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HONDURAS

STRENGTHENING CAPACITIES FOR CLIMATE RESILIENCE AND ECONOMIC EMPOWERMENT OF RURAL SMALL HOLDER PRODUCERS IN THE DRY CORRIDOR OF HONDURAS

(HO-T1416)

DONORS MEMORANDUM

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EXECUTIVE SUMMARY

HONDURAS STRENGTHENING CAPACITIES FOR CLIMATE RESILIENCE AND ECONOMIC EMPOWERMENT OF RURAL SMALL HOLDER PRODUCERS IN THE DRY CORRIDOR OF HONDURAS (HO-T1416)

Honduras ranks as one of the countries with the highest poverty rates in Central America, with a Human Development Index of 0.634, a total population of 9.7 million inhabitants and an active population of more than 4 million people.¹ The population of Honduras is young, with more than 30% between the ages of 10-24.² Almost half of the population (43.5%) lives in rural areas,³ with women and young people being the most vulnerable in this environment. Sixty-seven per cent of the population works in the informal sector, which is characterized by a lack of social protection and benefits and is excluded from the primary economic sectors.⁴

This initiative will take place in the West of the country in the Departments of La Paz, Lempira, and Intibucá, and will focus on improving food security and economic empowerment in these communities and on building resilient agricultural systems. The project will implement a methodology for diversifying smallholder farms by educating families about healthy food consumption. The project will promote the use of digital innovation in production, as well as the financial inclusion of cooperatives and smallholder farmers' organizations to strengthen territorial development.

The Alternative Community Marketing Network (COMAL) will be the executing agency of the project. COMAL is a non-profit organization organized as a producer association, which has a presence in the project area and has many years of experience in the implementation of sustainable agricultural projects in coordination and with the direct participation of the communities where it works.

The project will employ an integrated and cross-sectoral approach to gender issues and involve women's groups. Through empowerment, women will participate and assume leadership and decision-making roles in cooperatives and organizations.

Directly, the project expects to benefit 900 families and addresses food and nutrition security issues, as well as offering productive options as alternatives to cross-border migration and organized violence linked to unemployment, underemployment, and food insecurity.

¹ [Honduras | Data \(bancomundial.org\)](https://datos.bancomundial.org)

² [UNFPA - Fondo de Población de las Naciones Unidas](https://www.unfpa.org)

³ [Human Development Reports \(undp.org\)](https://www.undp.org)

⁴ [wcms_755523.pdf \(ilo.org\)](https://www.ilo.org/wcms_755523.pdf)

ANNEXES

Annex I	Results Matrix
Annex II	Summary Budget
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Proposed resolution

**INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF IDB LAB PROJECT
INFORMATION SYSTEM**

Annex IV	Procurement Plan
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ABBREVIATIONS

DNA	Diagnostic needs assessment of the executing agency
EA	Executing Agency
IDB Lab	Multilateral Investment Fund
IDB	Inter-American Development Bank
CAFOD	Catholic Agency for Overseas Development
COMAL	Alternative Community Marketing Network
GAFSP	Global Agriculture and Food Security Program
IICA	Inter-American Institute for Cooperation on Agriculture
SDGs	Sustainable Development Goals

PROJECT INFORMATION

**HONDURAS
STRENGTHENING CAPACITIES FOR CLIMATE RESILIENCE AND ECONOMIC EMPOWERMENT OF
RURAL SMALL HOLDER PRODUCERS IN THE DRY CORRIDOR OF HONDURAS
(HO-T1416)**

Country and geographic location:	Honduras: Western Region (La Paz, Lempira and Intibucá)		
Executing agency:	Agriculture and Natural Capital		
Focus area:	Alternative Community Marketing Network (COMAL Network)		
Coordination with other donors/Bank operations:	The project will create synergies and will be complemented by the Bank Loan Operation: Comprehensive Rural Development and Productivity Project (HO-L1201).		
Project beneficiaries:	<ul style="list-style-type: none"> ·900 small farmers mostly from Lenca’s indigenous households. ·40 organizations including producer cooperatives, business associations and consumer stores. 		
Financing:	Technical cooperation funding:	US\$000,000	00%
	GAFSP Fund Resources Non-Refundable Technical Cooperation	US\$2,130.000	
	Total IDB Lab funding:	US\$000,000	00%
	Matched funding	US\$000,000	00%
	Total Project Budget:	US\$2,130,000	100%
OBJECTIVE and Project Description.	<p><i>The objective of the project</i> is to improve climate resilience and food security through economic empowerment and the transformation of the agricultural system for small farmers in Western Honduras.</p> <p><i>The expected result</i> is that 900 small producers participate in value chains and implement agro-ecological practices resilient to climate change, and consequently families with higher incomes and dietary diversity.</p>		
Execution and disbursement periods:	<p>Execution period: 36 months.</p> <p>Disbursement period: 42 months from the date of signature of the Agreement.</p>		
Environmental and social impact review:	On October 14, 2022, the project was reviewed and classified in accordance with the requirements of the IDB's Environmental and Social Policy Framework (GN-2965-3). Because the risks are medium, the proposed category for the project is B.		
Unit responsible for disbursements:	DIS/CHO		

