Biodiversidad en Paisajes Productivos

Targeted Scenario Analysis for the Coffee and Cacao Sectors in the Dominican Republic

BPP
Biodiversidad en Paisajes Productivos

About the project:

The Targeted Scenario Analysis (TSA) for the coffee and cacao sectors in the Dominican Republic was part of the "Effective Conservation of Ecosystem Goods and Services in Threatened Mountain Productive Landscapes" (BPP) project. Implemented since 2019 by the Ministry of Environment and supported by UNDP. The project integrates biodiversity conservation into public policies and agricultural practices, to effectively mitigate current and future threats to these landscapes.

Impact:

- Strengthening municipal governance and territorial planning.
- A system that connects the data platforms of the Ministry of Environment and Agriculture for better decision-making
- Early Warning System for forest fires
- strengthened credit options for production and sustainable livelihoods

... among other results.

GOBIERNO DE LA REPÚBLICA DOMINICANA
MEDIO AMBIENTE

gef

PNUD

TSA Goal:

To determine whether there is an economic reason to promote the measures needed to achieve sustainable development in the cacao and coffee sectors in the Dominican Republic.

The TSA set out to:

* Evaluate the effect of renewing crops with better sustainable practices and adding value to cacao to improve producer profits.
* Assess the aggregated national gains if national policy goals are achieved within 10 years.
* Provide arguments that facilitate budget allocation for implementing policies to improve the profitability of the crops.
* Evaluate the profitability of the crop and the recovery of coffee production to protect the country's forest cover and the ecosystem services it provides.
* Increase national coffee production to meet domestic demand.

Was the TSA useful for demonstrating the feasibility of implementing a SEM scenario to improve productivity and sustainability in the coffee and cacao sectors?

Main findings in the Coffee sector

- **The investment costs required at the national level to carry out the transition from BAU to SEM were estimated at USD 102 million over two years for the renovation of 25,000 hectares.**
- From the second year onward, farm renovation significantly reduces the gap to achieve an income level that can cover basic living expenses.
- Lack of intervention implies the loss of about USD 750 million over the next 10 years, in coffee imports to satisfy only domestic demand.
- Considering the social cost of carbon at USD 6.87/tCO2, the estimated social gains from the increase in carbon stock in 15 years, will be approximately USD 6.5 millions.

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Main findings in the Cacao sector

- **The total investment required nationwide to carry out this change is estimated at USD 460 million over 3 years. Not innovating would mean losing around USD 800 million in net aggregated benefits over the 10-year analysis period and about USD 2.3 billion over 19 years.**
- The Dominican Republic is one of the world's largest exporters of certified organic cocoa.
- It is necessary to establish a policy for plantation renewal.
- Crop diversification and the selection of companion species are essential to generate income for producers during the first years, an additional source of long-term income.
- Net profits per hectare of renovated farms (SEM) are all significantly higher than profits from unrenovated farms (BAU).
- With regard to foreign exchange, an increased flow of foreign exchange revenues is estimated thanks to the renovation and promotion of farms by 7% starting in year 4.
- Considering the social cost of carbon at USD 6.87/tCO2, the estimated social gains from the increase in carbon stock in 19 years, will be approximately USD 3.8 million.

Key public policy recommendations:

Credits and guarantee funds

Specialized technical training

Strengthening the departments of registration, control, and agriculture certification

Establishment of a public-private financial mechanism

Where are we now?

- Joint vision for moving toward a Sustainable Ecosystem Management (SEM) scenario
- Design of the Investment Fund for Sustainable Coffee and Cocoa Production – FICC
- Mainstreaming of the UNDP portfolio approach in this initiative

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Ministry of Environment

Ministry of Agriculture

Dominican Coffee Institute - INDOCAFE

National Cocoa Commission – CNC

ProDominicana

Association of Multiple Banks - ABA

Next steps

- Establishment of governance structure as outlined in the engagement instrument
- Establishment of the Trust Fund
- Resource mobilization:
  - Pre-feasibility study for FICC management
  - Investment bonds
  - European Union financing
  - Data generation

Thank you!