Climate change in the Northern Triangle: Challenges and oportunities

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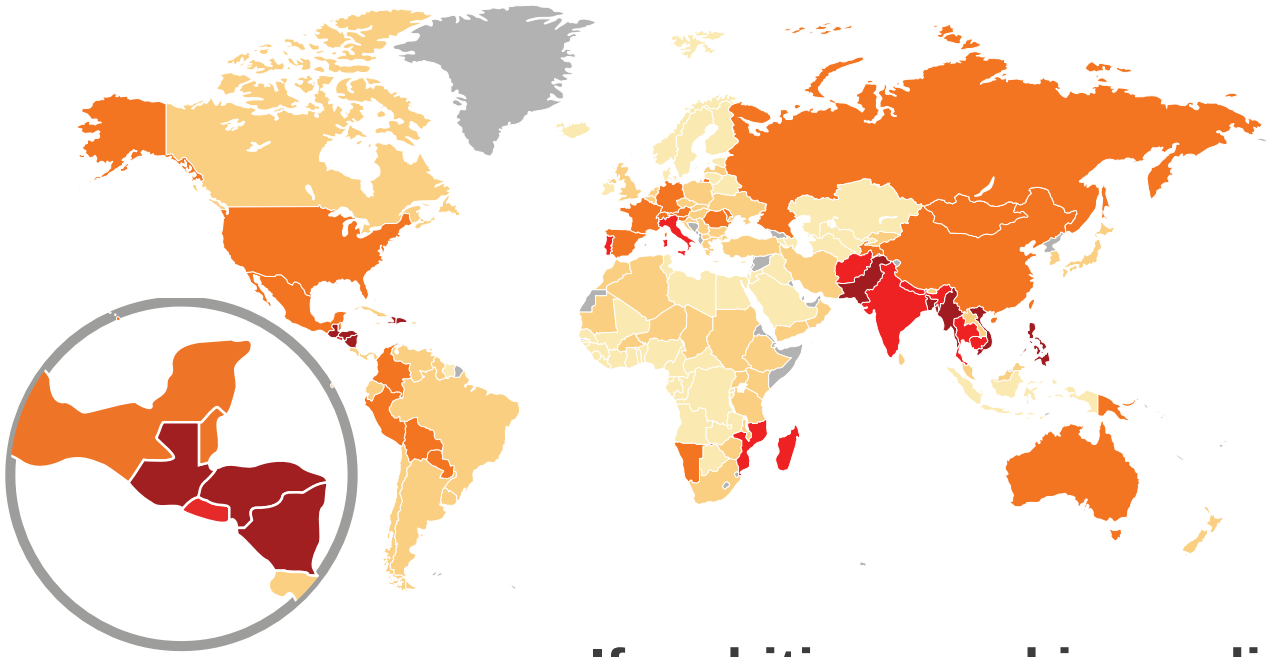
Central America is one of the most vulnerable to climate change with high economic costs



In 3 decades economic impacts have been:

- ***USD 5,700 million in Honduras***
- ***USD 3,500 million in Guatemala***
- ***USD 2,200 million in El Salvador***

Infraestructure and agriculture sectors are the most affected

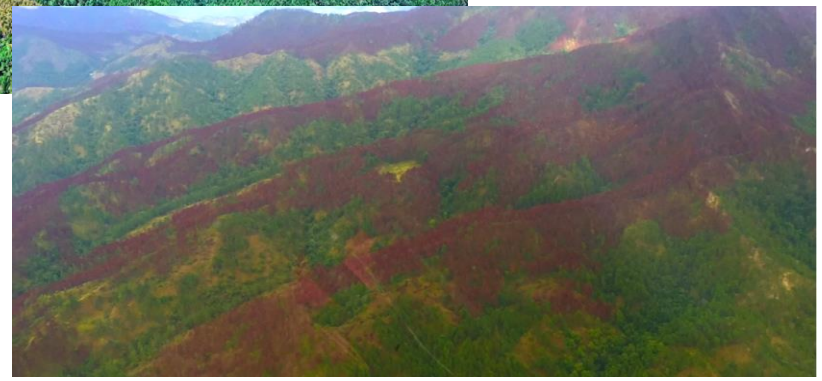
If ambitions and immediate measures don´t take place, by 2030 economic impacts would be around:

