



**The Inter-American  
Development Bank and  
Agriculture in LAC –  
Financing Opportunities for  
Coffee Sector Development**

**4<sup>th</sup> Consultative Forum of the International  
Coffee Organization - ICO**

**London, UK, September 23, 2014**

# What is the Inter-American Development Bank?

**1959**

The year in which the IDB was established to serve the Region of Latin America and the Caribbean (LAC). Now, there are 48 member countries.

**26**

The number of borrowing member countries of the Bank from LAC. Bank offices in the capital of these countries.

**US\$12 billion**

The total amount of loan approved per year in the last three years, 90% of which are sovereign guarantee loans to governments.

# 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**

# In 1980's, LAC started policy reforms to overcome agriculture stagnation...

Macroeconomic policy stability

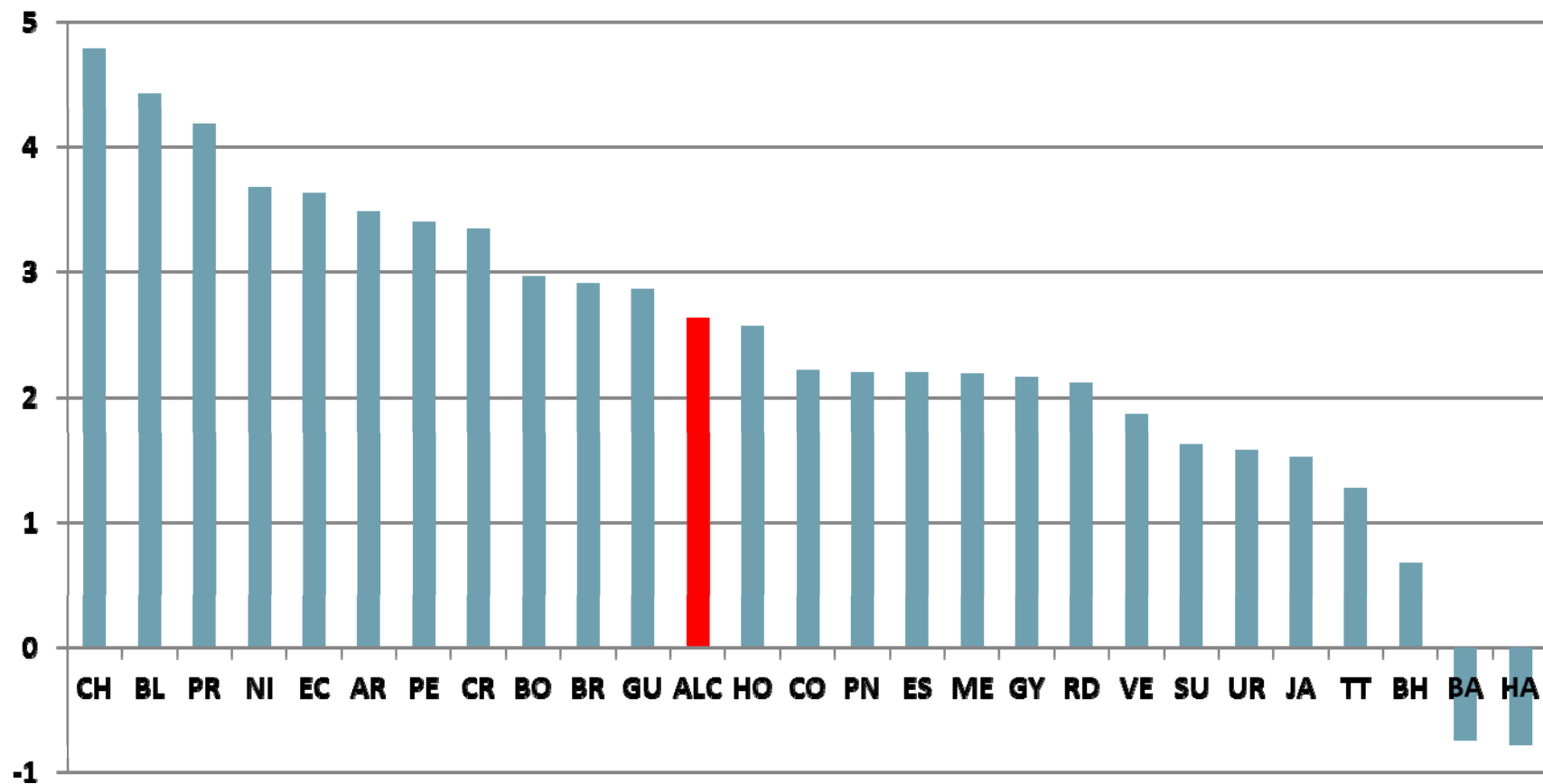
Neutrality of monetary policy on exchange rate

Trade regime with reduced anti-export biases

Favorable investment framework for private sector

The region went from extracting the sector US\$10 billion in annual revenue to support farmers with more than US\$5 billion annually after reforms

... that resulted on an average annual sector growth rate in 1990-2011 greater than most OECD countries in same period (%) ...



