



5th Consultative Forum of the
International Coffee Organization -
ICO
London, UK
March 2015

Financing Opportunities for Coffee Sector
Development in Latin America and the Caribbean with
the Inter-American Development Bank (IDB)

IDB Financing in Latin America and the Caribbean

WHO WE ARE AND WHAT WE DO

Leading regional development bank

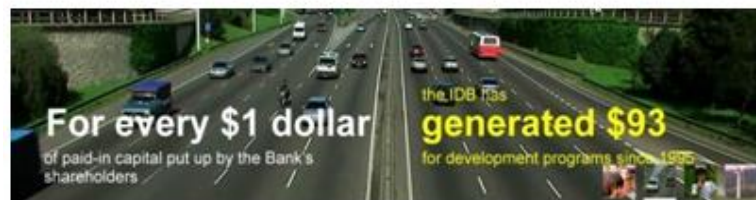
- The first and largest regional development bank

Mission: improving lives

Largest source of long-term developmental financing in Latin America and the Caribbean, since 1959

48 member countries worldwide, **26** country offices in the region

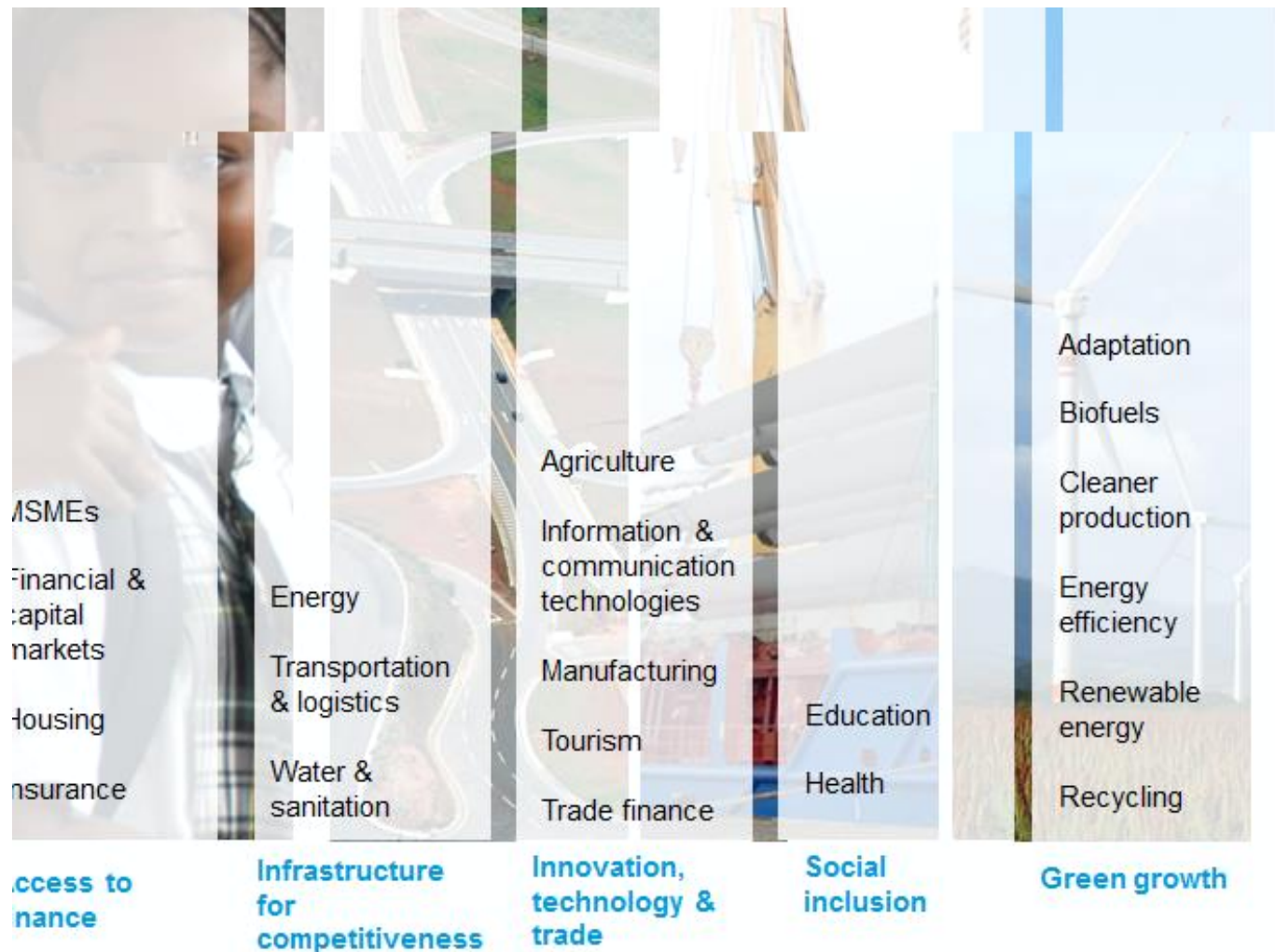
- Clients: Central governments, provinces, municipalities, private firms and non-governmental organizations.
- In 2014, IDB approved 168 new projects, U\$13.8 B
- **AAA/Aaa** ratings by Standard & Poor's and Moody's