I. PROBLEM

A. Problem description

- 1.1 Honduras ranks as one of the countries with the highest poverty rates in Central America, with a Human Development Index of 0.634, a total population of 9.7 million inhabitants and an active population of more than 4 million people.⁵ The population of Honduras is young, with more than 30% between the ages of 10-24.⁶ Almost half of the population (43.5%) lives in rural areas,⁷ with women and young people being the most vulnerable in this environment. Honduras is one of the countries with the highest levels of inequality, with a Gini coefficient of 48.2,⁸ and with more than half of the population (more than 4 million in total) living with less than USD 5.50 / day.⁹ Sixty-seven per cent of the population works in the informal sector, which is characterized by a lack of social protection and benefits and is excluded from the primary economic sectors.¹⁰
- 1.2 Over the past 2 years, the COVID-19 pandemic has significantly impacted the Honduran economy, negatively impacting the value of exports, unemployment rates, and household incomes. The year 2021 saw a GDP contraction of more than 9%.¹¹ The subsequent devastation of Tropical Storm Eta and Hurricane Iota that hit the country in November 2020 further aggravated the situation¹² whose climatic effects affected various sectors (health, education, water and sanitation, electricity, agriculture and industry, transport, housing, among others) causing alterations in jobs and food security, resulting in a regression in poverty reduction.
- 1.3 Economic growth in Honduras has not translated into significant poverty reduction (HDI 0.705, UNDP 2011). Very high levels of poverty persist in the department of La Paz (IDH La Paz 0.654). There is a high concentration of Lenca indigenous people in this region who have historically suffered marginalization, cultural loss, and displacement of traditional lands.
- 1.4 These aspects mentioned are more evident in rural families and especially in small producers in Honduras, many of whom are self-sufficient for their survival in their own agricultural production. Additionally, rural producers face challenges from climate change, which not only causes devastating storms like those mentioned above, but also affects traditional production systems that are increasingly vulnerable to temperature and precipitation variations.

⁵ [Honduras | Data \(bancomundial.org\)](https://datos.bancomundial.org/indicadores/SH.UV.CD?locations=LA)

⁶ UNFPA - United Nations Population Fund

⁷ [Human Development Reports \(undp.org\)](https://data.unhcr.org/en/documents/details/4323)

⁸ [Gini Index \(World Bank estimate\) - Honduras | Data](https://datos.bancomundial.org/indicadores/SH.UV.CD?locations=LA)

⁹ [Honduras: overview \(bancomundial.org\)](https://datos.bancomundial.org/indicadores/SH.UV.CD?locations=LA)

¹⁰ [wcms_755523.pdf \(ilo.org\)](https://www.ilo.org/wcmsp5/groups/public/-/media/rosc/rosc/rosc755523.pdf)

¹¹ [Honduras: overview \(bancomundial.org\)](https://datos.bancomundial.org/indicadores/SH.UV.CD?locations=LA)

¹² [Assessment of impacts caused by Tropical Storm Eta and Hurricane Iota in Honduras \(cepal.org\)](https://repositorio.cepal.org/es/publicaciones/assessment-of-impacts-caused-by-tropical-storm-eta-and-hurricane-iota-in-honduras)

