

MEMORANDUM TO THE DCI COMMITTEE

CONCERNING THE

Annual Action Programme 2015 – part I - in favour of Central America for Central America Coffee rust integral management programme (PROCAGICA) to be financed from the general budget of the European Union

1. Identification

| | |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Budget heading | 21.02.01.00– Cooperation with Latin America |
| Total cost | EUR 15 000 000 of EU contribution |
| Legal basis | Having regard to Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 ¹ , and in particular Article 15 |

2. Regional background

Coffee production in Central America (CA) and Dominican Republic (DR) has been severely affected by the outbreak of coffee leaf rust (*Hemileia vastatrix*). In 2011, CA (excluding Mexico) produced 15.14 million bags (1 bag = 60 Kg), accounting for nearly 11.5% of the world coffee production; Dominican Republic produced 600,000 bags. In 2013 the production of the region (CA6+DR) had decreased to 11.64 million bags (8.00% of the world production).

Although coffee leaf rust is not new in the region, the current epidemic is one of the worst ever recorded. Historically, coffee leaf rust outbreaks impacted coffee plantations up to an altitude of about 1,000 meters, but in the recent years it also affected plantations located at higher-altitude. Factors aggravating the spread of the disease in 2012/13 were (i) increased temperature, (ii) increased rainfall during the dry season, (iii) more direct sunlight hours during the wet season, and (iv) coffee plantations not properly managed after the drop in coffee prices.

The incidence rates of the coffee leaf rust in 2012/2013 were estimated to some 74% in El Salvador, 70% in Guatemala, 64% in Costa Rica, 37% in Nicaragua, 25% in Honduras and 21% in Dominican Republic. The overall estimated loss in 2012/13 is 2.055 million bags (around US\$ 518.5 million) and it represents a decrease of 14.5% in relation to the previous campaign. The impact of the coffee leaf rust on the 2013/14 harvesting campaign in the region is not yet officially known but it is considered even more severe. On average, over 50% (468,000 Ha) of the total coffee growing area in CA has been affected by the disease.

In addition to the direct economic loss, a significant social impact is being produced by the current coffee leaf outbreak in CA and DR. Most of the coffee produced in the region is grown by small (< 15 ha) and very small-holder (<5 ha) farmers, with little or no resilience capacity in case of adverse conditions directly or indirectly related to climate change and variability. Coffee production is also a key source of income for a large number of seasonal labourers: 1.4 million out of the nearly 34 million people living in Guatemala, Honduras, El Salvador, and Nicaragua depend on seasonal job opportunities offered by the coffee sector. In the 4 coming years a 15-20% reduction in the average salary of the coffee farmworkers and a loss of more than half a million jobs is expected.

3. Summary of the Action Programme

1) Background

As a consequence of the 2012-13 coffee leaf rust outbreak, the governments of Costa Rica, Guatemala, Honduras, Nicaragua, El Salvador and Dominican Republic declared a “phytosanitary emergency”.

¹ OJ L77 of 15 March 2014, p. 44

Different public policies were developed in each country but their implementation is still very slow and generally inadequate in terms of human and financial availability. Furthermore the attention to the most vulnerable population, like small coffee producers and daily workers, appears to be generally insufficient.

In a declaration of CA Heads of State and Government (February 20th 2013), four specific lines of action were defined to combat coffee leaf rust on a long term basis: a) to conduct systematic and effective integrated management actions, b) to promote the research on genetically resistant varieties avoiding losses in “cup quality”, c) to promote a better attention by the population affected to the consequences of the coffee leaf rust outbreak, including a better understanding of the impact on livelihoods and d) to develop institutional capacities to more effectively control the coffee leaf rust.

2) Cooperation/Neighbourhood related policy of beneficiary country

The EU action is fully aligned with the four action lines previously mentioned as well as with the Central America Integration System (*Sistema de Integración Centroamericana – SICA*) regional integration policy. The project is also coherent with one of the SICA main strategic priorities for the next five years, namely "*Climate change and disaster management*". The project will also respond to the CA Regional Strategy on Climate Change issued in November 2010 by the Central American Commission for Environment and Development (CCAD).

The Regional Strategy on Climate Change considers that CA will face increased temperatures and a higher frequency and intensity of weather phenomena as a consequence of climate change. This - coupled with an expected further expansion of the "ecological footprint" - will bring additional risks to (i) the people settled in the most vulnerable areas in the region, (ii) the most fragile ecosystems, and (iii) the production and social infrastructures. According to the Intergovernmental Panel on Climate Change (IPCC) projections Central America is one of the most vulnerable areas to climate change.

3) Coherence with the programming documents

This programme is strictly linked and coherent with the Multiannual Indicative Programme for Latin America 2014-2020, Sub-regional component for Central America, Focal Sector 3, “Climate Change and Disaster Management”.

4) Identified action

The EU action will be aimed at supporting the regional and national efforts to control the coffee leaf rust. The overall objective of the project is to *Contribute to addressing climate change and its environmental effects through the adoption and application of measures for adaptation, mitigation and reduction of disaster risk*. More specifically, it will contribute to increase the region’s capacity to design and implement policies, programmes and measures for a better adaptation and resilience of the most vulnerable population living in the coffee production areas of Central America and Dominican Republic exposed to the adverse effects of climate change and variability. This will be achieved by introducing environmental sustainable agroforestry farming practices and diversified cropping patterns, which in addition will provide additional benefits in biodiversity conservation and ecosystem services. A better access to credit facilities and technical assistance as well as a strong action to strengthen local producers organisations are also crucial factors to be considered.

5) Expected results

The project aims at achieving the following results: (1) Regional integration authorities and scientific institutions have more tools and mechanisms for addressing the threats of climate change and variability in the coffee production sector in the Central American sub-region and the Dominican Republic and (2) Small and medium-size coffee producers improve their capacity to resist chronic or acute adverse conditions stemming from climate change in the focal areas of Guatemala, Honduras, El Salvador and Nicaragua.

6) Past EU assistance and lessons learnt

The project will take into account the main lessons learnt and best practices from EU cross-border regional projects (e.g. Bi-national Programme, PRESANCA, PREVDA, ZONAF, Urb-AL III, DG ECHO projects) namely:

- The operative setup and the financial institutional structure will avoid complexity, contradictions and dispersion. A basic implementation structure will be clearly defined.
- The involvement of civil society for the follow-up and monitoring of the programme will be encouraged.
- The definition of the intervention logic will be defined by specific criteria adapted to the particularities of the intervention area.
- EU funds should respond to the principle of equity more than equality between the seven concerned countries depending upon demographic density, degradation of resources and partner involvement.

In the framework of the Resilience Action Plan, the EU will jointly work on this issue in the region, ensuring complementarities between humanitarian aid actions and longer term actions as proposed under this action.

7) Complementary actions/donor coordination.

Some complementary actions at regional level include DG ECHO's Early response to the coffee rust outbreak in Central America and "OIRSA: Develop good practice guidelines for integrated management of rust, adapted to regional conditions, completed and published"², among others.

Particularly the participation in the action of the Regional Cooperative Programme for the Technological Development and Modernisation of Coffee Cultivation (PROMECAFE) is a good opportunity to help achieving a better coordination thanks to the link developed with the private sector.

Regional Food Security and Nutrition Programme for Central America (PRESANCA II) of the Integration System of Central America (SICA)³ is the most successful EU-funded project on food security and nutrition in Central America. This project is working in 84 border-area municipalities. PRESANCA II structure can be used by the new action to develop projects of plantations renewal for micro and small producers.

4. Communication and visibility

This action will contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan, to be elaborated before the start of implementation. The measures shall be implemented either (a) by the Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and delegation agreements. The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

² CENTRAL AMERICA COFFEE RUST ACTION PLAN – 2013, Component 1 – Integrated Coffee Rust Management

³ As part of the Central American Integration System (SICA), the PRESANCA II seeks to contribute to the reduction of food and nutrition insecurity in the most vulnerable populations in Central America, strengthening the integration system as part of a process that aims to build integrated policies on social, environmental and economic issues.