IDB strategic priorities to achieve its institutional mandate

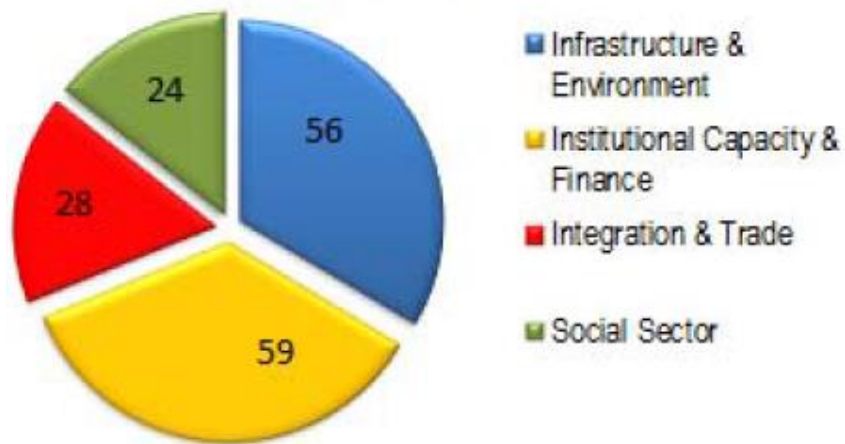


What sectors do we work on?



The active portfolio concentrates on infrastructure and environment sector programs

Approvals by Sector, 2014
Number of operations



In 2014 the highest share of approvals were dedicated to infrastructure and environment **building institutional capacity** in the region

- including the local financial sectors and public institutions

Between one third and 50% of the portfolio historically dedicated to **infrastructure**

Increased focus on **Climate Change**, both Adaptation and Mitigation

- Special emphasis on Renewable Energy

The IDB Office in Europe

- The IDB Office in Europe represents the Bank before the **16 European member countries**
- **Channel to facilitate the collaboration** with prospective partners in the operational areas of the IDB Group
- The Office in Europe seeks to **build new alliances**
 - With **different actors**: governments, businesses, foundations, educational institutions, etc..
 - In order to **mobilize resources** (financial, knowledge, etc..) that contribute to the sustainable development of the region
- **Bridge between European companies**, both SMEs and large corporations who want to work in LAC, **and the IDB**



IDB Financing in Latin America and the Caribbean

PROJECTS WITH SOVEREIGN GUARANTEE (PUBLIC SECTOR WINDOW)

The Bank has been committed to LAC's agriculture sector since its creation

US\$15 billion

Loans approved for agriculture in the Region since 1961 (9% of total approvals)

US\$3 billion

Loans approved for agriculture in the Region between 2008 and 2014. Six operations have been approved annually on average for same period

US\$1 million

Amount of technical cooperations approved for the sector in 2011

Why Agriculture and Rural Development in LAC?