# ... and contributed to reduce poverty in the Region

- Between 1990 and 2011, poverty in rural areas fell from 65% to 50% & rural indigence went from 40% to 29%
- LAC aggregate growth based on agriculture was 2.7 time more effective in reducing poverty than growth of non-agricultural GDP

# 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 remained in the latter year for almost  $\frac{2}{3}$  of its rural population.

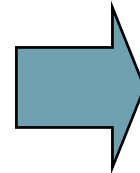
## 3. Vulnerability to climate change

- ✓ 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.



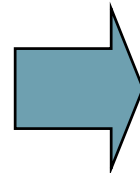
# The Bank established a strategic approach to support agriculture in the Region in 2008

Efficient resources allocation: Comparative Advantages



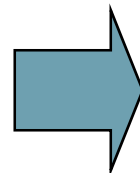
**Economic efficiency  
No distortions**

Social inclusion



**Max coverage of farmers, with emphasis on smallholders**

High economic returns on investment



**Wealth increase of rural families**

**OUR STRATEGIC APPROACH IN LAC  
AGRICULTURE SECTOR HAS FOUR  
AREAS OF INTERVENTION**

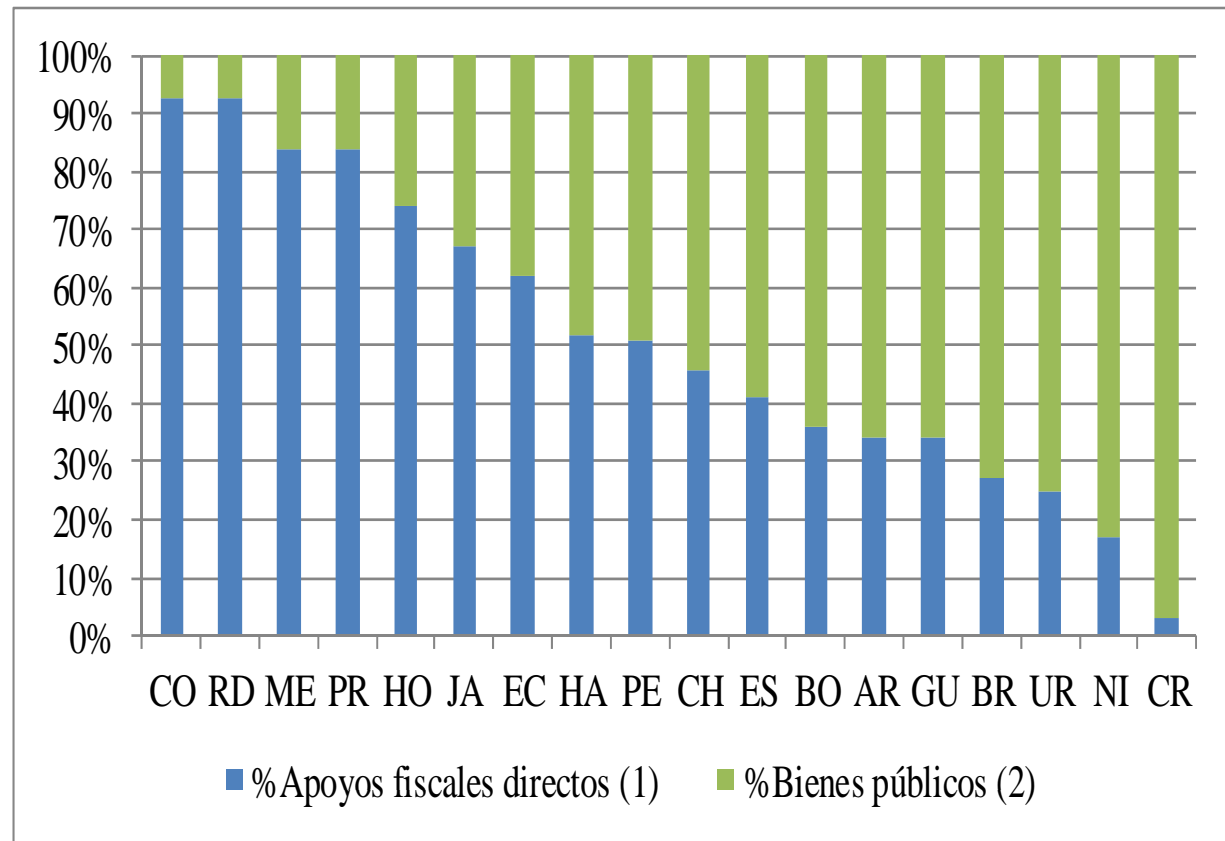
**AGRICULTURAL AND NATURAL RESOURCES SECTOR FRAMEWORK:**