5. Cost and financing

| | |
|----------------------------------------|----------------|
| PROCAGICA | EUR 15 000 000 |
| Total EU contribution to the programme | EUR 15 000 000 |

Cumulated changes of the allocations to the specific actions, including the use of the contingency, not exceeding 20% of the contribution referred to in the first paragraph of Article 2 shall not be considered substantial, provided that they do not significantly affect the nature and objectives of the actions. This may include an increase of this contribution by up to 20%, minus 5% for contingency. The total amount reserved for contingencies is EUR 435 000.

The Committee is invited to give its opinion on the attached Annual Action Programme 2015 – part I - in favour of Central America.

ANNEX 1

Of the Commission Decision on the Action Document for **Central America Coffee rust integral management programme** (PROCAGICA)

| | | | | |
|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------|-------------------------------------|
| 1. Title/basic act/ CRIS number | Central America Coffee rust integral management programme (PROCAGICA) CRIS number: DEC - DCI-ALA/2014/ 037-441 Financed under Development Cooperation Instrument (DCI) | | | |
| 2. Zone benefiting from the action/location | Central America (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama) and the Dominican Republic ⁱ , The action shall be carried out at the following location: <ul style="list-style-type: none"> • Regional level: Central America and Dominican Republicⁱⁱ. • National level: Guatemala, El Salvador, Honduras, Nicaraguaⁱⁱⁱ. • Local level (departments): <ul style="list-style-type: none"> - Guatemala: Western Region (Huehuetenango, Quetzaltenango, San Marcos and Chiquimula) - El Salvador: Ahuachapán - Honduras: Paraíso - Nicaragua: Nueva Segovia and Matagalpa | | | |
| 3. Programming document | Multiannual Indicative Regional Programme for Latin America, DCI 2014-2020 | | | |
| 4. Sector of concentration/ thematic area | Sub-regional component for Central America, Focal Sector 3, “Climate Change and Disaster Management” | | | |
| 5. Amounts concerned | Total estimated cost: EUR 17 770 000 Total amount of EU budget contribution EUR 15 000 000 This action is co-financed in joint co-financing by: <ul style="list-style-type: none"> - <i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> (GIZ) for an amount of EUR 2 000 000 - Inter-American Institute for Cooperation on Agriculture (IICA) in kind (equivalent to): EUR 770 000 | | | |
| 6. Aid modality & implementation modality(ies) | Project Modality Indirect management with Inter-American Institute for Cooperation on Agriculture (IICA) | | | |
| 7. DAC code(s) | 43010 - Multisector aid | | | |
| 8. Markers (from CRIS DAC form) | General policy objective | Not targeted | Significant objective | Main objective |
| | Participation development/good governance | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Aid to environment | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

| | | | | |
|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|--------------------------|
| | Gender equality (including Women In Development) | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Trade Development | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Reproductive, Maternal, New born and child health | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | RIO Convention markers | Not targeted | Significant objective | Main objective |
| | Biological diversity | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Combat desertification | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change mitigation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change adaptation | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 9. Global Public Goods and Challenges (GPGC) thematic flagships | 1. Global Climate Change Alliance + 2. EU Biodiversity for Livelihoods Initiative (EUBLI) | | | |

SUMMARY

Although coffee leaf rust is not new in Central America, the current epidemic is one of the worst ever recorded. As a consequence of the 2012-13 coffee leaf rust outbreak, the governments of Costa Rica, Guatemala, Honduras, Nicaragua, El Salvador and Dominican Republic declared a “phytosanitary emergency”. Different public policies were developed in each country but their implementation is still very slow and generally inadequate in terms of human and financial availability. Furthermore the attention to the most vulnerable population, like small coffee producers and daily workers, appears to be generally insufficient.

The EU action will be consequently aimed at supporting the regional and national efforts to control the coffee leaf rust.

A **wider objective** will be to reinforce the resilience capacity of the small and medium coffee producers to face any adverse condition brought about by the climate change and variability.

The **specific objective** of the programme is to “Increase the region’s capacity to design and implement policies, programmes and measures for a better adaptation and resilience of the most vulnerable population living in the coffee production areas of Central America and Dominican Republic exposed to the adverse effects of climate change and variability.”

This objective will be pursued through actions that will interact **at regional, national and local levels**. A regional Early Warning System for Coffee Leaf Rust based on operating national systems and focal points at the local level will be established. The systematisation and dissemination of technological coffee production models will take into consideration the resilience of leaf rust to climate change, from regional research platforms to producer farm level. The programme will support regional definition and local level application of policies that would enable the reactivation of coffee cultivation and combat leaf rust.

The project will operate regionally in seven countries (Central America plus the Dominican Republic) and locally in four countries (Guatemala, El Salvador, Honduras and Nicaragua).

It is anticipated that, by the end of the programme, the beneficiaries will have improved their agricultural income by at least 20% and that at least 70% of producers assisted will have leaf rust under sufficient control to prevent severe damage in their plantations. In addition, it is foreseen to improve the livelihood of 330,000 producer families in the covered region and 6,000 family farms in the selected programme areas of coffee production throughout the region.

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Coffee production in Central America (CA) and Dominican Republic (DR) has been severely affected by the outbreak of coffee leaf rust (*Hemileia vastatrix*). In 2011, CA (excluding Mexico) produced 15.14 million bags (1 bag = 60 Kg), accounting for nearly 11.5% of the world coffee production; Dominican Republic produced 600,000 bags. In 2013 the production of the region (CA6+DR) had decreased to 11.64 million bags (8.00% of the world production).

COFFEE PRODUCTION, from 2011 to 2013 (000 bags)

Data as at July 2014

| Countries | 2011 | %world | %CA6+DR | 2012 | %world | %CA6+DR | 2013 | %world | %CA6+DR |
|-----------------------|---------------|--------------|-------------|---------------|--------------|-------------|---------------|-------------|-------------|
| WORLD TOTAL | 132,207 | | | 145,323 | | | 145,194 | | |
| Costa Rica | 1,462 | 1.1% | 9.7% | 1,571 | 1.1% | 11.5% | 1,437 | 1.0% | 12.3% |
| El Salvador | 1,152 | 0.9% | 7.6% | 1,360 | 0.9% | 9.9% | 844 | 0.6% | 7.2% |
| Guatemala | 3,840 | 2.9% | 25.4% | 3,743 | 2.6% | 27.3% | 3,130 | 2.2% | 26.9% |
| Honduras | 5,903 | 4.5% | 39.0% | 4,537 | 3.1% | 33.1% | 4,200 | 2.9% | 36.1% |
| Nicaragua | 2,193 | 1.7% | 14.5% | 1,884 | 1.3% | 13.8% | 1,500 | 1.0% | 12.9% |
| Panama | 106 | 0.1% | 0.7% | 115 | 0.1% | 0.8% | 100 | 0.1% | 0.9% |
| Dominican Republic | 491 | 0.4% | 3.2% | 488 | 0.3% | 3.6% | 432 | 0.3% | 3.7% |
| CA6 + RD TOTAL | 15,147 | 11.5% | 100% | 13,698 | 10.4% | 100% | 11,643 | 8.0% | 100% |

© International Coffee Organization

Although coffee leaf rust is not new in the region, the current epidemic is one of the worst ever recorded. Historically, coffee leaf rust outbreaks impacted coffee plantations up to an altitude of about 1,000 meters, but in the recent years it also affected plantations located at higher-altitude. Factors aggravating the spread of the disease in 2012/13 were (i) increased temperature, (ii) increased rainfall during the dry season, (iii) more direct sunlight hours during the wet season, and (iv) coffee plantations not properly managed after the drop in coffee prices.

The incidence rates of the coffee leaf rust in 2012/2013 were estimated to some 74% in El Salvador, 70% in Guatemala, 64% in Costa Rica, 37% in Nicaragua, 25% in Honduras and 21% in Dominican Republic. The overall estimated loss in 2012/13 is 2.055 million bags (around US\$ 518.5 million) and it represents a decrease of 14.5% in relation to the previous campaign. The impact of the coffee leaf rust on the 2013/14 harvesting campaign in the region is not yet officially known but it is considered even more severe. On average, over 50% (468,000 Ha) of the total coffee growing area in CA has been affected by the disease.