LAC has abundant possibilities for expanding farm production

28% of the world's arable land

33% of its renewable water resources

LAC accounts for 14% of global agricultural exports

It exports:

52% of soybean	45% of coffee	
44% of beef & poultry	70% of bananas	
45% of sugar	12% of citrus	33% of maize

30% of the labor force works in in the sector

75% of rural poor depend on agriculture as its income source

What challenges do we see for agriculture in LAC?

1. Slow growth in agriculture productivity

- ✓ Annual rate of growth of total productivity in LAC has been lower than that in OECD countries: 1.9% vs. 2.4%, between 1961 and 2008.
- ✓ In Central America and the Caribbean that rate of growth has been even lower: 1.1%.
- ✓ Public resources to agricultural research in LAC only 1,1% of its agricultural GDP vs 2.4 % in developed countries.

2. Unequal distribution of growth benefits to rural population

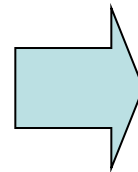
- ✓ In spite of a 37% increase in LAC's agricultural production during 1999 and 2009, poverty has remained at almost $\frac{2}{3}$ of its rural population.

3. Vulnerability to climate change

- ✓ Higher temperatures may eventually reduce yields of crops, encourage weeds and pest proliferation and change in precipitation patterns.
- ✓ In LAC, rice and maize production may be among crops most severely impacted.

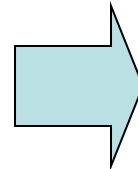
The Bank established a strategic approach to support agriculture in the Region

Efficient resources allocation: Comparative Advantages



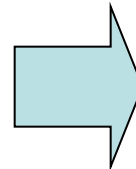
Economic efficiency
No distortions

Social inclusion



Max coverage of farmers, with emphasis on smallholders

High economic returns on investment



Wealth increase of rural families

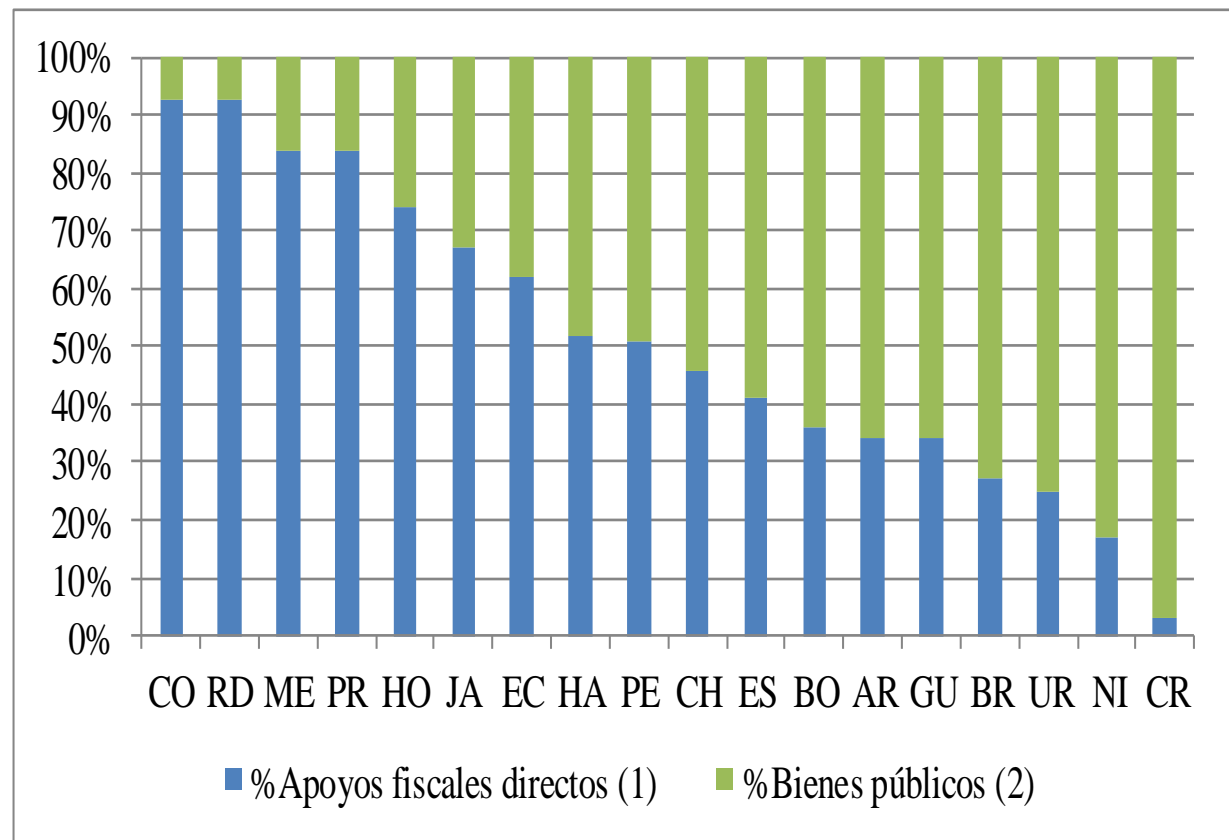
IDB'S STRATEGIC APPROACH IN LAC AGRICULTURE SECTOR HAS FOUR AREAS OF INTERVENTION

