



DFCD ORIGINATION FACILITY PROJECT: Resilient coffee under agroforestry systems
EXPASA/ECOM Nicaragua
[STATUS: PROPOSED INVESTMENT]

WEBSITE CLIENT	EXPASA: WWW.EXPORTADORAATLANTIC.NET ECOM: WWW.ECOMTRADING.COM
REGION	CENTRAL AMERICA
COUNTRY	NICARAGUA
SECTOR	AGRICULTURE
PUBLICATION DATE	31-08-2021
TOTAL FINANCING	EUR 103,000
ENVIRONMENTAL & SOCIAL CATEGORY	
DFCD CONTACT PERSON	CARLOS BUESO (CBUESO@SNV.ORG)

Who is our (prospective) client?

Exportadora Atlantic, S.A. (EXPASA), a subsidiary of ECOM Agro-industrial Ltd (www.ecomtrading.com). EXPASA was founded in 1997 with its main office located in Managua and three branches in the departments of Matagalpa, Jinotega and Ocotol. Currently EXPASA is the 2nd largest coffee trader in Nicaragua. EXPASA ensures the market and price of differentiated coffee to the producer

What is the intended funding objective (type of activity)?

EXPASA is seeking origination support in the development of an investment proposal targeting resilient coffee production under agroforestry systems. The long-term investment will be carried out with an inclusive business approach, where the production of coffee with hybrid varieties (F1) of 1500 ha under agroforestry systems impact in the sustainability of the landscapes and increase the resilience of the production of coffee, linking the production generated with the market demand already established by EXPASA. With the envisaged investment EXPASA will provide some 300 small to medium coffee farmers with financing to rehabilitate their farms with a climate change resilient model.



SNV has the intention to sign a funding agreement with EXPASA for the provision of origination support to de-risk and prove the concept of innovative solutions of the business proposition. EXPASA will contribute 26 % (EUR 35,500) while DFCD's grant constitutes 74% of the development costs.

The origination project will consist of:

- Updating an Environmental, Social Impact and business model assessment around business operation (Investment plan).
- A financial model will be structured to evaluate the financial viability of the proposed Business investment Plan, both at the level of the Company and at the level of the producers to show the win-win relationship and demonstrate that the profitability of the company is not formed at the expense of the marginal income of the producers involved
- Risk Analysis and Mitigation of the investment

Why do we fund this project?

The OF DFCD grant funding is needed to de-risk and proof the concept of large scale introduction of coffee hybrids under agroforestry systems

Environmental and social rationale

ENVIRONMENTAL

Climate action - The 1,500ha of farmland targeted under this project will become more climate change resilient as the coffee hybrids used are resilient to climate change induced pests, diseases and climatic variability. Further the agroforestry setting will enhance resilience against natural disasters such as hurricanes.

Taking the climatic scenarios of Nicaragua as a premise, the area will be affected in terms of agricultural production, which implies a potential reduction in coffee productivity, translating into lower income, permanent and temporary job opportunities. The Coffee Hybrid & Agroforestry model adapts farms to the effects of climate change through 1) the hybrids' resilience against climate change related pests, diseases, and climatic variability, and 2) the agroforestry setting which will protect and shield the coffee plants from climate change induced events such as hurricanes. The project comprises a small component on climate change mitigation as it reduces coffee growers' incentives to expand their farms via illegal deforestation through the hybrids' increased productivity/yields. The agroforestry system is expected to have a positive effect on biodiversity, especially bird life as well as on soil health and related microorganisms. For further impacts on communities and the environment, please refer to Section 4. On the Linkages to SDGs. Because of coffee farms' high vulnerability to the effects of climate change, climate change adaptation is the principal objective of the envisaged project

Poverty reduction - The enhanced coffee quality and yield as well as the additional income streams (e.g., timber) from the agro—forestry model will enhance coffee farmers’ resilience and income. Therewith the Project contributes to SDG 1 targets 1.1, 1.2 and specifically 1.5 (“By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters”)

Gender Equality - 25% of the farms supported through this project are women- or youth-owned. Further, with the TA-support to supply the non-coffee plants to the farms the project will strengthen a female-ownClimate action ed and managed nursery business (10 permanent members). (Targets 5.5 and 5.a)

Decent Work and Economic Growth - Through the expected positive impacts on farmers’ and nursery owners’ incomes the project contributes to the specific SDG 8 targets 8.1, 8.2 and 8.4 (“Sustain per capita economic growth (...)”; “Achieve higher levels of economic productivity (...)” and “Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation (...)”)

Industry Innovation and Infrastructure - The project pushes the innovation frontier in the coffee / climate sector with the introduction of coffee hybrids specifically designed for climate change resilience and high yield / high quality production in an agroforestry environment. The hybrids were co-developed by ECOM and CIRAD. EXPASA has run a small pilot with 30 farmers from 2016-2021 to test performance and adaptability of the coffee hybrids in an agroforestry setting. A final evaluation report is expected upon project completion in 2021. This pilot was supported by the Common Fund for Commodities (CFC).

DFCD Disclosure Policy

The DFCD Consortium believes that transparency and public dialogue is fundamental to its development mandate. 30 days before signing a project grant or financing agreement, the Consortium Partners thus publish a disclosure statement (i.e., this document), enabling stakeholders that have any concerns about the project to express their feedback ahead of the

formalization of the contract, so we can take these into consideration. Feedback and concerns can also be provided after the contract signing date.

For specific feedback or concerns on this specific project proposal stakeholders can email cbueso@snv.org



For general feedback or concerns on the DFCD, stakeholders can e-mail disclosure@fmo.nl.

Disclaimer

The information as disclosed is indicative and provided on an "as-is/as available" basis for general informational purposes only and should not be construed as financial, legal or investment advice, nor as a commitment or an offer to arrange or provide any financing. The final decision to provide financing is subject to the terms and conditions of DFCD in its sole and absolute discretion.