers Organisations	Fairtrade Standard Guidance	FLOCERT Compliance Criteria Number	FLOCERT Rank 3 (minimum practice needed for compliance)	FLOCERT Rank 5 (best practice)
3	Development, SPOs in Ghana and Côte d'Ivoire	4.3.6 You deploy solutions that support your organization to make e-payments to your individual members when transferring Fairtrade Premium and price differential payments.				

## Guidelines for the Trainer

- Target group:**  IMS manager, Fairtrade contact person, accountants, and any other staff or member involved in the administration of cash payments of Fairtrade Premium (FP) and Fairtrade Minimum Price (FMP) differential.
- Materials needed:**  Flip-sheets, markers (at least two different colors), and masking tape.  
 Have cocoa requirements 4.3.4, 4.3.5 and 4.3.6 at hand to read out loud (see step 1 in these guidelines).  
 Copy of the receipt at the end of this topic.
- Time needed:** Approximately 1 hour
- Preparations:**  Carefully read the key information, the table with the Fairtrade Standard and Compliance Criteria, and all steps of this guideline  
 Read the document “Fairtrade cocoa guidelines and best practices on the distribution of the Fairtrade Minimum Price (FMP differential and Fairtrade Premium (FP) cash payments for Ghana” for a thorough understanding of FMP and FP distribution.  
 Check if the PO complies already with any of the requirements discussed in this topic (cocoa requirements 4.3.4 to 4.3.6). If the PO complies with all of them, it is not necessary to facilitate this session, but you rather ask the PO if there are any challenges that need your support.  
 Check what software the PO uses to record any payments to members.

### Note for the trainer

- It is assumed that participants know what the FP and FMP differential is, and that the PO has a working system for the distribution of FP and FMP differential. If not, you should first facilitate training session 4.1.2 on Organizing minimum price and cash premium payments for SPOs.
- So far, no FMP differential was paid in Ghana. However, you should still discuss the tracking of the FMP differential in case it will apply in any of the coming years.
- During this session, the group will take a few decisions and some actions point will be agreed. Make sure to note everything on flip-sheets.

### Session in Short

- **Set up:** Appr 2 min
- **Delivery:**
  - Appr 5 min: Following the money flow.
  - Appr 10 min: Recording the money flow of step 1.
  - Appr 5 min: Recording the money flow of step 2.
  - Appr 20 min: Recording the money flow of step 3.
  - Appr 10 min: Planning implementation.
- **Finish:** Appr 2 min

## Set up – Appr 2 minutes

- Attention:** Ask if last year members received Fairtrade Premium (FP) cash payment and Fairtrade Minimum Price (FMP) differential. Say that the payment of Fairtrade income is always a major activity that comes with lots of administration.
- Title:** Mention the title of the session: *Tracking Fairtrade payments*.
- Objectives:** During this session, we will discuss how to set up an accounting system for the payment of Fairtrade income as specified in cocoa requirement 4.3.4, 4.3.5 and 4.3.6.
- Benefits:** Having proper digital records on cash payments made to members will help you to keep track of any payment and will reduce risks of errors and mishandling of funds. Digital records will also contribute to a professional image of the PO.
- Direction:** We will not discuss what the FP or FMP differential is, the different systems to distribute Fairtrade income, or how to calculate the Fairtrade income. We will also not discuss how to select a digital system for tracking Fairtrade payments.

## Delivery

Explanation, Visualization, Exercise, and Application:

### *Following the money flow – Appr 10 minutes*

1. Say that there are **three requirements** in the Fairtrade Standard for Cocoa (version 07.07.2023\_v2.1) that are related to the tracking of Fairtrade payments. Requirement 4.3.4 has been expanded to include more details, while requirements 4.3.5, and 4.3.6 are applicable from January 2024. **Read out loud** cocoa requirements 4.3.4, 4.3.5 and 4.3.6. Say that it means that we need to have a digital system that keeps track of FP cash payment and FMP differential.

Note for the trainer: You are going to draw step-by-step diagram 1 as depicted in the key information. It might be necessary to adjust the diagram slightly, so it depicts the situation of the PO.

2. Say that to have a well-functioning accounting system, you need to have a good understanding of **how the premium and differential money flows**. Paste an empty flip-sheet on the wall. Say that we will start with the moment a member sells cocoa to the Purchasing Clerk (PC) or Licensed Buying Company (LBC). Write on the flip-sheet: “**Step 1:** member sells cocoa”. Ask: *Is any cash FP or FMP differential paid at that moment?* No, the member receives 1,308 GHS per bag only (price of 2023/2024 season, adapt if necessary). Add “members” and “LBC/PC” to the flip-sheet and draw a line of how the money flows (you can use a different color for that).
3. Continue with **step 2**. Ask the following questions:
  - a. *Who pays the FP or FMP differential (of applicable)?* The final buyer pays this.
  - b. *To whom does the buyer pay the FP or FMP differential?* Directly to the PO. Add step 2, the PO and the buyer to the flip-sheet and draw arrows to indicate the money flow from the buyer to the PO.
4. Finally discuss **step 3** and ask the following questions:
  - a. *Who pays the FP or FMP differential to members?* The PO. Add this step to the diagram.
  - b. *Are payments made by the third or second grade organization or the primary societies?* In case the primary societies make the payment, you can add this step to the diagram (between PO and members).