1. Elimination of obstacles in price-transmission mechanisms

- Ensure that domestic producers benefit fully from favorable price shocks
- The Bank supports policy reforms on agriculture and trade policies:
 - Reduction/Elimination of tariff & non-tariff barriers
 - Elimination of State market interventions

2. Improvement of effectiveness, coverage and quality of rural public expenditure to foster investment

In 2010-2011, LAC countries allocate more fiscal resources to support private goods than public goods in agriculture sector



3. Support the provision of effective and modern agricultural services and rural infrastructure

- Ensure long-term sector competitiveness
- Typical Bank-financed investment programs:
 - Rural roads and electrification
 - Irrigation
 - Agricultural innovation system
 - Agricultural health & food safety
 - Agricultural information systems
 - Land management: tenure regularization
- Emphasis on impact project evaluation

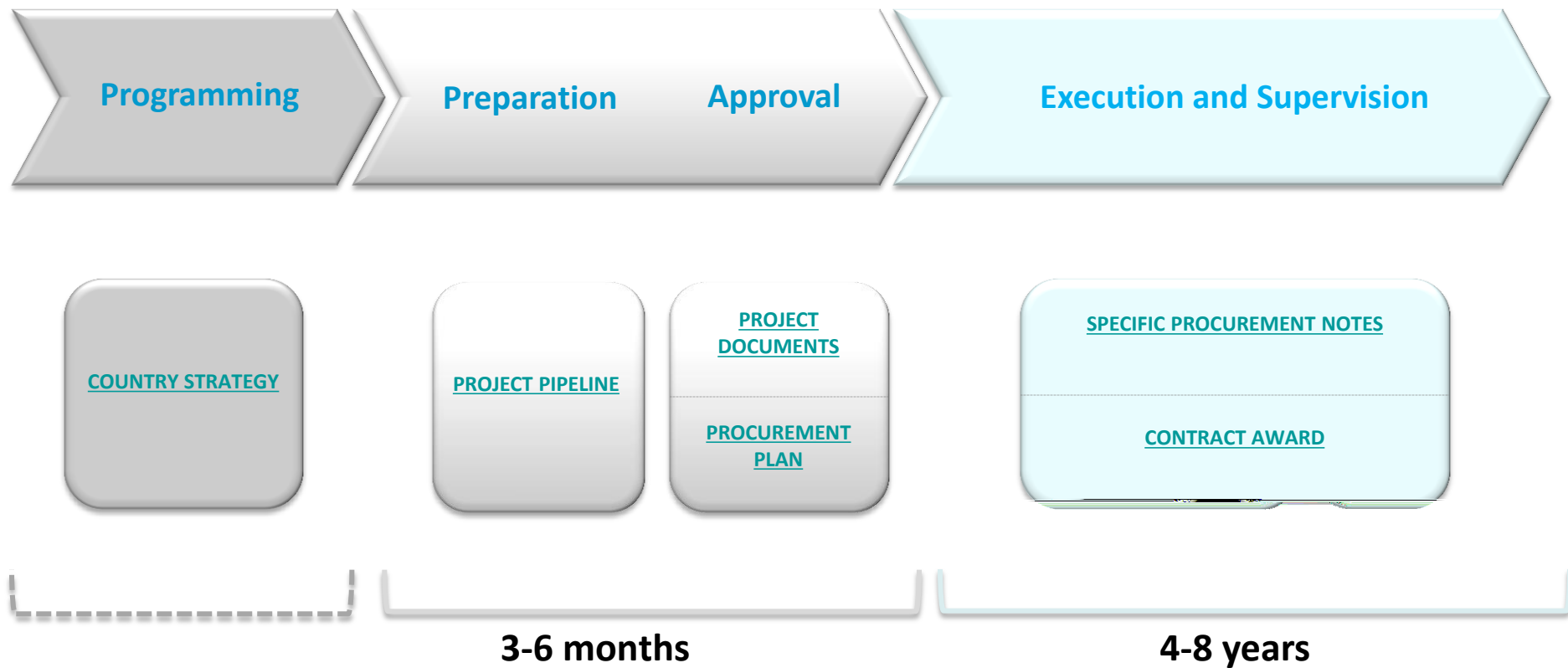
4. When necessary, promote temporary direct support programs focused on technology adoption