In addition to the direct economic loss, a significant social impact is being produced by the current coffee leaf outbreak in CA and DR. Most of the coffee produced in the region is grown by small (<15 ha) and very small-holder (<5 ha) farmers, with little or no resilience capacity in case of adverse conditions directly or indirectly related to climate change and variability. Coffee production is also a key source of income for a large number of seasonal labourers: 1.4 million out of the nearly 34 million people living in Guatemala, Honduras, El Salvador, and Nicaragua depend on seasonal job opportunities offered by the coffee sector. In the 4 coming years a 15-20% reduction in the average salary of the coffee farmworkers and a loss of more than half a million jobs is expected.

1.2 Public Policy Assessment and EU Policy Framework

As a consequence of the 2012-13 coffee leaf rust outbreak, the governments of Costa Rica, Guatemala, Honduras, Nicaragua, El Salvador and Dominican Republic declared a “phytosanitary emergency”. Different public policies were developed in each country but their implementation is still very slow (or non-existent in some cases) and generally inadequate in terms of human and financial availability. Furthermore the attention those policies pay to the most vulnerable population, like small coffee producers and daily workers, appears to be generally insufficient.

On February 20, 2013, an extraordinary meeting of Heads of State and Government of the Central American Integration System (SICA) was held in San José, Costa Rica, to discuss problems stemming from the coffee leaf rust outbreak that caused severe damage in coffee plantations throughout Central America during the 2012-13 production cycle. In response to the governments call, and based on a request of the Central American Agricultural Council¹ (*Consejo Agropecuario Centroamericano*, CAC), IICA-PROMECAFE² and SE-CAC (Secretary of the Agriculture Ministers of the Central American Council) led the development of the 2014 – 2015 Action Plan for an Integrated Programme to combat coffee leaf rust and recover productive capacity in Central America and the Caribbean. The Plan is aligned with regional policies for agricultural development, climate change and environmental protection.

In a declaration of CA Heads of State and Government resulting from the above-mentioned meeting (February 20th 2013), four specific lines of action were defined to combat coffee leaf rust on a long term basis: a) to conduct systematic and effective integrated management actions, b) to promote the research on genetically resistant varieties avoiding losses in “cup quality”, c) to promote a better attention by the population affected to the consequences of the coffee leaf rust outbreak, including a better understanding of the impact on livelihoods and d) to develop institutional capacities to more effectively control the coffee leaf rust.

The EU project identified is fully aligned with these four action lines as well as with the SICA regional integration policy. The project is also coherent with one of the SICA main strategic priorities for the next five years, namely the "*Climate change and disaster management*". The project will also respond to the CA Regional Strategy on Climate Change issued in November 2010 by the Central American Commission for Environment and Development (CCAD).

The CA sub-regional component of the Multiannual Indicative Regional Programme for Latin America 2014-2020 considers that CA will face increased temperatures and a higher frequency and intensity of weather phenomena as a consequence of climate change. This - coupled with an expected further expansion of the "ecological footprint" - will bring additional risks to (i) the people settled in the most vulnerable areas in the region, (ii) the most fragile ecosystems, and (iii) the production and social infrastructures. According to the Intergovernmental Panel on Climate Change (IPCC) projections Central America is one of the most vulnerable areas to climate change. This programme is alligned to third focal sector "climate change and disaster management" of the Multiannual Indicative Programme for sub-regional cooperation with Central America 2014-2020.

Finally, one of the objectives of the Agenda for Change aims to value and invest in natural capital by promoting a green economy that can generate growth, create jobs and help reduce poverty. Environmental protection requirements must be integrated into the definition and implementation of EU policies and activities, in particular with a view to promoting sustainable development, as it is required by EU treaties. Mainstreaming of the environment is enshrined in the EU Consensus on Development and the Sustainable Development Strategy. The three financial instruments of greatest relevance to EU development policy (the Development Cooperation Instrument (DCI), the European Neighbourhood Instrument (ENI) and the European Development Fund (EDF)), are all subject to mainstreaming efforts. Moreover, the DCI contains an explicit requirement to mainstream “environmental sustainability, including addressing climate change” as a cross-cutting issue in all programmes. Progress in this area is key for positive performance by our partners and is recognised as such under the Agenda for Change.

¹ The Council of Ministers of Agriculture (CAC) is permanent and is recognized as the institutional mechanism for linking agricultural sector with other instances of the Central American Integration System (SICA).

² PROMECAFE was established in 1987 under a cooperative agreement between the Inter-American Institute for Cooperation on Agriculture (IICA) and the governments of Panama, Honduras, El Salvador and Costa Rica. This was later expanded to include Mexico, the Dominican Republic and Nicaragua. PROMECAFE promotes the exchange of technology among national coffee institutes, and the execution of joint research projects, with a view to increasing the importance attached to coffee growing as a socioeconomic activity.

1.3 Stakeholder analysis

In the following pages a concise analysis of the most relevant institutional and non-institutional stakeholders of the coffee sector at both regional and national level are presented highlighting the main weaknesses and strengths.

a) At regional level

Public:

| Institution | Weaknesses | Strengths |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Secretary of the Agriculture Ministers of the Central American Council (SE-CAC) <i>(for a deeper analysis, see at the end of this section)</i> | SECAC has limited operational capacity in line with the present weakness of the regional integration process | It gives crucial support in the elaboration of regional policies in the agricultural sector. |
| Regional Cooperative Programme for the Technological Development and Modernisation of Coffee Cultivation (PROMECAFE) <i>(for deeper analysis, see at the end of this section)</i> | After a long period of decline this 35 year old IICA project has been revitalised in the occasion of the coffee leaf rust outbreak in CA. It remains completely dependent on external funding and count on limited permanent staff. | All the most relevant public and private institutions of the coffee sector in the region are permanent members of PROMECAFE, including research institutes like CATIE and CIRAD. |
| Tropical Agriculture Research and Higher Education Centre in Costa Rica (CATIE) <i>(for a deeper analysis, see at the end of this section)</i> | Limited opportunities of on-field research activities and transfer of know how. | Long experience in management of research programmes and platforms in agricultural research for development, including crucial line investigations in the coffee sector and coffee leaf rust control in particular. |
| Agricultural Research for Development (CIRAD), the French institute responsible for coffee and cacao research | Limited opportunities of on-field research activities and transfer of know how. | Long experience in applied agriculture research in the region. Specific expertise on coffee leaf rust and more in general on coffee production. |
| International Regional Organization for Agricultural and Livestock Health (OIRSA) ³ | | Highest Authority in phyto-sanitary control in the region. Highly skilled staff. |
| Coffee Rust Research Centre (CIFC) in Portugal | Very limited self-financing capabilities. | High expertise in genetic characterisation of coffee leaf rust varieties. |
| Inter-American Institute for Cooperation on Agriculture (IICA) <i>(for a deeper analysis, see at the end of this section)</i> | | Reference Institute in agriculture development and inter-institutional coordination in the region. Experiences in EU projects administration. |

³ OIRSA is an intergovernmental organization founded in 1953, as a consequence of regional disease and pest outbreaks, to provide technical cooperation and to develop emergency action plans for its nine Member states, namely Mexico, the six Central American countries and Dominican Republic. OIRSA is also the representative for CA at the global animal and plant health rule-setting entities (OIE), the World Animal Health Organization (WAHO) and the International Plant Protection Convention (IPPC).

| Institution | Weaknesses | Strengths |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| United Nations Development Programme (UNDP) | - | Positive experiences in UE project administration (e.g. PRESANCA I and II, PRESISAN I and II ⁴). Present and operational in each country of the region. |
| World Food Program (WFP) | - | Coordination experience with EU actions (DG ECHO). Active in Food Security and hunger relief programmes all across the region. |
| DG ECHO | Limited funds are currently available for the region. 4 millions EUR have been assigned for assistance from February 2015. | In coordination with the WFP and other partners, DG ECHO has the potential to ensure a proper “Linking Relief, Rehabilitation and Development” (LRRD) between the EU funded actions, in line with the resilience action plan adopted by the EU |
| Unit for Technical Assistance (RUTA) <i>(for a deeper analysis, see at the end of this section)</i> | Totally dependent on external funding. Limited permanent staff. | More than 20 year experience in policy advisory and formulation of agricultural policies at regional level, particularly supporting the Council of Agriculture Ministers of Central America (CAC) |

b) At government level (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Dominican Republic)

