PROJECT OVERVIEW

CLIMATE RESILIENCE AND HIGH-VALUE FRUIT EXPORTS IN NICARAGUA

(NI-L1141 AND NI-T1238)

A study of the potential for investment in agribusiness by the Inter-American Development Bank (IDB) points to the fruits and citrus products chain as an industry with high potential for Nicaragua. This market is a little explored alternative for growth in the country, as demonstrated by its low share of the regional market, accounting for 0.7% of total fruit exports from Central America in 2015 (US$3.522 billion). The limited production capacity of small fruit producers, who lack organization and are geographically disperse, and the investment required to take advantage of this market—particularly when seeking to make inroads in nontraditional fruit processing using climate smart techniques—represent high barriers to entry for agroindustrial producers and small and medium-sized enterprises (SMEs) that recognize this latent opportunity. In recent years, Central American countries have seen an intensification of extreme climatic phenomena, exacting a major economic toll. In the countries most affected by meteorological phenomena (storms, floods, heat waves, etc.), Nicaragua ranks fourth in the world, according to the 1995-2014 Climate Risk Index (CRI).[1] The droughts that occurred in 2001 caused a loss amounting to 1.2% of GDP. Additionally, Hurricane Felix and the tropical waves of 2007 brought losses equivalent to 5.2% of GDP. It is estimated that a one-degree Celsius increase in average annual temperature would result in an average drop of at least 4% in the contingent value of returns from the country's land, given the substantial impact on the agricultural sector.[2]

At present, Nicaragua has a small number of value added fruit processors, who target mostly the local market and have integrated operations, or who work with large fruit producers to supply product. The objective of the project is to support the growth and expansion in Nicaragua of an eco-efficient agroindustrial processing model for tropical fruits (dragon fruit, mango, pineapple, banana, passion fruit, and cashew) for international organic food markets, working with Burke-Agro de Nicaragua S.A. (BASA). BASA is the only agribusiness enterprise in the country with experience in processing fruit for the production of dried fruit and frozen fruit concentrates and purées, all 100% natural (with no additives or preservatives), intended for export to the organic food markets, with buyers such as Whole Foods, Patagonia, and Jamba Juice.

With sales that rose from US$50,000 in 2008 to US$2.1 million in 2015, BASA is considered a young, rapidly growing enterprise, which currently incorporates in its model a network of 450 small producers (33% women) in the department of Carazo. Production is focused on a range of fruits that provide an environmentally and financially sustainable option for both the enterprise and the producers. Most notable among these is the dragon fruit, a fruit rich in vitamins and one of the few crops that can withstand both low water supply and discharges of sulfur-rich gases from the volcanoes that surround Nicaragua, characteristics of the project's area of influence.

The Multilateral Investment Fund (MIF) operation will support expansion of the model to the departments of Granada, Masaya, Matagalpa, Estelí, and Nueva Segovia in two ways. The first involves a loan of US$1 million (6% fixed interest rate, eight-year execution, and up to two years' grace period) so that BASA can build a new industrial processing plant

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1 Sönke Kreft, et al. Global Climate Risk Index 2016, Briefing Paper, Germanwatch e.V.

2 Nicaragua. Efectos del Cambio Climático sobre la Agricultura [Nicaragua. Effects of Climate Change on Agriculture], LC/MEX/L.964, ECLAC 2010.

and purchase machinery to expand its production and marketing lines. Second, the operation includes a technical cooperation operation in the amount of US$255,840, which will strengthen participation in the value chain of the specialty fruit market, consisting of 850 small-scale fruit producers, while promoting sustainable management of 440 *manzanas* in production and integrating 400 new producers.

In order to promote resistance to climate change, research will be conducted to identify pests in the area, formulate a sustainable management plan, and validate the efficacy of using bio-inputs. In addition, support will be provided to rural communities, with co-investments in 15 new collection centers and in revitalizing at least three community water capture/storage cells. The link with a secure, higher-value market, access to inputs and technical assistance, and organic certification will help improve the living conditions of the producers and their families in a sustained manner.