### Recording the money flow of step 1 – Appr 10 minutes

5. Say that having an **accounting system** for Fairtrade income payments, means that we need to record every step as we have discussed.

Note for the trainer: For every step, you start with what is happening at this moment and then analyze together if there is room for any improvement.

6. Start with **step 1** and ask the following questions:
- The member sells cocoa to the PC. How is this **recorded**?* Check if this is recorded in the passbook of members and records of the PC.
  - Is a **receipt** issued to the member?* The member should receive a receipt and the PC should keep a copy.
  - If yes, what **type of information** is written on this receipt?* It should include the name and code of the member, date, kilograms sold, and amount received. Both the member and PC will sign.
  - How is this information **transferred to the PO**?* It is possible that the PC sends the information in written format to the PO or in digital format (for example in Excel). It is also possible that the PC enters the information in his/her system which is linked to the system of the PO (which means that the PO will receive it automatically).
  - In case the information is sent in **written format**, ask:
    - *Is the information recorded digitally by the PO?*
    - *How is this done? Who enters all information?*
    - *What are the risks?* A risk is that the paper is lost by the PC, during transport to the PO, or by the PO. Another is that errors occur when entering the information in the system of the PO.
    - *How can you avoid these risks?* The PC should enter the information in a digital format.
  - Explain that there is **software** on the market that can be installed at the PO and all PCs. The moment the PC enters any data, it will be transferred automatically (the moment the system is connected to the internet) to the PO.

### Recording the money flow of step 2 – Appr 5 minutes

7. Continue with **step 2** (payment of premium and differential to the PO).
- When in the year** is the Fairtrade Premium and Fairtrade Minimum Price differential paid?* The buyer is obliged to pay both **no later than 15 days** after the receipt of the documents transferring ownership (cocoa requirement 4.3.1 applicable to Fairtrade payers). This means that the premium and differential will be paid to the PO throughout the year.
  - How as PO do you know if funds received from the buyer is the payment for the premium or differential?* The buyer needs to inform the PO if any premium or differential needs to be paid. Based on the information, the PO needs to send the buyer an invoice for the premium and differential. The PO should check funds received against the invoices.
  - Where do you record how much you receive in premium and differential?* Because payments of premium and differential is done through bank transfer, there is always a trace. However, the PO should also enter this in their accounts. Refer to cocoa requirement 4.3.4 point 4.
  - Check if the PO has **separate accounts** for premium and differentials. If not, discuss how they can set this up.



- e. Do you have a **separate bank account** for the payment of premium and differential?  
This might help in tracking payments.

### Recording the money flow of step 3 – Appr 20 minutes

8. Continue with **step 3** (payment of premium and differential to members).
- We assume that you have made your calculations of how much each member will receive (how to make these calculations is not covered in this topic). Where do you record this?* This must be recorded in a digital system (cocoa requirement 4.3.5). In case this is not recorded in a digital system yet, discuss how this can be done.
  - According to cocoa requirement 4.3.4 point 1, you need to communicate to each member how much they will get (FP and differential separate) before any payment is made. How do you communicate this?* The communication needs to be done in writing. If this is not the case, discuss how the PO can organize this.
9. Discuss the **actual payment** to members. Ask the following questions:
- How** do members receive the cash premium and differential (of applicable)? It can be by cash, bank transfer, cheque, or Mobile Money (MoMo).
  - Say that according to cocoa requirement 4.3.6 you could start making **e-payments** to members (Development requirement, applicable in year 3). What is considered as e-payments? Either through bank transfer or MoMo.
  - What are **advantages** of e-payments? It provides proof and a trace of payments, you reduce the risk that money is lost or stolen, it will help members to better manage their money (because you spend money in a bank account or MoMo less quickly than cash).
  - What are the **disadvantages** of e-payments? Not all members have a bank or MoMo account (or not even a smart phone), not all communities have a bank branch or mobile network, and it will incur costs for transfer (and cashing it in case of MoMo).
  - How can you manage these challenges? A first step is to check which members have bank accounts and/or MoMo. In case members live in an area with either branches or network, the PO can stimulate and assist members to open accounts. In case there is nothing in a community, distance to nearest branches or cash points need to be considered.
  - You need to decide **who will bear the costs**: the member, the PO, or share the costs. What would be your preference? Add that it might be useful to negotiate a discount with mobile network providers (AirtelTigo, MTN, Vodafone, Expresso Telecom, Globacom, Thuraya), especially if the PO has several hundreds or thousands of members.
10. Say that according to cocoa requirement 4.3.4 point 2, you need to provide every member with a **detailed receipt**.
- Ask for a copy of a receipt **currently used by the PO**. Check together what information is written on the receipt used by the PO.
  - Then take the **example receipt** and check if everything written on the example receipt is included in the receipt used by the PO. In case information is missing, discuss how this can be added.
11. Say that you need to **report on total payments** made to members.
- You need to report to the members collectively on total amounts of FMP differential, and Fairtrade Premium cash payments, if any (cocoa requirement 4.3.4 point 6). Do you already do this? If yes, how?
  - If no, how can you do this? During the General Assembly.