Public: Ministries of Agriculture and Livestock:

| Institution | Weaknesses | Strengths |
|----------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| MAGA in Guatemala, | Limited technical staff and self-funding availability | It counts on a solid rural policy. A national extension service has been recently reactivated. |
| MAGA in Costa Rica | - | The national policy for the sector is backed by the national coffee institute (ICAFE) with strong cooperation and synergy |
| MAGA in El Salvador, | Limited technical staff available. Only this year a coffee sector office has been opened. Political conflict with PROCAFE. | Political efforts to address the coffee sector. Interest in international cooperation on coffee sector scientific research. |
| SAG in Honduras, | Weak policy framework for the coffee sector and not yet operational. Limited financial and technical staff resources | Coordination and synergy with the national coffee institute (IHCAFE). Willingness to cooperate at regional level in the sector. |
| MAG in Nicaragua | No specific policy for the coffee sector. Limited technical staff and financial resources to the coffee sector. The | Potential for synergy with other initiatives under implementation like the “PRORUAL incluyente”, or existing |

⁴ The EU-funded projects “Regional Program of Food Security and Nutrition for Central America” (PRESANCA II) and “Regional Program of Food Security and System Information” (PRESISAN II) are still under implementation and are considered like valuable regional stakeholders. PRESANCA II is the most successful EU-funded project on food security and nutrition in Central America.

| Institution | Weaknesses | Strengths |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | unavailability of a national Coffee Institute like in the other CA countries is a major constraint. | services like the SIVAT (early warning system in food security). |
| Ministry of Agriculture in the Dominican Republic. | No specific project addressing the coffee sector for the moment | Several rural development and food security projects in coffee production areas with potential for synergy with the EU project: (e.g. PRODESUR in Barahona, PRORURAL en the centre and east of the country) |
| MIDA in Panama | Limited Decentralisation and low presence in coffee areas | Presence of a developed extension service-scheme partly linked to a regional platform in Western Panama (Cadena de Café). Political will to implement a coffee rust early warning system. |

Private: Coffee National Institute/Association, all working collectively through PROMECAFE, which is the medium and big coffee producers' organisation.

| Institution | Weaknesses | Strengths |
|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ANACAFE, Guatemala | Limited technical staff in the field. Limited capacity to attend small producers. | Highly qualified technical and scientific staff. Long experience in research and dissemination. Experience in international project management. |
| CTICO (Inter-institutional Technical Committee for Organic Coffee Production), Guatemala | Limited self-financing capacity. | Research and transfer of technology addressed to small certified producers of organic coffee |
| CODOCAFE, Dominican Republic | Limited resources and technical staff | Highly representative of all categories of producers. Extension and dissemination capacity. Experience in project management. |
| IHCAFE, Honduras | Limited resources and technical staff | Long experience in the sector. Research and dissemination capacity. Self-funded initiatives addressed to small producers. |
| ICAFE, Costa Rica | Controlled by large-scale coffee producers and exporters. | Long experience in extension, marketing promotion, assistance to producers' cooperatives and associations. Close cooperation with the government. |
| PROCAFE, El Salvador | In political conflict with the Ministry of Agriculture. No public funding available. Limited operational capacity. | It counts on long experienced technical staff. Training and extension activities to the associates. |
| CONACAFE (Coffee National Council), Nicaragua. | It is a politically controlled body with no active role in extension or technical assistance. | Limited operational capacity in dissemination. Some incidence capacity at political level. |
| Agri-Food Chain Coffee | An institution founded only in 2014, in the process of starting up. | Public-private partnership, launched by the Ministry of Agriculture, with a host of stakeholders. Some participating producers grow resistant high quality varieties (Geisha). |

- c) Municipalities and municipalities associations (mancomunidades) of the affected areas: 84 municipalities and 9 municipalities' associations in Guatemala, Honduras, El Salvador and Nicaragua are presently attended by PRESANCA II, being the economy of the majority of them based on coffee production.
- d) Local final beneficiary level: This group is composed by micro, small and medium coffee producers and by unskilled daily/seasonal labourers⁵ directly and indirectly affected by the coffee leaf rust. Approximately one third of the smallholder coffee producers are headed by women and no more than the 3% of coffee farmers are certified organic producers. The project will take into account the peculiarities of these categories and will attend them with a specific strategy of action.
- e) National coffee producer organisations / institutes: they should be the key partners in the Programme, in particular with regard to activities in training and technical extension at the national level. As far as the different national coffee producers' organisations (or national coffee institutes) are concerned, it is important to highlight that their role is crucial in the dissemination of good practices and the promotion of a sector renovation process. Nevertheless these organisations generally suffer from limited state funding and from the scarceness of skilled workers. At national level, some actions are carried out by the private sector but they are mainly oriented to reinforce the production and exporting capacity of the large-scale coffee producers with limited attention to the small and medium ones. Furthermore, since the 90s, the most relevant coffee research and training centres progressively reduced their activities, due to the limited financial resources and human capacities available to carry out research on the new methods to control the coffee leaf rust as well as other coffee diseases.

All the above-listed stakeholders are relevant for the adequate implementation of this project and will be involved at different levels. Nonetheless, five stakeholders above the others, namely CAC, IICA, CATIE, PROMECAFE and RUTA will play a pivotal role in achieving an appropriate coordination between the project stakeholders, a balanced relationship between public and private sectors and the overall efficiency and effectiveness of the EU action:

- **CAC** is the coordinating body for Central American and Dominican Republic Agricultural Ministers to set priorities with regional stakeholders (such as IICA, CATIE and OIRSA). In March 2013, the CAC approved an emergency regional plan (coordinated by OIRSA with many other regional partners) to address the coffee rust outbreak. CAC Coffee Rust Action Plan – OIRSA held an emergency meeting January 9-10, 2013 with representatives from the Central American coffee associations and from Colombia. The CAC asked regional groups (primarily OIRSA, FAO, RUTA, PRESANCA II, PRESISAN and PROMECAFE) to develop a complete plan with short, medium and long term actions. The CAC, during the Central American Presidents summit, approved that plan (with a long-term budget request of USD 777 million) on 20th March 2013.
- **IICA** (founded in 1942) has offices and projects in all the 34 member countries and works closely with the national Ministries of Agriculture. IICA is a specialist agency within the framework of the Organization of American States (OAS) and it is independently financed by their members and international donors. IICA is focused on agricultural technology transfer, policy improvements and increasing rural welfare.
- **CATIE** is an independent institution that emerged from IICA. Since 1946, its Graduate School has trained more than 2,000 students in the region. In addition to the Graduate School, CATIE has two major focus areas i.e. technical cooperation and tropical agricultural research. The vast majority of CATIE's projects are focused on improving the agricultural production systems of rural poor smallholder families. CATIE has worked with more than 400 NGO and donor partners to implement projects. In addition, CATIE has one of the largest collections of

⁵ Some families of unskilled workers have also been permanently employed by small to medium producers. Special attention will be paid to women coffee farmers, women as heads of household and small farmer of certified organic coffee

coffee varieties in the world. Many of the approximately 2,000 coffee varieties (about 10,000 coffee trees) were collected by U.S. and European scientists in the 1940-1960s from the coffee origin areas (Ethiopia, Sudan, and Kenya) and have been maintained on CATIE's farms ever since. CATIE is the focal actor of the research and transfer of technical and scientific knowledge to CA and DR.