- **9% of Honduras GDP**
- **5.8% of Guatemala GDP**
- **7.2% of El Salvador GDP**

Example in Honduras:

- **Due climate change impacts,** between 2013-2016 southern pine beetle affected **10 % of national forest cover** and caused economic losses of **USD284 million**

- **It affected water supply basins in main urban áreas which are also important for agriculture production and power generation**



Example in El Salvador:

- **Due climate change impacts,** between 2000-2016 coffee extension reduced from 25% to 12%

- **Coffee rust disease** (2012-2015) **caused economic losses of USD75 million affecting 23,500 producers** (74% of coffee area) and **reducing 54% of coffee jobs**

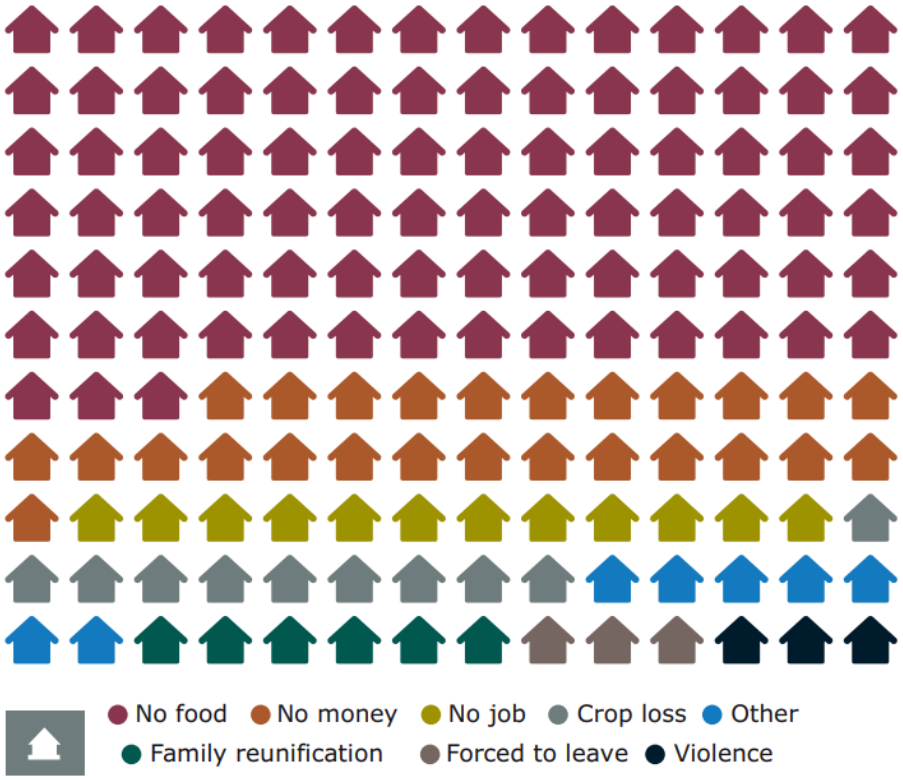
- During the past 10 years, the region has faced the **worst drought in 40 years, COVID-19 and devasting Hurricans ETA and IOTA**