- c. *According to cocoa requirement 4.3.4 point 3, you need to publish information about the total value of price differential and Fairtrade Premium distributed to members with distribution dates, the total Fairtrade Premium the PO received, and the proportion distributed in cash. Do you already do this? If yes, how?*
  - d. *If no, how can you do this?*
12. Say that finally, according to cocoa requirement 4.3.4 point 5, you need to **demonstrate** each cocoa season that the amount of **FMP differential** distributed to the members reconciles with the FMP differential received by the PO. Ask the following questions:
- a. *Why do you need to demonstrate this?* Because the differential needs to be paid 100% to the members. That means that the PO cannot use it for other expenses.
  - b. *What is the transfer to members incur costs?* The costs of transfer can be covered by the differential. That mean that the transfer should not cost the PO extra money.
  - c. *How can you demonstrate that the amount of FMP differential distributed to the members reconciles with the FMP differential received by the PO?* To be able to do this, keep track of how much FMP differential was distributed to members in total and compare this to the total FMP differential received by the PO.
  - d. *What can be reasons for differences between the amount of FMP differential distributed to the members and the FMP differential received by the PO?* You need to take the transfer costs into consideration. If there is still a difference, either too much or too little was transferred to members. If that is the case, you need to correct it.

### **Planning implementation – Appr 10 minutes**

13. Look at any action that came out of all discussions. Agree with the group on:
- a. *What needs to be done (action points)?*
  - b. *Who will do it?*
  - c. *When will it be done?*
  - d. *What resources are needed?*

Note all points on a flip-sheet to have an overview of what needs to be done.

## **Finish – Appr 2 minutes**

**Summary:** Use the diagram with the money flow to give a summary.

**Questions:** Ask if anyone has a question or comment.

**Evaluation:** Ask the following questions:

- *How can you demonstrate in documentation which amounts you received as premium, and which amounts in differential?*
- *What information does the receipt for the payment of Fairtrade income given to member contain?*

**Next step:** Refer to the flip-sheet with the action points. Agree when you will contact the PO to check implementation.

## Checklist of Requirements

Requirement	Action to take	Type	Applies to	Year
4.3.4	Communicate to all members the values to be paid per member in FP and FMP differential, prior to payment.	Core	SPOs in Ghana and Cote d'Ivoire	0
4.3.4	Provide receipts to individual members with details on FP and FMP differential.	Core	SPOs in Ghana and Cote d'Ivoire	0
4.3.4	Publish information about the total value of FMP differential and FP distributed to members.	Core	SPOs in Ghana and Cote d'Ivoire	0
4.3.4	Demonstrate in documentation separately the amounts received of FP and FMP differential.	Core	SPOs in Ghana and Cote d'Ivoire	0
4.3.4	Demonstrate each cocoa season that the amount of FMP differential distributed to the members reconciles with the FMP differential received by the PO.	Core	SPOs in Ghana and Cote d'Ivoire	0
4.3.4	Report to the members collectively (during the General Assembly) on total amounts of FMP differential, and Fairtrade Premium cash payments, if any.	Core	SPOs in Ghana and Cote d'Ivoire	0
4.3.5	Have digital records on FP and FMP differential.	Core	SPOs in Ghana and Cote d'Ivoire	3
4.3.6	Use e-payments for the payment of FP and FMP differential to members.	Dev	SPOs in Ghana and Cote d'Ivoire	3

## Annex 3: Example of Receipt for Fairtrade Income Payment to Members

Name of society: \_\_\_\_\_

Season: \_\_\_\_\_

Name of member: \_\_\_\_\_

Code of member: \_\_\_\_\_

a. Number of bags (64 kg each)	
b. Total weight of cocoa in kilograms (64 kg per bag)	
c. Fairtrade Premium per kilogram cocoa in GHC	
<b>d. Total Fairtrade Premium in GHC (b * c)</b>	
e. Fairtrade Minimum Price differential per kilogram in GHC	
<b>f. Total Fairtrade Minimum Price differential in GHC (b * e)</b>	
<b>g. Total amount to be paid in GHC (d + f)</b>	

Total amount to be paid in GHC (written): \_\_\_\_\_

Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

\_\_\_\_\_  
Signature of treasurer

\_\_\_\_\_  
Signature of member