- **PROMECAFE** has been for 35 years the primary regional coordinating entity for coffee-related technical training and capacity building. It has expanded in 2013 to include Jamaica, Dominican Republic and Peru. Training is normally provided by private national coffee associations under the coordination and support of PROMECAFE, whose staff is reduced and much relying on external consultants and short-term contractors. In response to the severity of the coffee leaf rust crisis, a regional action plan was led by PROMECAFE with assistance from IICA. In March 2013, the plan was approved by all of the national coffee institutes of PROMECAFE and by the seven ministers of agriculture of CA and the Dominican Republic (CAC). This plan served as the basis for the Coffee Rust Summit held in April 2013. The plan has been reformulated for the period 2014-2015.
- **RUTA** is an NGO-public party hybrid, closely aligned to the CAC. It has worked with development agencies of Australia and Spain as well as with Inter-American Development Bank (IADB), FAO, International Food Policy Research Institute (IFPRI) and IICA. It recently started a five year (September 2012-September 2017) “Regional Food Security Policy Effectiveness and Sustainable Agriculture Program” with USAID to strengthen effectiveness and regional capacity for analysis and formulation of agricultural and trade policies through the CAC system⁶. The participation of RUTA in the EU project is intended as a specialised team of technical assistance.

1.4 Priority areas for support/problem analysis

The current outbreak of coffee leaf rust has shown a set of structural problems affecting the coffee sector in almost all the countries of CA and DR, such as:

- **The ageing of coffee plantations:** plantations older than fifteen years are the most susceptible to coffee leaf rust as well as those under poor farming management. As an indicator, over 70% of plantations are 20 years old or more and about 50% of all planted areas in CA are exposed to coffee leaf rust. This problem affects mainly smallholder coffee producers in the region, but also large scale plantations;
- **Inadequate pest and diseases prevention:** The income expectations of coffee producers are endangered by a decrease in coffee market price. Accordingly, the use of agricultural inputs decreases, with a consequent insufficient application of good practices of pest and diseases prevention. The persistence of negative prospects and limited response of the national authorities contribute to weaken the resilience capacity of rural families whose livelihood depends on coffee production;
- **The lack of timely information on climate/market forecasts and on adequate reaction:** the weakness (or inexistence) of public extensions services and the inadequacy of the private extension network (being the latter generally attending more large than small coffee producers) limit farmers’ capability to adjust their farming practices and marketing strategies according to circumstances;
- **Decision making not based on credible climate information:** Often in the coffee regions there are no weather stations that provide information for weather forecasts;

⁶ This project will also support the consolidation of a regional platform for dissemination of sustainable agriculture practices through key agriculture value chains (coffee and cocoa). Funding will also be provided for improving donor coordination through regional policies and institutional harmonisation frameworks.

- **Barriers to access to agricultural credit sources at affordable conditions:** the coffee sector is highly indebted in the entire region and small producers in particular suffer from an historical exclusion from the financial sector;
- **Scientific knowledge and technical innovation is not properly transferred to the producers:** the weakness of the extension service (both public and private) and the insufficient existing communication channels between the investigation and the production level prevent small and medium coffee producers from easily accessing innovation;
- **Policy Framework does not specifically addresses the Coffee Sector:** The CA Region counts with a Central American Agricultural policy, (Política Agrícola Centroamericana, PACA); a Regional Agro-environmental and Health Strategy (Estrategia Regional Agroambiental y de Salud, ERAS); a Central American Rural Development Strategy (Estrategia Centroamericana de Desarrollo Rural Territorial, ECADERT). Some specific sectors have a specific policy framework, but the coffee sector does not.

The EU action will be aimed at supporting the regional and national efforts to control the coffee leaf rust. A wider objective will be to reinforce the resilience capacity of the small and medium coffee producers to face any adverse condition brought about by climate change and variability. This will be achieved by introducing environmental sustainable agroforestry farming practices and diversified cropping patterns, which in addition will provide additional benefits in biodiversity conservation and ecosystem services. A better access to credit facilities and technical assistance as well as a strong action to strengthen local producers organisations are also crucial factors to be considered.

2. RISKS AND ASSUMPTIONS

| Risk | Risk level (H/M/L) | Mitigating measures |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| National governments do not define an entity in charge of the EWS that has the authority to subscribe to international agreements. | L | Exerting influence through CAC and the organisations of coffee producers to the Governments, with a view to define a national entity in charge of EWS. |
| Resistance from any entity operating a nationwide EWS to adapt its system to align with a regional EWS. | M | Intensify the coordination meetings at national level and work through the Agriculture Ministries of each country. |
| National entities do not have sufficient resources to guarantee the right performance of the system. | M | Guarantee sustainability of the system with the funds from fees obtained from export or through service payments. Prioritise countries that guarantee greater sustainability of the system. |
| Acquisition of weather stations, not consistent with those in the national network or with difficulties regarding to maintenance. | L | Weather stations have to be fine-tuned with National Coffee Institutes and should ensure maintenance of the equipment. |
| Extreme climatic events do not allow the optimal development of the demonstration plots and/or achieve representative results. | M | On the location of the plots, selection of areas with less risk regarding to natural disasters caused by climate events. |

| | | |
|-----------------------------------------------------------------------------------------------------------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Resistance from producers to introduce new technologies. | H | Training of extension agents on pedagogical aspects, gender and multiculturalism. Priority to young producers and leaders who have credibility. |
| Insufficient participation in the national and regional platforms of the actors who are developing research on coffee rust. | M | Promote the existence and work of research platforms, involving external actors. |
| Training provided during periods hardly compatible with the working schedules of the producers. | M | Make training calls for all the actors ahead of time, with the dates coinciding with the producer attendance. |
| None or little presence of entities for local financial services to coffee farmers. | M | Establishment of contacts with entities operating in nearby areas and/or specialised in the sector and exploring future mechanisms of value chain financing with partners such as the European Investment Bank, which has an Impact Financing Envelope focusing in food security and looking more into unemployment in rural areas. |
| Limited presence of extension agents at local level. | M | Training of young agents residing in intervention areas. |
| Education institutes hamper the insertion process of coffee cultivation courses in their curricula. | M | Maximise the political influence of coffee sector to the Education Ministries. |
| Coffee institutes do not agree to work in the focal areas selected for the project | L | Working with other organisations and local stakeholders, and facilitate coordination between them and coffee institutes. |

| Category | Assumptions |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Spec. Obj. | <ul style="list-style-type: none"> - SICA and the Region's Agriculture Departments still maintain priority in the adaptation to climate change issue and coffee plantations development as a mitigation measures. - Various private and public actors work coordinated to the implementation of coffee rust control policies in Central America and Dominican Republic. |
| Res. 1 | <ul style="list-style-type: none"> - Institutional capacities and coffee sector strengthening are a priority for the national authorities and SICA. - Availability of the institutions sharing necessary information for EWS performance. - Biophysical investigation provides applicable results to the EWS. Private and public actors willing to cooperate in the crafting of effective regional policies. - Public policies now and later in force, contributing to the development of other regional and national policies. - An enabling environment for the approval of a regional development plan for the sector. |
| Res. 2 | <ul style="list-style-type: none"> - Global, national and coffee sector economic conjuncture maintains stable. - Coffee Rust abundance is kept under control at present levels. - Climate conditions allow the realisation of the agricultural activities, within the range of temperature variance in current scenarios forecasting climate change. - Current climate conditions allow a steady development of agriculture, without further shocks. - In the regions, producers are interested in specialisation of seed production or coffee seedling. - Security conditions do not worsen to the point of not allowing the development of support activities at the local level. - Education Ministries support the introduction of formation spaces regarding to coffee cultivation in technical and agricultural high schools. |

| | |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>Local financial institutions are interested in the creation of synergies with the Programme, promoting credit with favourable conditions to the producers.</p> <ul style="list-style-type: none"> - Municipal authorities and interested institutions support the adaptation process of the development and contingency plans with approach to climate change and National Food Security. |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The project will take into account the main lessons learnt and best practices from EU cross-border regional projects and DG ECHO funded projects (e.g. Bi-national Programme, PRESANCA, PRIICA, PREVDA, ZONAF, Urb-AL III), namely:

- Complex and multi-institutional, multi-national financial/organisational arrangements are the main causes for low efficiency and poor performance of EU funded regional projects. The operative setup and the financial institutional structure of the proposed project will avoid complexity, contradictions and dispersion.
- The involvement of civil society at local level has been the key issue for success, appropriation and sustainability of EU funded regional actions so far. The participation of civil society (e.g. farmers' organisations and cooperatives) in the follow-up and monitoring of the project will be therefore encouraged.
- The good experience working between the participation of the private and public stakeholders.
- The importance of adapting action strategies to local contexts. The intervention logic of the project will be therefore defined by specific criteria adapted to the peculiarities of each action area.
- The distribution of EU resources has been more efficient when responding to the principle of equity (i.e. depending upon demographic density, degradation of resources and partners' involvement) more than equality (equal distribution of resources between countries or project areas involved).