- Help to overcome liquidity constraints in the sector due to thin rural financial markets
- Ensure that public expenditure on private goods promote cost-effective mechanisms thru decoupled income transfers
- Emphasis on small farmers

Some recent IDB investment loans to support coffee development in LAC

Country	Name	Monto IDB (US\$ M)	Executing Agency
Colombia (CO-L1009)	Modelos Innovadores de Intervención para el Sector Cafetero (2006-2010)	US\$ 6,0	Federación Nacional de Cafeteros
Costa Rica (CR0142)	Programa de Fomento a la Producción Agropecuaria Sostenible (2004-2010)	US\$ 14,4	Ministerio de Agricultura y Ganadería
Honduras (HO-L1010)	Programa de Fomento de Negocios Rurales (PRONEGOCIOS) (2008-2015)	US\$ 27,1	Dirección Nacional de Desarrollo Rural Sostenible
Haití (HA-L1041)	Programa de Mitigación de Desastres Naturales (2009-2015)	US\$ 30,0	Ministerio de Agricultura y Recursos Naturales
Haití (HA-L1059)	Programa de Transferencia de Tecnología para Pequeños Agricultores (2011-2016). En cofinanciación con el Global Agricultural and Food Security Program (US\$ 25,0 adicionales).	US\$ 15,0	Ministerio de Agricultura y Recursos Naturales
Regional (RG-X1220)	ECOM – Facilidad para Renovación de Cafetales afectados por la Roya. México, Nicaragua, Costa Rica, Honduras y Perú). En cofinanciación con IFC, GAFSP, Canadian Climate Fund, y ECOM. Total US\$ 100,0 millones.	US\$ 40,0	ECOM Agroindustrial Corporation
Nicaragua (NI-L1088)	ECOM – Renovación de cafetales, Sub Proyecto 1 (2014–2016). Total US\$ 30,0 millones.	US\$12,0	ECOM Agroindustrial Corporation

IDB Project cycle (sovereign guarantee)



Terms and conditions (sovereign guarantee)

- **Loans:**
 - LIBOR 3- month+ 0.85%
 - Commitment fee: 0.25%
 - Terms: usually up to 25 years (for some countries, like Bolivia, Jamaica and Nicaragua, up to 40 years)
- **Grants:**
 - Haiti: US\$ 200 M/ year

What makes a project successful?

- Problem and opportunity identification
- Identification of the solution based on technical, economic, socio-environmental and institutional studies
- Participation of the counterpart in the design of the operation
- Formulation of performance indicators with the counterpart
- Design and development of the monitoring and evaluation
- Design of a plan to strengthen institutional capacity
- The most important: Commitment by the counterpart

IDB Financing in Latin America and the Caribbean

PROJECTS WITHOUT SOVEREIGN GUARANTEE (PRIVATE SECTOR WINDOWS)

How can the private sector engage with the IDB?

