

PROJECT ABSTRACT

JUNE 2014

Country:	Nicaragua
Sector:	Agro-industry
Project Name:	ECOM Coffee Renovation Sub-Project 1 – Exportadora Atlantic SA
Project Number:	NI-L1088
Borrower:	Exportadora Atlantic SA
Sponsor:	ECOM Agroindustrial Corp. Ltda. (“ECOM”)
Proposed IDB A Loan:	US\$12 million

PROJECT OVERVIEW

The ECOM Coffee Renovation Sub-Project 1 – Exportadora Atlantic SA (“the “Project”) is in response to the reduced productivity of coffee farms in Nicaragua caused by a combination of two factors: (i) the coffee rust (“roya”) emergency in the region, caused partly by changes in local weather patterns often attributed to climate change and (ii) aging plantations and poor farm management systems, specifically affecting small farmers with reduced access to technical and financial services. This low productivity is widely impacting farmers’ incomes and requires the urgent renovation of their coffee plantations on a sustainable and systematic basis.

The Project, which is being developed jointly with the Multilateral Investment Fund (“MIF”), the International Finance Corporation (“IFC”), the Global Agriculture and Food Security Program (“GAFSP”), and ECOM, addresses a key market failure - the lack of viable long-term financing alternatives, accompanied by appropriate risk mitigants, required for coffee farmers to renovate their plantations on a sustainable basis. The Project develops a risk sharing model through which long-term credit and Technical Assistance can be delivered with the objective of enabling key coffee supply chain in the region to renovate plantations, adapt to the effects of climate change and gain knowledge on better farm management practices.

ECOM is a global coffee trader and exporter with operations in Nicaragua, Honduras, Costa Rica, Peru and Mexico, all of which have been affected by the rust plague. The Project will provide affordable long term loans and related Technical Assistance to coffee growers in ECOM’s supply chain in Nicaragua.

PROJECT DESCRIPTION

The Project is targeted at the supply chain of ECOM in Nicaragua and involves the channeling of long-term loans to farmers for the sustainable renovation of coffee plantations affected by the roya. Exportadora Atlantic S.A. (“Atlantic”) is a major coffee trader and exporter in Nicaragua and the Project is expected to serve as a pilot to be replicated with other ECOM subsidiaries in other LAC counties in which it operates, possibly in partnership with other industry players. The Project includes a parallel technical cooperation package that is expected to be financed by MIF and GAFSP to support Atlantic to build internal capacity to manage long-term credits and provide Technical Assistance in sustainable agronomy to producers.

DEVELOPMENT IMPACT

The development impact of the Project is expected to be achieved through a private sector solution to the coffee rust emergency in Nicaragua by (i) contributing to climate change adaptation and improved productivity by the Project's beneficiaries; (ii) providing access to viable long-term financing for renovation not available commercially; and (iii) creating a demonstration effect for sustainable agribusiness practices through a pilot that may be replicated for other supply chains. The Project is expected to finance more than 500 farmers of which almost 90 percent are small and medium size coffee farmers who own plantations of less than 50 hectares. Approximately 5,000 hectares of coffee area affected by the roya are expected to be renovated, increasing average yield in some cases by over three times.

IDB'S ADDITIONALITY

IDB will support Atlantic in the implementation and execution of the Project and will provide parallel technical cooperation through a potential project from MIF¹ and IFC Advisory Services to support Atlantic to build internal capacity to manage long-term credit and provide agronomic technical assistance to producers. In addition, IDB and IFC financing will be complemented by GAFSP to address the lack of viable long-term financing for eligible coffee farmers in Atlantic's supply chain in Nicaragua.

PROJECT CONTRIBUTION TO IDB OBJECTIVES

The Project contributes to the Bank's objective of lending for poverty reduction and equity enhancement since it is a project to facilitate access to credit by farmers. It is also consistent with the GCI-9 objective of lending to support climate change initiatives. The Project is aligned with the IDB Country Strategy for Nicaragua. Lastly, the Project is aligned with the SCF Vision targets as it contributes to improving peoples' living standards through direct and indirect job creation, local training and other social initiatives.

¹ MIF project is subject to internal approvals and final approval from MIF Donors Committee.