Complementarity between humanitarian aid and longer term actions has been crucial in the past to address Food and Nutrition Security in the region. Synergies and alliances with key actors will be promoted for enhancing the effectiveness and the impact of the expected results.

3.2 Complementarity, synergy and donor coordination

The coordination with initiatives sponsored by both EU- and non-EU related agencies will be ensured through regular exchange of information, in direct contact with PROMECAFE, the established *regional platform* for monitoring, study and advice with relevant stakeholders at the national and regional levels. Coordination will also be strengthened through *national platforms*, involving – where operational – coffee institutes. Thirdly, a *local platform* is organically provided by virtue of the cross-border focal areas chosen for the Programme, as they provide a platform for exchange and mutual reinforcement of strategies in the domains of production and environmental protection.

- The project will be co-financed by GIZ, in synergy with other actions that this agency is carrying out in the region, particularly with the Coffee Programme in Western and orient Guatemala.
- The project will closely coordinate with DG ECHO actions to be funded under the EUR 4 million Decision taken during February 2015.
- The project will have the possibility to be complemented by making alliances with other existing initiatives, in particular the following programmes.

| Institution | Amount (EUR) | Potential for synergy and coordination |
|--------------------------------------------------------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>ITALIAN COOPERATION: Regional Programme: "Café y Café"</i> ⁷ | 1 237 000 | <ul style="list-style-type: none"> • Regional project aimed at reinforcing the marketing capacity of the coffee producers associations by developing their networking capacity at Central American level. • The programme cooperates with national coffee institutes and ministries, in charge of trade promotion. |
| <i>FAO</i> | 384 000 | <ul style="list-style-type: none"> • Quick diagnostics for the process of food delivery. • Diagnostics of short and medium term impacts focused on vulnerable populations. |
| <i>CAC (funds of ATN – BID)</i> | 384 000 | <ul style="list-style-type: none"> • Elaboration of regional socioeconomic study (based on national studies conducted by WFP). |
| <i>PROMECAFE</i> | 124 000 | <ul style="list-style-type: none"> • Good practice guide for integrated management of coffee leaf rust, adapted to regional conditions. • Integrated management programme under way of coffee leaf rust in susceptible varieties, under schemes of conventional and organic production. • Strengthening programme for genetic improvement. |
| <i>USAID</i> | 9 500 000 | <ul style="list-style-type: none"> • International consultant located in PROMECAFE, to monitor the Action Plan for Immediate Action 2013. • At least six on-going programmes (Jan. 2015), projects and activities in response to Coffee Leaf Rust (partly channelled through UNOPS-RUTA), for a total of over USD 7 million, not including the capital leveraged through financial and private sector plans. • Revitalising the Central American Coffee Sector after the Rust Crisis of 2012 Through Applied Research and Development (USD 5 million). • The Better Coffee Harvest Project (2014-18, USD 3.9 million.) is now operational in El Salvador and Nicaragua. |
| <i>AECID</i> | | <ul style="list-style-type: none"> • Regional Programme on Climate Change |
| <i>WORLD COFFEE RESEARCH</i> | | <ul style="list-style-type: none"> • Project to develop varieties adapted to climate change and tolerant to coffee rust. |
| <i>Expanding Inclusive Finance in Central America and Dominican Republic Program</i> | | <ul style="list-style-type: none"> • The project promotes the microfinance industry and its impact on the economic and social development of Central America and the Caribbean. |

⁷ <http://www.cafeycaffe.org/index.php/sobre-el-programa>

3.3 Cross-cutting issues

The main crosscutting issues of the project are gender, food and nutrition security, environment and human rights. There is a clear relationship between the limited progress in reducing poverty, malnutrition, and the weak institutional framework as well as the absence of linked sustainable policies.

- Human Rights: important challenges in the field of human rights are still to be faced with regards to employment conditions in the coffee sector, such as forced and underpaid labour (especially among women), child labour, lack of social protection, precarious environment and sanitary working conditions, gender imbalance and inequality, limited involvement of youths
- Gender: Productive employment is an important mean of engaging women in development; a special focus on gender mainstreaming will be ensured through specific awareness-raising activities and the implementation of gender sensitive indicators. These relate to a significant increase in the participation of women and youth in both income generation and in the programmes for transfer of knowledge and capacities. Accordingly, this intervention aims to improve the socioeconomic conditions of women in the poorest municipalities, especially in coffee-growing areas. This improvement should be visible in an equitable and permanent way, through mechanisms for active participation to contribute to poverty reduction. The plan is to incorporate women into training and specialisation processes in coffee farming. The gender approach is promoted in coffee management activities, such as protection, renovation and harvesting. It will further contribute to stabilising populations of women settlers and residents in those areas or around the settlements, through the regularisation of their rights under the law and slowing the progress of migration. All rights of indigenous women referred to in the “Convention on the Elimination of All Forms of Discrimination against Women of 1979” will be respected. This approach will enable the emergence of a concept of women producers with greater participation, which will enhance the economic empowerment of women in the region.
- Resilience and environmental sustainability: The project can contribute towards the strengthening of resilience based on risk management strategies and vulnerability, to increase the population capacity to absorb shocks and to cope with stresses, and it will also constitute an opportunity for transformation, in terms of adaptation to changing environments, empowerment, improved livelihoods and economic opportunities. Furthermore, given the multi-faceted aspects of resilience building, actions must be sustainable, multi-sector, multi-level, multi-partner and strategically and jointly planned by the people affected or at risk, communities, governments and civil society.

The project will promote multistrata agroforestry systems with coffee, giving more attention to dissemination, validation and adoption of agroforestry technologies, ensuring greater diversification of production systems and hence contributing to more resilient and sustainable systems, especially in the context of climate change.

4. DESCRIPTION OF THE ACTION

4.1 Objectives/results and main activities

General Objective:

- Contribute to addressing climate change and its environmental effects through the adoption and application of measures for adaptation, mitigation and reduction of disaster risk.

Specific Objective:

- To increase the region's capacity to design and implement policies, programmes and measures for a better adaptation and resilience of the most vulnerable population living in the coffee production areas of Central America and Dominican Republic exposed to the adverse effects of climate change and variability.

Expected Results:

- **R.1.** Regional integration authorities and scientific institutions have more tools and mechanisms for addressing the threats of climate change and variability in the coffee production sector in the Central American sub-region and the Dominican Republic.
- **R.2.** Small and medium-size coffee producers improve their capacity to resist chronic or acute adverse conditions stemming from climate change in the focal areas of Guatemala, Honduras, El Salvador and Nicaragua.

4.2 Main activities

- A1.R0 Baseline study in the selected focal areas.

Components:

- A1.R1 - Implementation and consolidation of a Regional Early Warning Network dedicated to coffee leaf rust and threats to livelihood productions systems.
 - Assessment of national status and needs for meteorological equipment for Early Warning System (EWS) existing in the countries and in the region.
 - Identification of actors at national and regional levels in charge of operating the early warning system and making institutional agreements for its operation.
 - Harmonisation of National Monitoring and Warning Systems.
 - Development of a Practical Guide for sentry centre operation.
 - Implementation of a national automated system for data recovery, transmission and storage.
 - Design for a Regional EWS based on national level advancements.
 - Biophysical research to define EWS variables for the identification of indicators of meteorological risk and the construction of forecasting models.
 - Implementation of the Regional EWS.
 - Training and oversight for actors operating the EWS in each country, and for technicians at national research centres including universities.
 - Development of an evaluation plan for the operation of the system.
 - Evaluation of Regional EWS operations.
- A2.R1 - Applied research, on-field validation, technology transfer and technical support to the small and medium coffee producers of the sub-region with the aim of facilitating an easier adaptation to climate change and variability as well as an institutional timely response to threats identified by the EWS to coffee production systems.
 - Strengthening and monitoring of regional and national research and transfer platforms involved with coffee leaf rust control matters.
 - Analysis of technology transfer systems and extension materials identified and/or currently in use in the countries and territories.

