



Joint Committees Meeting
Projects Committee
21st Meeting
7 September 2021
London, United Kingdom

Terms of Reference for a study on: Building a resilient coffee value chain to mitigate climatic disasters and covid-19 pandemic in Honduras and Nicaragua

Background

1. While the covid-19 pandemic continues to plunge world economies into an unprecedented recession, two natural disasters struck Central American countries in November and December 2020 with devastating effects, particularly in Honduras and Nicaragua. In order to mitigate the overall impact of the pandemic as well as the two climate-related disasters, the ICO is taking the opportunity offered by the Banco Centroamericano de Integración Económica (BCIE) to consider grant financing for the preparation of a full appraisal report of the impact of climate-related shocks in these countries and the design of a project proposal to address the challenges and build a resilient coffee sector.

2. The proposed study aims to provide a full assessment of the impact of the climatic disasters and the covid-19 pandemic in the two countries and to design a project proposal to mitigate these impacts and build a more resilient coffee sector.

Action

The Projects Committee is requested to consider this proposal and, if appropriate, to recommend its endorsement by the Council.

**Terms of Reference for a Study on:
Building a resilient coffee value chain to mitigate climatic disasters and covid-19
pandemic in Honduras and Nicaragua**

I. Background

Coffee is one of the most important export commodities that generate hard currencies and has a major impact on the GDP of Honduras and Nicaragua. In Honduras, coffee contributes to 38% of agricultural GDP and is the major agricultural export commodity. It provides livelihoods for over 35,000 smallholder coffee growers in Nicaragua. Unfortunately, persistent low international price levels over the last four years have dramatically affected farm-gate prices in the two countries, leading many permanent and casual farm workers to lose their jobs or leave farms to migrate to cities or to undertake perilous journeys as illegal migrants to developed countries, particularly the United States of America. While the covid-19 pandemic continues to plunge world economies into an unprecedented recession, two natural disasters struck Central American countries in November and December 2020 with devastating effects, particularly in Honduras and Nicaragua. Hurricanes Iota and Eta are the strongest Atlantic storms on record, with the countries worst hit being Honduras and Nicaragua.

Preliminary assessment of the impact of these deadly climatic-related shocks reported that 60% of the coffee growing municipalities and 14 of the 15 departments that produce coffee were affected in Honduras, damaging thousands of hectares planted with coffee. In Nicaragua, over half of the total population, living in 56 municipalities, has been affected by the cyclones, with the total damage to the national economy estimated at US\$742.7 million, representing 6.2% of the GDP. It should be noted that rural communities in these countries have the highest level of poverty, with women, youth and indigenous peoples among the poorest and most marginalized.

The extent of the damage in both countries coupled with the fragility of rural populations confirms the sad reality of the precariousness of the coffee economy in many producing countries, including Honduras and Nicaragua. It is therefore urgent to transform the coffee sector in these countries into a vibrant and resilient industry. These countries are among the most exposed to climatic phenomena and their societies and ecosystems are particularly vulnerable to the adverse consequences of climate change, since they are repeatedly subject to droughts, intense rains, cyclones and the El Niño/La Niña phenomenon. Therefore, mitigating the impact of the climate-related tragedy on the life and work of coffee-farming communities has become one of the priorities of the International Coffee Organization (ICO).

It is against this background that the ICO is seeking support from partners to help rebuild resilience and promote recovery in rural communities of these two severely affected countries. In this perspective, the ICO is taking the opportunity offered by the Banco Centroamericano de Integración Económica (BCIE) to consider grant financing for the preparation of a full appraisal report of the impact of climate-related shocks in these countries and the design of a project proposal to address the challenges and build a resilient coffee sector. Therefore, the ICO is inviting an expert—a consultant or firm—to carry out a study to identify areas of intervention to improve the sustainability and resilience of the coffee value chain in Honduras and Nicaragua. The study will also address the disruptions in food security and nutritional systems due to hurricanes Iota and Eta, and the covid-19 pandemic.

The proposed study aims to provide a full assessment of the impact of the climatic disasters and the covid-19 pandemic in the two countries and to design a project proposal to mitigate these impacts and build a more resilient coffee sector. Resilience approaches have the added advantage of being cost-effective, since they reduce the need for expenditures on cyclical crisis responses, while helping smallholder farmers secure their livelihoods. The report shall aim to identify systems and agricultural practices that will ensure a sustainable intensification of smallholder coffee farming systems in a manner that ensures income security free from the price shocks in the international markets and any future disruptions. It will also aim to guarantee food and nutrition security of the smallholder coffee systems and promote the creation of entrepreneurial jobs beyond farming, both in the rural and urban centres.