II. THE INNOVATION PROPOSAL

A. Goals

- 2.1 The aim of the project is to improve climate resilience and food security through economic empowerment and transformation of the agricultural system for smallholder farmers in western Honduras.
- 2.2 The project will employ an integrated and cross-sectoral approach to gender issues and involve women's and youth groups. Women will be empowered to participate and assume leadership and decision-making roles in cooperatives and organizations. The project addresses food and nutrition security issues, as well as offering alternatives to cross-border migration and organized violence linked to unemployment, underemployment, and food insecurity.
- 2.3 This project will focus on improving food security and economic empowerment in these communities and building resilient agricultural systems, promoting, and developing food value chains such as avocado, vegetables and honey; increasing agricultural production by diversifying smallholder farms; and educating families about healthy food consumption. The project will promote the use of digital innovation in production, as well as the financial inclusion of cooperatives and smallholder farmers' organizations to strengthen territorial development. To meet the objectives of the project, interorganizational dialogues and advocacy around good governance will take place.

B. Project beneficiaries and Innovation

- 2.1 The direct beneficiaries of the project are 40 producers organizations that are members of the COMAL Network, including business associations, consumer shops and cooperatives. Of the 40 organizations participating in the project, at least 10 already have some degree of organizational strength, which the project will further enhance, making them a reference and model for other organizations. The other 30 producer organizations will receive support to strengthen their leadership and good governance capacities. These organizations already exist in the communities, they are integrated into local boards of directors, however, they require accompaniment and training in order to strengthen their leadership, and their internal control mechanisms (administration, transparency, and accountability). As part of these 40 organizations, the project will work with 900 producers (48% female; 52% male) representing 900 households. In this way, the project will support 4,500 people (5 people per family), of which 35% (1,575 people) are between 18 and 35 years old.
- 2.2 The producer organizations that will be strengthened through the project will participate in different phases of production and transformation of products in selected value chains (harvesting, product processing, marketing, community nurseries). The average rural household income is estimated to be approximately \$816 per capita per year.¹³ By strengthening different processes in these value chains, the project hopes to be able to effectively include women and young people

¹³National Statistical Institute (INE) LXI Permanent Survey of Multi-Purpose Households June 2018.

in key value-added activities. This will multiply the benefits for women and youth by enhancing their participation and empowerment. Through participation in activities that add value to value chains, the project will be able to economically and socially empower women and young people by providing valuable technical skills, establishing, and recognizing their productive role in value chains.

- 2.3 Under Component 2, the project will support households with high food insecurity. These are 400 households out of a total of 900 that are particularly vulnerable. The project will develop the selection criteria with the 40 participating organizations according to particular characteristics. The most vulnerable households have been identified as child-headed households, female-headed households, elderly, persons with disabilities, widows, widowers, and those who have been directly affected by violence, including survivors of gender-based violence who are unable to meet their basic food needs.
- 2.4 On the other hand, the indirect beneficiaries of the project will include: (i) Local consumers and community members, given that avocado, vegetable, and honey products will be sold locally and to larger centers thanks to the alliances that the project will establish. An increase in production will make such products available, thereby improving the nutritional and food security status of other members of the community. Community members will also indirectly benefit from the project through water management and positive environmental effects. (ii) Other producer organizations will also benefit from capacity-building activities as they will learn from trained producers. It is also hoped that seeing the effectiveness of the techniques and approaches incorporated by the project may encourage other producers to use similar approaches. (iii) Suppliers of inputs and services: Inputs (seeds, fruit trees, etc.) will preferably be purchased from other producers and small businesses in the area. Therefore, by increasing the demand for inputs, the project will have a broader impact on everyone involved in the supply of inputs. In addition, the project will benefit other producer organizations in the area that can provide services to target producers.

C. Project executing organization

- 2.5 The executing agency of the project is the Alternative Community Marketing Network (COMAL), which is a network of producer organizations (PO) that has been working for more than 26 years in Honduras based in the city of Siguatepeque. COMAL is specialized in sustainable agricultural production and alternative marketing with great emphasis on "Solidarity Economy". Through the years COMAL has gained vast experience in supporting the self-organization efforts of small agricultural producer organizations. This approach has allowed COMAL to develop its niche in strengthening the capacities of grassroots organizations and good governance, which will be a key asset for the sustainability of the project. COMAL methodologies are participatory, meaning that participants are always involved in all decision-making processes.
- 2.6 COMAL is a non-profit organization made up of 1,464 smallholder farmers and their families from 65 community organizations. In 2021 it provided services to 1,105 users and 1,390 users in 2022. To join the network, producers must be part of a