- Planning and implementation of 200 research and demonstration plots in farmers' fields and monitoring of the technologies designed (applied and participatory research).
 - Research on monitoring races of leaf rust.
 - Study on migrations and livelihoods, with respect to the crisis in the coffee sector (with an emphasis on day workers and women).
 - Development, publication and distribution of extension materials.
 - Training Courses for extension agents from national extension entities.
- A3.R1 – Regional policy and strategy formulation for the reactivation of coffee production and the repositioning of the sector in national priorities, in the context of regional policies for climate change, rural territorial development, food and nutritional security, sustainable agricultural development, and other policies.
- Analysis of public and regional policy tools related to the coffee sector, its operation and results. Definition of a prospective Strategic Plan for regional sectoral development and regulation for the sector in the context of regional strategic instruments.
 - Development of tools to improve regional competitiveness of the coffee sector.
 - Assessment of the scope of the regulatory framework in each country for establishing a national early warning system.
 - Formation of a regional EWS Commission.
- A4.R1 – Strengthening of the regional and national institutional framework for the implementation of public policy through the development of public-private participation schemes.
- Establish an institutional framework, promoted by CAC and PROMECAFE, which involves other sectors (environment, social, economic integration) in the development of a regional plan to reactivate the coffee sector.
 - Develop a mechanism for coordination and alignment between regional institutions/agencies to support the countries, for the development of a regional work plan for the reactivation of the coffee sector led by CAC/PROMECAFE.
 - Build capacity in the coffee institutions to enhance their involvement in decision-making for sectoral policies.
 - Promote and accompany the establishment of national coffee roundtables with public-private participation.

Components:

- A1.R2 - Implementation of local integrated Early Warning networks to provide adequate information for decision making on adaptation to climate change and variability as well as on possible threats to coffee and other livelihood production systems.
- Development of initial assessments of information and decision-making from producers for leaf rust control.
 - Conduct studies on the sustainability of EWS maintenance.
 - Procurement and installation of weather stations and other equipment to gather and transmit data for the EWS.
 - Training for cooperatives and producer organisations involved in the early warning network at the local level.
 - Partnering in the application of the monitoring system.
 - Monitoring local early warning network operations
 - Evaluation of EWS impacts at the local level.

- A2.R2 - Transfer (application and scaling-out) of appropriate technical packages and income diversification activities as well as adequate and timely response mechanisms to threats identified within the coffee sector.
- Organisational and technical strengthening of extension networks for local stakeholders in the coffee sector.
- Consensus with local stakeholders regarding appropriate technologies and financing models (coming from the regional level).
- Design, implementation and monitoring of demonstration plots and their recordkeeping systems, which are implementing innovations (field schools or other entities).
- Implementation of technological innovations on the farms of producers including changes in agronomic management, renovation or diversification, as well as their monitoring.
- Technical assistance to organised and non-organised producers.
- Training existing local producer organisations to improve their integration into the productive chain (access to credit, selling capacity, business management, inclusion and transparency).
- Financing mechanisms and studies that facilitate access to credit for producers in order to implement innovations at farm level.
- Strengthening of technical education centres (among others with pilot plots) and formal and non-formal technical training of local human resources who do not qualify for the classical system.
- A3.R2 – Institutional capacity strengthened at the local level to influence public policy.
- Strengthening of management, organisational and engagement capacities of local stakeholders (local authorities, institutions, producers and civil society) to support the public-private partnership in the territories prioritised by the Programme.
- Adaptation of contingency plans and municipal development plans in the municipalities for intervention, inserting approaches for climate change and food and nutritional security (FNS).

4.3 Intervention logic

The overall objective of the Programme is geared towards a better adaptation and resilience of the most vulnerable population living in the coffee production areas of Central America and Dominican Republic. The Programme will allow the development of economically, socially and environmentally sustainable coffee production models that should facilitate an adaptation to the impact of climate change and variability in the region, by establishing coordinated actions between public regional and national and private stakeholders in CA.

The sequence of actions aimed at improving the livelihood of 330,000 producer families in the covered region and 6,000 family farms in the selected programme areas is based on the convergence of five vectors, vital to stem the decline of coffee production throughout the region. The converging vectors of action are summarised as follows:

- A. The effective working of an **Early Warning System** at regional level;
- B. Applied research for renovation, integrated combat of pests and diseases, and diversification;
- C. **Transfer of know-how** on innovation and efficiency to existing and, especially, young farmers;
- D. **Integrated coffee farm management** with a view to (a) long term planning, (b) smooth and fair working of local and regional markets, and (c) farm level responses to climatic variations.
- E. **Institutional strengthening** of local producer organisations, national technical extension agencies and regional policy bodies in charge of improving the viability of the coffee sector.

The process of enlarging resilience of the coffee sector depends on the extent to which these vectors can be linked up during the implementation of the Programme, thereby allowing an optimisation of outputs and impact in the long term.

The programme anticipates close coordination between regional, national and local levels, in order to guarantee that the regional platforms (EWS, research, extension, policies) will count on effective participation of the actors who should implement them nationally. Likewise, the participation of local stakeholders in the national platforms must be ensured.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

Two options for implementation are considered. The preferred is the Indirect management with an international organisation (IICA), but this option can be valid if IICA passes their 5 pillars assessment. If the assessment is negative, a second option is to implement the action through a call for proposals.

5.3.1 Indirect management with an international organisation

This action will be implemented by indirect management with the Inter-American Institute for Cooperation on Agriculture (IICA) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012.

This implementation entails administrative management and implementation of the programme PROCAGICA. This implementation is justified because

- a. IICA has over 76 years of experience as the agency specialising in agriculture of the Inter-American system. It supports the efforts of its Member States to achieve agricultural development and rural well-being. Through POMECAFE, IICA is the entity that is developing the regional strategic plan to control Coffee Rust.
- b. IICA is the only specialised organisation with a good political and technical representation in all countries where the actions will be implemented.
- c. The Regional Cooperative Programme for the Technological Development and Modernisation of Coffee Cultivation (PROMECAFE), an IICA's specialised project, has been implemented for 32 years. IICA is the only organisation that possesses such a long-term expertise in this field.
- d. All the most relevant public and private institutions of the coffee sector in the region are permanent members of PROMECAFE, an IICA programme, including research institutes like CATIE and CIRAD.
- e. The secretariat of the Agriculture Ministers of the Central American Council (SE-CAC) is supported by IICA (financially complementing the quotes of SICA member States).

- f. The Tropical Agriculture Research and Higher Education Centre (CATIE) in Costa Rica, which has a long experience in management of research programmes and agricultural research for development, including crucial investigations on the coffee sector in general and coffee leaf rust control in particular, is an IICA associated institution. IICA has a permanent seat on the Council of CATIE.

The entrusted entity would carry out the following budget-implementation tasks: contract personnel who would technically and financially administer the programme and prepare the offices for implementation, contract other specialised implementation entities such as CATIE, CIRAD and a few others to execute certain particular specialised components and directly implement the remaining programme activities at national and local levels.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

5.3.2 Changes from indirect to direct management mode due to exceptional circumstances (one alternative second option)

Grants: call for proposals "Apoyo a medidas de mitigacion para el control de la roya del café en centroamerica" (direct management). A call can later be replaced by a direct award if the reasons for the exception from a call (Article 190(1)(a), (b) or (c) RAP) arise after the adoption of this decision.

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

General Objective: Contribute to addressing climate change and its environmental effects through the adoption and application of measures for adaptation, mitigation and reduction of disaster risk.

Specific Objective: To increase the region's capacity to design and implement policies, programmes and measures for a better adaptation and resilience of the most vulnerable population living in the coffee production areas of Central America and Dominican Republic exposed to the adverse effects of climate change and variability.

Expected Results:

- **R.1.** Regional integration authorities and scientific institutions have more tools and mechanisms for addressing the threats of climate change and variability in the coffee production sector in the Central American sub-region and the Dominican Republic.
- **R.2.** Small and medium-size coffee producers improve their capacity to resist chronic or acute adverse conditions stemming from climate change in the focal areas of Guatemala, Honduras, El Salvador and Nicaragua.