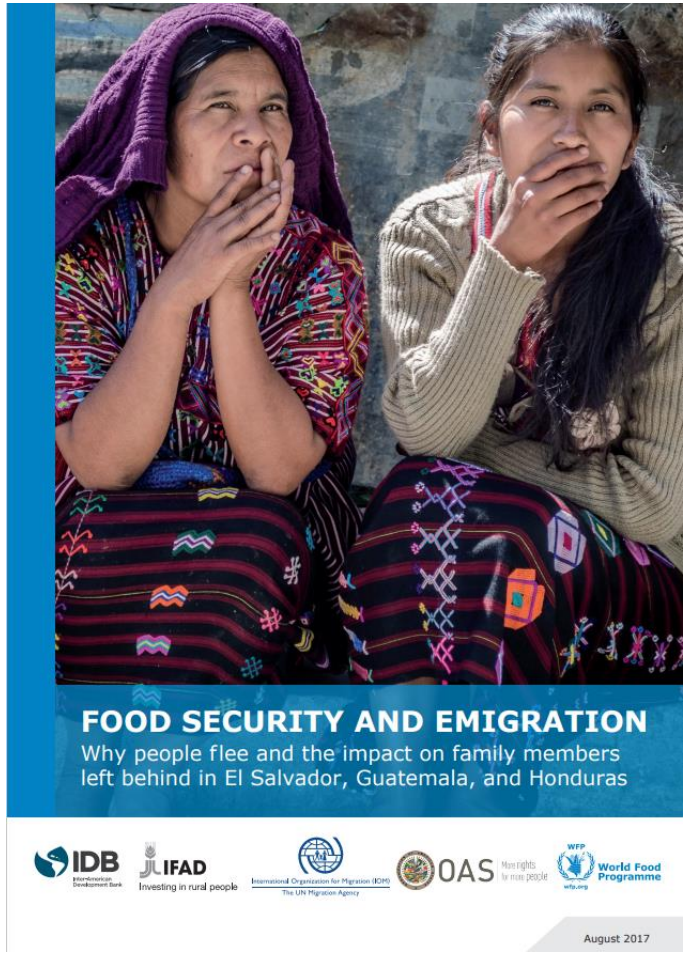
- ETA and IOTA left dead, destroyed livelihoods and caused economic losses of USD 1.879 million in Honduras and USD 780 million in Guatemala




This vulnerability to climate change accentuates migration from these countries

- **In the Dry Corridor, that represents around 50% in Northern Triangle the main reason to migrate is food insecurity, lack of money and job**
- **Climate Change is increasing this problem**





The region has oportunities to address climate change and at the same time improve social and economic conditions (agroforestry *value chains*)

Agroforestry value chains in Northern Triangle: an opportunity to scale up and growth

- **Cardamom:** at least 350,000 farmers and USD 648 million from anual sells (over 60% of the world's cardamom is grown in Guatemala)
- **Coffee:** at least 269,000 farmers and USD 1,693 million from anual sells
- **Cacao:** at least 3,534 farmers and USD 25 million from anual sells
- **Small-scale livestock**: 300,000 farmers, USD 500 million from anual sells

Key factors to expand and strengthen agroforestry value chains

- Strength local organization:
  - Technical asisstance
  - Financing (access to credits)
  - Access to sustainable markets
- Leverage public, private, and international finance
- Work through local leadership: municipalities, local leaders, NGOs and others (not external actors)

Why agroforestry value chains are important for climate change and economic and social rural development

- **Strengthening organization gives farmers resilience** (resistance to market shocks, climate resilience, etc.) and **investment sustainability**
- **Are located in rural areas where economic opportunities need to be generated** (many from where migration takes place)
- **It groups large numbers of small producers** which helps them to have the capacity to generate scale (jobs, income, etc.)
- **Are critical for building climate resilience in the region** (especially to ensure water supply)
- Countries are investing significant public and private resources in these sectors (**leverage**)

IDB Group actions

USD 200+ million portfolio linking climate finance to improve climate resilience, emission reductions and employment generation to reduce human migration

#	Project	Amount (USD M)	Beneficiaries	Leverage finance	Area
1	Program for sustainable forest management in **Honduras**	60	450,000 forest producers	USD 25 million of public forest incentives	270,000 Ha
2	Climate resilience in coffee forest in **El Salvador**	45	5,600 coffee producers	USD 45 million from climate finance?	
3	Forest Investment Program in **Guatemala** (administred by IDB and WB)	28	~20,000 direct and 100,000 indirect beneficiaries + 400 agroforestry SMEs	USD 100 million of public and private invest, and support access to USD 50 million from Carbon Fund	47 municipalities
4	Rural development and productivity project in **Honduras**	90	30,000 families (15,000 of which is expected		Dry Corridor of Honduras

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