Financing private investments in LAC (private sector window)

Non-financial support to enable firms to do business in LAC:
ConnectAmericas

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IDB supports the private sector through its four windows



Structured and
Corporate Finance
Department (SCF)

*Medium and large
scale private sector
sustainable
investments*



Inter-American
Investment
Corporation (IIC)

SMEs



Opportunities for
the Majority
Initiative (OMJ)

*Business models that
serve the **Base of
the Pyramid***



Multilateral
Investment Fund
(MIF)

*Access to **finance,
markets** and basic
services*



IDB supports the private sector in a segmented way through four windows



Structured and Corporate Finance Department (SCF)

Medium and large scale investments

Tickets: US\$10 – 200M

Contact:

SCF@iadb.org

Application-online :

<http://www.iadb.org/en/structured-and-corporate-finance/resources-for-clients,7580.html>



Inter-American Investment Corporation (IIC)

SMEs

Tickets: US\$100k – 40M

Contact:

financing@iic.org

Send Application to:

financing@iic.org

Europe Office:

IDBEurope@iadb.org



Opportunities for the Majority Initiative (OMJ)

Business models that serve the Base of the Pyramid

Tickets: US\$5 – 10M

Contact:

OM-IDB@iadb.org

Send Application to:

OM-IDB@iadb.org



Multilateral Investment Fund (MIF)

Access to finance, markets and basic services

Tickets: US\$100k– 5M

Contact:

mifcontact@iadb.org

Application-online:

<http://www.fomin.org/Login.aspx?ReturnUrl=%2faps%2foap%2fuseroap.aspx?lang=SP>



Current Projects through the Structured and Corporate Finance Department (SCF)

- SCF is working on a **regional facility** together with IFC, the Global Agriculture and Food Security Program (GAFSP), the MIF, the Canadian Climate Fund for the Private Sector in the Americas (C2F) and a coffee industrial player.
- It targets the supply chain of ECOM in **Nicaragua, Honduras, Costa Rica, Mexico and Peru** and involves the channeling of up to US\$100M financing in long-term sub-loans to farmers for the sustainable renovation of **coffee plantations affected by the roya** (coffee rust disease).
- IDB, IFC, the industrial player and ECOM will provide the U\$100M financing, whereas C2F and GAFSP will provide guarantees.

Current Projects through the Structured and Corporate Finance Department (SCF) (II)

- SCF is currently working on the first sub-project under the facility with Exportadora Atlantic S.A., ECOM's subsidiary in **Nicaragua**. This first sub-project is expected to serve as a pilot to be replicated with other ECOM subsidiaries in the remaining target countries.
- This project includes a technical cooperation package that is expected to be financed partially by MIF to build internal capacity to manage long-term loans and **provide technical assistance in sustainable agronomy to producers.**

Current Projects through the Multilateral Investment Fund (MIF)

- Since 2002, **14 projects** have been approved to promote the sector with an average of US\$1M of MIF resources.
- 4 active projects:
 1. in **Brazil** in partnership with the Neumann Foundation;
 2. in **Haiti**, in partnership with Nestlé;
 3. in **Peru**, with Junta Nacional del Café;
 4. **Regional project** (encompassing Honduras, Guatemala, Nicaragua, Mexico and El Salvador) with Root Capital.
- With the **outbreak of roya** severely affecting the region, the MIF along with ROOT Capital is investing **U\$4.39M in technical cooperation** in **Honduras, Guatemala, Nicaragua, Mexico and El Salvador**, benefiting **40,000 small scale farmers' organizations** representing 32,000 families.

Opportunities for Collaboration: SAFE – Sustainable Agriculture, Food and the Environment Platform

- The MIF is currently designing a multi-stakeholder platform to bring together key value chain actors primarily within the **coffee and cocoa sectors** who share a common vision for addressing the challenges of sustainable agriculture. It will provide a needed platform to enable collective collaboration, catalytic funding, strategic co-investments, and knowledge sharing among the different actors throughout LAC.
- **Beneficiaries:** the platform will aim to benefit **200,000 low-income small agricultural producers**.

