

PROJECT ABSTRACT

JUNE 2014

Country:	Regional
Sector:	Agro-industry
Project Name:	ECOM Coffee Renovation Facility
Project Number:	RG-X1220
Borrowers:	ECOM Subsidiaries
Sponsor:	ECOM Agroindustrial Corp. Ltda. ("ECOM")
Proposed IDB A Loans:	US\$40 million

PROJECT OVERVIEW

The ECOM Coffee Renovation Facility (the "Project" or the "Facility") is in response to the reduced productivity of coffee farms in Central America, Mexico and Peru 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) ageing 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 Facility, which is being developed jointly with the Multilateral Investment Fund ("MIF"), the Canadian Climate Fund for the Private Sector in the Americas ("C2F"), 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 chains 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 (the "Target Countries"), 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 the Target Countries.

PROJECT DESCRIPTION

The Project is a Facility targeted at the supply chain of ECOM in the Target Countries, and involves the channeling of long-term loans to farmers for the sustainable renovation of coffee plantations affected by the roya. The first loan ("Sub-Project") under the Facility is expected to be with Exportadora Atlantic S.A. ("Atlantic"), a major coffee trader and exporter in Nicaragua and is expected to serve as a pilot to be replicated with other ECOM subsidiaries in the remaining Target Countries, possibly in partnership with other industry players. The first anticipated Sub-Project of the Facility with Atlantic includes a parallel technical cooperation

package that is expected to be financed by MIF and GAFSP to support ECOM 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 the region 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. Approximately 16,800 hectares of plantations in the Target Countries are expected to be renovated over a period of 4-5 years, with resulting increases in productivity in some cases by over three times.

IDB'S ADDITIONALITY

IDB will support ECOM in the implementation and execution of the Project in the Target Countries and will provide parallel technical cooperation through a potential project from MIF¹ and IFC Advisory Services to support ECOM to build internal capacity to manage long-term credit and provide agronomic technical assistance to producers. The technical cooperation will be developed using regional input, and rolled-out first in Nicaragua & Honduras. In addition, IDB and IFC financing will be complemented by C2F and GAFSP to address the lack of viable long-term financing for eligible coffee farmers in ECOM's supply chain in the region.

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 Strategies for the Target Countries. Moreover, the Project is consistent with the goals of the C2F to support opportunities for adaptation to climate change. 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.