(b) Eligibility conditions

In order to be eligible, potential applicants must be a legal person/entity such as: research institutes or equivalent, Member States agency/ies, non-governmental organisation, private sector, public/regional sector operator, international (inter-governmental) organisation as defined by Article 43 of the Rules of application of the EU Financial Regulation.

The applicant must act in consortia, and also must have experience in applied research, early warning systems, formulation of public policies and strategies, institutional strengthening, technology transfer, especially in LAC region.

More specific criteria will be defined during the preparation of the call of proposals.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 15,000,000 and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 64 months.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 90%. The rate may be higher if the auto-financing capacity of the targeted beneficiaries is weak.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call: Fourth trimester of the year 2015.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

5.5 Indicative EU budget (in EUR thousands)

Management mode: Indirect management with IICA /Call for Proposals

| Module | EU contribution (EUR thousands) | Indicative third party contribution (EUR thousands) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------|
| Result 1 (R1) Regional integration authorities and scientific institutions have more tools and mechanisms for addressing the threats of climate change and variability in the coffee production sector of the Central American sub-region and the Dominican Republic. | 3,910 | 0 |
| Result 2 (R2) Small and Medium-size coffee producers improve their resistance capacity to chronic or acute adverse conditions stemming from climate change in the focal areas of Guatemala, Honduras, El Salvador and Nicaragua. | 10,250 | 2,720 |

| | | |
|------------------------------|-------------------------------------------|--------------|
| Evaluations | 150 | |
| Audits | will be covered by another decision | |
| Communication and visibility | 255 | 50 |
| Contingencies | 435 | |
| Totals | 15,000 | 2,770 |

This action will be co-financed by *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) for an amount of EUR 2 000 000, and contemplate a contribution in kind from IICA of equivalent to EUR 770 000.

5.6 Organisational set-up and responsibilities

In the option of indirect management, IICA, as the programme coordinating body and as an entity that favours alignment and harmonisation for agricultural cooperation in the region will be in charge of the whole implementation through a Technical Coordination Unit (TCU) under their structure.

By virtue of its responsibility for the management of the Programme, the implementing partner will conclude a number of agreements with specialised organisations, in relation to each of the Results. Under Result 1, the activities scheduled for Result 1.1 and 1.2 will be carried out on the basis of contracts with the *Centro Agronómico Tropical de Investigación y Enseñanza* (CATIE), based in Turrialba, Costa Rica. IICA will also contract the services of the *Centre de coopération internationale en recherche agronomique pour le développement* (CIRAD, Montpellier, France), the main scientific partner of CATIE in the relevant research domain.⁸

With regard to Result 1.3 and 1.4, the IICA will establish an agreement with the *Secretaria Ejecutiva del Consejo Agropecuario Centroamericano* (SE-CAC), the Council of Ministers of Agriculture, working under the umbrella of the Central American Integration System (SICA). The Secretariat of CAC is established at IICA headquarters in San José, Costa Rica.

The activities programmed under Result 2 (Resilience capacity at country level), must be either carried out by IICA or, in some specific cases, by subcontracting a local or national partner.

CATIE, CIRAD, and SE-CAC will be responsible for the proper execution of the planned activities, following contracts to be signed with IICA. For the co-execution of part of their activities, CATIE, CIRAD, and SE-CAC will be able to sign specific contracts or agreements with other entities such as research organisations or extension agencies, or other entities present in the territories. They will also be able to contract outside consultants.

The EU, as main donor, will participate in strategic programme oversight and also be in charge of initiating the mid-term and final evaluations and *ad hoc* verifications.

A Technical Advisory Committee will be formed consisting of:

- President: IICA

Representatives of:

- Regional Delegation of the European Union (DUE), CATIE, CIRAD, SE-CAC, PROMECAFE and eventually, as required by thematic priorities, a representative of

⁸ There will be a sub-contract of CATIE with the Coffee Research Institute (CIFC, Portugal), relating to the genetic characteristics of coffee rust races and coffee plant resistance and corresponding control measures.

specialised regional institutions. The secretariat will be in charge of the directorate of PROCAGICA.

It is foreseen that Technical Advisory Committee will ordinarily meet three times a year, chaired by the organisation in charge of managing the Programme.

The Committee will be responsible for the overall supervision and performance under the programme, including inter-institutional coordination issues. It will assess the annual plans and reports of the Programme. It will be consulted on the appointment of the head of the Technical Coordination Unit who will act as the Programme Director. The Committee is entitled to issue an opinion concerning the execution of the Programme in all policy and administrative areas it considers as relevant, observing the existing regulatory framework under which the Programme will be carried out. The Technical Coordination Unit will act as a Secretary to the Advisory Committee. The EU participation as a member in the committee will provide a platform for dialogue to influence the decisions made to ensure successful attainment of the expected programme results.

5.7 Performance monitoring and reporting

The activities will be preceded by a base line study, scheduled to be carried out in the first semester of the first project year. The results will be incorporated into a data system that will serve in a comparative framework for measuring the changes at project end, in the values for the indicators included in the logical framework with respect to initial values.

The day-to-day technical and financial monitoring of the implementation of the action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The strategic oversight of the planning, execution and fulfillment of the indicators for the programme will be one of the functions of the Technical Advisory Committee.

In addition to the above, internal project monitoring will be done at several levels:

- At the level of each country where PROCAGICA would intervene, IICA will implement and coordinate an internal monitoring system, in which the different implementation organisations of the Programme in the country would participate. Each organisation must control its indicators for management and process and based on these, prepare semi-annual reports that reflect the status of the technical and financial progress of the Programme. These reports will be consolidated nationally by IICA in each country. Similarly, IICA will conduct regular field missions in each country to verify the implementation of the activities, the achievements made and to document weaknesses, strengths and eventual problems.
- Partners operating at the regional level (CATIE, CIRAD, SECAC and PROMECAFE), will also prepare semi-annual reports regarding programme implementation. IICA, through the regional coordinator and senior programme experts, will be in charge of direct monitoring through visits to programme partners.

The European Union may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring

reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the implementing body.

The mid-term evaluation will be carried out for problem solving, in particular with respect to the regional setting up of the early warning system, the regional policy issues and the strategy related to technology transfer covered by Results 1 and 2, respectively.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the Programme is part of the overall strategy envisaging the reactivation of the sector throughout the region.

The implementing body shall inform the project partners at least three months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

When relevant, the Commission can contract additional external evaluations. In this case, the financing of the evaluation shall be covered by another measure constituting a financing decision.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

IICA will be in charge of the contracting and implementation of the communication and visibility plan.

ⁱ The Multiannual indicative programme for Latin America and for the sub-regional cooperation with Central America is established in accordance with the DCI Regulation for 2014-2020 and based on the EU-CELAC Strategic Partnership and Action Plan. Eligible Latin American countries for the sub-regional cooperation with Central America are the following: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Wherever relevant, the other participating States of CARIFORUM (Forum of the Caribbean Group of African, Caribbean and Pacific –ACP– States –CARIFORUM–. It includes sixteen countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Suriname, Saint Lucia, St. Christopher and Nevis, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago) will be considered for eligibility on a case by case basis for actions falling under the continental component of the Latin America regional programme in accordance with Article 16 of the DCI Regulation. Collaboration between Latin American and the EU's Outermost Regions will be also considered on the basis of Article 10 (7) of the DCI Regulation (the importance of strengthening the regional integration of all Outermost Regions in their respective geographical areas as a key aspect of the EU strategy in these regions for their development is underlined in the Communication (COM (2012) 287)).

ⁱⁱ All countries are MS of the Central American Integration System SICA. In 1991, SICA's institutional framework included Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama. Belize joined in 2000 as a full member, while the Dominican Republic became an associated state in 2004 and a full member in 2013.

ⁱⁱⁱ Only some MS of SICA have been selected to work at national level. The main criteria were level of poverty, rate of affection in the current epidemic of coffee leaf rust, chronic desnutrition levels and level of response of the government. The most vulnerable countries of SICA were selected.