How can the private sector engage with the IDB?

Financing private investments in LAC (private sector window)

Non-financial support to enable firms to do business in LAC:
ConnectAmericas

¿WHAT IS CONNECTAMERICAS?

The first online community of companies in the region, dedicated to promote international business transactions by eliminating the barriers that hinder the process.

The Google logo is displayed in its characteristic multi-colored font (blue, red, yellow, green, blue) inside a white circular background.The DHL logo is shown in its signature orange and yellow colors with the letters in a bold, italicized font, set within a white circle.The VISA logo is presented in its standard blue font with a gold checkmark above the 'I', enclosed in a white circle.The ConnectAmericas logo features a stylized orange and red 'E' shape, representing the company's branding, inside a white circle.

www.connectamericas.com

¿WHAT ARE THE BENEFITS

CONNECT WITH BUSINESS OPPORTUNITIES

- Find suppliers
- Find clients
- Connect with them
 - Learn about their profile
 - Read about their reputation
 - See their product offering

¿WHAT ARE THE BENEFITS?

LEARN

FACTS

HOW TO MAKE THE BEST USE OF THE CONT

- Requirements to export or import
- Foreign trade processes
- Customs duties
- Transactions in different currencies

¿WHAT ARE THE BENEFITS?



FINANCE

FIND OPPORTUNITIES TO FINANCE YOUR PROJECT

- ◉ Credit lines for international trade transactions
- ◉ Financial assistance for exports
- ◉ Acces to commercial and development banks across the region



ConnectAmericas has a specific community for Food & Beverage

connectamericas.com/es/page/search?qt-search_tabs_container=3



Esther Rodriguez ▾ ✉ ?



CONÉCTATE ▾

APRENDE ▾

FINÁNCIATE ▾

CONTENIDO ▾

Buscar

Panel De Control > Conéctate > Buscar

Busca contenidos

Buscar empresas

Buscar usuarios

Buscar comunidades

Buscar eventos

Buscar

CATEGORÍA

- General (11)
- Global Services (3)



Global Services

Comunidad diseñada promover oportunidades de negocios en la industria de servicios globales de tercerización de procesos de negocios y software - vea nuestras Reglas de Inter...

376 miembros Global Services



Questions & Suggestions

Comunidad abierta para todos los usuarios para que nos dejen sus preguntas y sugerencias sobre el site - vea nuestras Reglas de Interacción. Community open to every user to sh...

104 miembros General



Food & Beverage

Comunidad dedicada a promover oportunidades de negocio en la industria de alimentos - vea las Reglas de Interacción. Community dedicated to promote business opportunities in the food industry - ...

339 miembros General



ConnectAmericas

Comunidad general dedicada a promover oportunidades de negocio de todas las industrias de la conectividad - vea nuestras Reglas de Interacción. Community dedicated to promote business opportunities...

596 miembros General

exportación, como

el funcionamiento

reglas de

comunidad - vea

IDB Financing in Latin America and the Caribbean

AGROLAC2025

AgroLAC 2025 is a multi-stakeholder funding platform to leverage knowledge and funding to support sustainable agricultural productivity



- It is coordinated by the IDB, and is helping propel Latin American agriculture into a new era.
- It brings together a broad range of **public and private sector donors** from around the world in order to identify and support sustainable agricultural practices and market systems in the LAC region.
- The overall goal of AgroLAC 2025 is to help Latin American agriculture reach its potential in becoming a major part of the solution to both global and regional food security.
- It will operate on a **high visibility platform** to both **promote our partners innovations** in the food security space.

AgroLAC 2025 details



Three key areas of interest

- Trade and access to markets
- Increased productivity through sustainable Intensification
- Agri/Environmental management

Implementation Structure: the fund will finance two types of projects

- IDB Projects.
- Third Party Projects directly implemented by The Nature Conservancy with the Latin America Conservation Council objective of increasing productivity with no new habitat loss.

AgroLAC official launch will take place in September 2015 at the Clinton Global Initiative Annual Meeting. For more info: www.agrolac2025.org



Thanks!

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<http://www.iadb.org>

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