More specifically, the study will cover the following points:

1. Undertake a full assessment of the impact of the climatic shocks caused by the hurricanes (Eta and Iota), including impact on coffee production, logistics assets and productive infrastructure (roads, coffee post-harvest operations, wet milling, drying system and commercialization), and social infrastructure (schools, health system, family homes, others).
2. Assess the disruptions caused by covid-19 on food supply and human nutrition (food production and commercialization): Responding to the impact of covid-19 requires a multifaceted approach able to provide solutions that will enable the affected countries to weather the current impacts. It will also chart a path to sustained development in which jobs are created, food and nutrition security of the rural population is assured, and governments are able to meet the UN

Sustainable Development Goals. Coffee is an important component of this response, being a major source of employment and foreign currency earnings per capita.

3. A portfolio of at least 3 projects or initiatives derived from this diagnosis (COVID and hurricanes Eta and Iota), with purpose to identify potential financial partners interested in contributing to the process of rebuilding the coffee subsector in both countries.
4. Proposal of a roadmap for a reconstruction plan for the coffee subsector in Honduras and Nicaragua.

II. Methodology

The study will be conducted using a combination of qualitative and quantitative approaches based on primary and secondary data. Primary data will be accrued through focussed field surveys covering the target beneficiaries, whereas the secondary data will be gathered through desk study.

II.1 Desk study

The desk study will involve documents review including previous reports to gather relevant information on the impact of the climatic shocks and the covid-19 pandemic.

- Since the outbreak of the covid-19 pandemic, which was followed by the two climatic disasters, many surveys and technical reports have been done by various institutions at national, regional and international levels (IHCAFE, CONCACAFE, FCN, SAG, PROMECAFE, NGOs, etc.). Existing projects and financing facilities for target beneficiaries should also form an important part of the study.
- Assessment of the financing landscape against the requirements of the respective target segments of the value chain.
- With respect to coffee growers, the analysis will consider large individual farmers, farmer cooperatives or associations.
- Part of the assignment to be undertaken through the desk study will aim to determine the type of partnerships required for each category of the borrowers.
- The organizations with interest in the coffee value chain in the region with whom such partnerships could be established will be identified.

II.2 Field survey

To enrich the results of the desk study and to help understand better the factors that may contribute to building a strong, cost-effective, and vibrant coffee sector in the two countries, the consultant will carry out wide-ranging consultations with all coffee sector actors:

- Consultations with public authorities involved in the coffee sector;
- Consultations with representatives of coffee growers, cooperatives/unions, intermediaries, roasters and national exporters;
- Visit large-medium and small- scale farmers, and cooperative or farmers' organizations

Semi-structured questionnaires and interview guides will be drafted, incorporating contributions from other relevant key experts, and used as the main tools to gather field data. The questionnaires will be pretested with relevant stakeholders from different segments of value chains. The key informant checklists will likewise be validated in a similar format. The tools will be used to undertake field surveys and key informant interviews.

The field visits will be conducted in cooperation with relevant local government organs, coffee national institutions representatives and other institutions to be selected as appropriate. These field visits will be implemented through face-to-face interviews. Key Informant Interviews and focus group discussions will be done as far as practicable.

Each category of value chain players will be covered during the field surveys. The categories will have been profiled through the desk study and will include farmers, cooperatives and farmer organizations (individual farmer interviews and focus group discussions), traders/aggregators, millers, local roasters, café chain operators, exporters, financing institutions, service providers or support organizations and Regulatory organizations all reached through Key Informant Interviews. Efforts will be made to have adequate proportional representation of different gender and youth categories.

II.3 Focal points in the participating countries

The focal points will be key in organizing the study, including documentations, field visits and the identification of relevant stakeholders.

- **Honduras:**
Dr Nelson Omar Funez Flores, Executive Secretary, CONACAFE (Consejo Nacional del Café)
Email: secretaria@conacafehn.com
- **Nicaragua:**
Sra. Georgina Hurtado
Responsable de Departamento de Organismos Internacionales de Productos Básicos
Ministerio de Fomento Industria y Comercio
Frente a Camino de Oriente
Managua - Nicaragua
Tel: (505 2) 248 9300: Email: ghurtado@mific.gob.ni

III. Institutions involved

- **ICO for monitoring and evaluation:** The International Coffee Organization (ICO) is the main intergovernmental organization for coffee, bringing together exporting and importing Governments to tackle the challenges facing the world coffee sector through international cooperation. Its Member Governments represent over 90% of world coffee production and over 67% of world consumption. The ICO's mission is to strengthen the global coffee sector and promote its sustainable expansion in a market-based environment for the betterment of all participants in the coffee sector. Through monitoring and evaluation, applying sector wide KPIs, the ICO will assure the monitoring and evaluation of the report from the consultant and initiate consultations for financial support of the programme. The focal point at the ICO secretariat is the Chief Economist, Denis Seudieu (Email: seudieu@ico.org).
- **Central American Bank for Economic Integration (BCIE)**
- **Regional:** PROMECAFE:
René Leon-Gomez
Secretario Ejecutivo
PROMECAFE
Email: reneleongomez@promecafe.net
- **Honduras:** CONACAFE, IHCAFE, Fondo Cafetero Nacional
- **Nicaragua:** CONATRADEC