# 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	IDB (USD millions)	Executing Agency
Colombia (CO-L1009)	Innovative Intervention Models for the Coffee Sector (2006-2010)	US\$ 6,0	National Coffee Growers Federation
Costa Rica (CR0142)	Development Programme for Agrobusiness (PRONEGOCIOS) (2008-2015)	US\$ 14,4	Ministry of Agriculture and Livestock
Honduras (HO-L1010)	Development Programme for Agrobusiness (PRONEGOCIOS) (2008-2015)	US\$ 27,1	National Sustainable Rural Development Department
Haiti (HA-L1041)	Mitigation of Natural Disasters Programme (2009-2015)	US\$ 30,0	Ministry of Agriculture and Natural Resources
Haiti (HA-L1059)	Programme for Technology Transfer to Smallholders (2011-2016). Co-financing from Global Agricultural and Food Security Program (Additional US\$ 25)	US\$ 15,0	Ministry of Agriculture and Natural Resources
Regional (RG-X1220)	ECOM – Facilities for the Renewal of Coffee farms affected by Rust. Mexico, Nicaragua, Costa Rica, Honduras and Peru). Co-financing from IFC, GAFSP, Canadian Climate Fund, and ECOM. Total US\$ 100 million	US\$ 40,0	ECOM Agroindustrial Corporation
Nicaragua (NI-L1088)	ECOM – Renewal of coffee farms, Sub-Project 1 (2014–2016). Total US\$ 30 million	US\$12,0	ECOM Agroindustrial Corporation

## Some recent IDB's Multilateral Investment Fund Operations to Support Coffee Sector in LAC

Country	Name	IDB (USD millions)	Executing Agency
Colombia (CO-M1051)	Strengthening Competitiveness of Colombian Coffee (2009-2012)	US\$ 1,7	National Coffee Growers Federation
Costa Rica (CR-M1020)	Strengthening Competitiveness and Low-Carbon Performance in Costa Rica's Coffee Sector (2014-2017)	US\$ 1,27	Cooperation Fund for Sustainable Development
Honduras (HO-M1036)	Improved Efficiency in Coffee Processing and Reduced Environmental Impact (2014-2016)	US\$ 0,91	Netherlands Development Cooperation Service
Haiti (HA-M1042)	Strengthening the Coffee Value Chain in Haiti (2011-2015)	US\$ 1,86	Agronomists and Veterinary Surgeons without Frontiers
Venezuela (VE-M1012)	Promoting consumption and strengthening the coffee production chain (2008-2010)	US\$ 0,15	Civil Association Technical School Crisanto Lacruz
Regional (RG-M1087)	Geographical Indications for the export of foodstuffs (2007-2015) (El Salvador, Guatemala and Honduras)	US\$ 1,5	PROMECAFE



# Bank new tool to help LAC countries to analyze agricultural support policies: AGRIMONITOR

www.iadb.org/en/topics/agriculture/agrimonitor/agrimonitor-pse-agricultural-policy-monitoring-system,8025.html

**IDB** Inter-American Development Bank

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# Agrimonitor

PSE Agricultural Policy Monitoring System


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**Agrimonitor is a novel database, constantly being updated.**

Agrimonitor is the IDB Product Support Estimates (PSE) country-level database for Latin American and Caribbean countries. It enables policy makers and policy analysts to track agricultural policies and to assess and measure the composition of the support to agriculture. PSE indicators related to magnitudes and composition help to better describe and address the key challenges facing agriculture in the coming decade.

**Go ahead, start researching.**

Once you have picked the parameters you would like to search, just click on the *submit* button and your table will appear to the right. You can toggle between table and graph views, as well as print or download the data in excel by clicking on the icons on the top right hand side of your table. The Report Center allows you to compare countries and search the database within sets of pre-filtered data handpicked by IDB experts.

 PSE Database

For more information please contact: [agrimonitor@iadb.org](mailto:agrimonitor@iadb.org)

Last updated: 04/29/2014



# FONTAGRO: A Unique Mechanism to Promote Agricultural Innovation



- ❖ Fund established in 1998 with contributions from 15 countries and sponsored by IDB and IICA to promote agricultural technology innovation
- ❖ Member countries: Argentina, Bolivia, Colombia, Costa Rica, Chile, Ecuador, Spain, Honduras, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay and Venezuela.
- ❖ Support a consortia of institutions of at least two member countries: competitive process
- ❖ MTP 2010-2015: Focus on family agriculture and three topics: market linkages, climate change and use of natural resources





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