community organization. Each community organization contributes an initial membership fee of 2,000 Lempiras (USD 83) to join. When an organization withdraws, its contribution and accrued interest are returned to it. The 900 small producers were selected based on surveys carried out by COMAL and the analysis of their capacities to carry out the project activities with the respective commitments of time and resources. The gender balance and young beneficiaries were also taken into account in such a way that there is an equitable benefit in the project communities. Producers and organizations that have the geographical and climatic conditions conducive to the production of avocado and honey and vegetables were also chosen. On the other hand, the 40 organizations were selected based on an analysis of their needs and dialogue with the leaders of the organizations that meet annually with the Assembly of partners. From these meetings, the criteria for participation were established, which included: (i) counterpart resources for the execution of the proposed activities; (ii) organizational capacity; (iii) installed infrastructure capacity to implement irrigation systems; and a relationship established with the Regional Boards of Directors (Intibucá, La Paz and Lempira). The participation of indigenous and peasant communities where the participation of women and young people is prioritized was also taken into account. These regions were decided for the high levels of impoverishment and with little access to public services of agricultural extension. It is expected that the selected communities and organizations can participate economically by sharing the costs that require the implementation of these activities on the farm (adoption of seeds, plant varieties and avocado trees).

- 2.7 The National Assembly of the COMAL supervises the organization and is the highest authority. The members of the assembly elect the members of the National Board of Directors and the Supervisory Board, who are responsible for the management of the organization for two years. There are five members of the Board of Directors and three members of the Supervisory Board.
- 2.8 The operations are directed and carried out by the Executive Director and the administrative staff. COMAL is structured around three priority areas: (i) institutional strengthening, which has units of administration and accounting, and services and communications; (ii) community organization and development, with its units of technical and business assistance, organizational strengthening, market access and political advocacy; and (iii) production and industrialization - units of agroecology and agroindustry.
- 2.9 Integrity review . In accordance with IDB policies (document OP-474-1), the project team carried out an integrity review of the executing entity and the persons involved in this operation and did not detect irregularities related to the entity (see Annex VI).

D. Components

- 2.10 The project consists of three components that are integrated and will be implemented in a coordinated and complementary manner. The issues of sustainable agriculture, food security and institutional development are linked through productive organization and also by the issue of financing activities. The components are described below.

Component I. Development of value chains through agro-ecological approaches and improved market access (GAFSP: US\$1,449,500).

- 2.11 The project will focus on the development of the value chains of avocado, vegetables (green pepper, broccoli, and lettuce) and honey. These crops and products contribute to food security and are in high demand in the domestic market (according to studies conducted by FAO). They are adapted to the climatic conditions of the Western region of Honduras, and COMAL has had pilot experiences in the development of these.
- 2.12 The objective of the component is¹⁴ to implement agro-ecological practices to increase resilience and promote climate change adaptation and mitigation through sustainable management of natural resources (water, soils, forests). A focus on knowledge transfer and replication among smallholder farmers will ensure the long-term sustainability of these food value chains. The project will create strong connections between small farmers and local businesses and leverage existing relationships with dynamic markets at the national level. The project will bring together small farmers and local businesses to create strategic alliances and partnerships in order to promote and sell their products. The project based on its resource and time projections will provide training to 900 smallholder farmers (300 avocado producers, 300 vegetable producers and 300 women bee honey producers) on agro-ecological practices that will strengthen selected value chains. The project will support farmers with the agricultural inputs, infrastructure and materials needed to incorporate the necessary water and irrigation systems. At least 720 of these producers are expected to adopt production and marketing practices.
- 2.13 As part of the productive infrastructure and as a measure of adaptation to climate change, the implementation of 40 community greenhouses and 250 drip irrigation systems is planned. These greenhouses and technical irrigation systems may be used for protected crops or for the production of vegetable seedlings. The management of the greenhouse and irrigation systems will be carried out by the producers' organization through its board of directors, who will have an internal regulation for its effective operation. Through market-related activities such as business roundtables, fairs, package labels, awareness campaigns, radio spots and digital and offline marketing activities, farmers will be supported to strengthen their market access. The implementation of these irrigation systems in particular, will be reviewed by a qualified company or professional, approved by the IDB Lab, in such a way that systems are designed that are environmentally sustainable and that take into account basic management and operation policies (Management and Operation Agreements).
- 2.14 Under this component, 40 seed banks will also be strengthened, one per community, which will be led by the producer organizations participating in the project, based on an internal regulation for the operation of the seed bank and thus guarantee sustainability once the project is completed.
- 2.15 Finally, this component will work on access to meteorological and market

¹⁴Agroecology is a scientific discipline, a set of practices and a social movement. As a science, it studies how different components of the agroecosystem interact. As a set of practices, it seeks sustainable agricultural systems that optimize and stabilize production. FAO. Knowledge Platform on Family Farming. <https://www.fao.org/family-farming/themes/agroecology/en/>

information so that producers can make informed decisions. These actions will improve productivity and diversification. To support better market access and income generation for small producers, the project envisages a variety of workshops and trainings, including the development of commercial and digital skills, as well as fostering links with local market players and facilitating participation in community and municipal fairs.

- 2.16 The main result of this Component is that 720 producers implement better agro-ecological knowledge and practices in the prioritized value chains (avocado, honey, and vegetables), 220 avocado producers, 280 vegetable producers; and 220 women honey producers.

Component II. Food and nutrition security (GAFSP: US\$174,200).

- 2.17 This component aims to ensure that households have sufficient access to nutritious and diverse foods to improve their diet. In addition to increased productivity, families will enjoy better access to food with high nutritional value, receive nutrition education and benefit from media campaigns to raise awareness about the importance of nutrition.
- 2.18 This intervention has integrated fundamental pillars such as food availability and accessibility, food consumption, biological utilization, and food stability. By addressing these pillars, the project intends to address both transient and chronic food insecurity in the areas of implementation.
- 2.19 The project will seek to increase food availability, in particular by addressing food supply through the establishment of family gardens and fruit trees. Therefore, the project will ensure that food production is physically available and accessible at the household level, by self-supplying quality food in sufficient quantities for 400 vulnerable rural households participating in these activities. This component also includes the development of a digital tool for timely climate information disclosure, as well as a number of digital tools for better crop control and management.
- 2.20 Project activities include: (i) training households in diversified agricultural production and integrating agroecological and agroforestry practices; (ii) training households in water and crop management aspects; (iii) strengthening households' capacities to produce diverse crops and fruits effectively; (iv) training vulnerable households on climate adaptation strategies that will contribute to the resilience of household food production systems and digital skills to skillfully manage tools; (v) training in nutrition and hygiene practices at the household level; and (vi) training in improving food consumption so that they can select, store, prepare, distribute and consume food at the individual, family and community levels, focusing actions to bring about change in participants' attitudes and behavior regarding food use and preparation. As a result of this component 400 households improve their knowledge on agroecological practices such as climate change resilience to improve food security and nutrition of households.

Component III: Strengthening Organizational Capacity (GAFSP: US\$105,300).

The objective of this component is to ensure that producer organizations are strengthened in their management skills for business development, both in matters of accounting, record keeping, management, financing, and good governance.

- 2.21 The activities of this component include the training of community organizations in financial inclusion, digital skills, financial education, good governance, and

management, as well as the inclusion of territorial and national authorities, in order to systematize good practices and learning exchanges. You will also be trained in leadership, gender, transparency, and dignity.

- 2.22 The project also recognizes the importance of financial inclusion and organizational strengthening of producer organizations to develop capacities to access financing appropriate to their production needs and provide opportunities to scale. Lack of access to finance has an important effect on both supply and demand. The project therefore focuses on strengthening the capacity of producer organizations and also addresses the need to access financial services for savings and subsequently credit.
- 2.23 As a strategy, the project will work to strengthen rural savings and credit funds (CRAC) in the departments of Intibucá and Lempira. For several years, COMAL has promoted the formation of Rural Savings and Credit Banks (CRAC) with the participation of agricultural producers. These CRACS are community organizations whose purpose is to promote savings and provide financial assistance sustainably within the groups formed as boxes. This model that has had much relevance and success in the region¹⁵ seeks financial inclusion without the need for small producers to have to depend on the banking financial system and promotes the organization around good governance practices, accounting and financial management and self-management. This project is expected to strengthen and shape financial inclusion in the departments of the COMAL area of influence. The focus will be on ensuring the financial inclusion of producers and, in particular, women and young people. This will be achieved by supporting CRACS to develop specific products that are appropriate for these groups.
- 2.24 The project will strengthen the participation of women and the self-organization of producers as a central part of the intervention. It will promote dialogue with the authorities and other key actors to strengthen organizations, good governance, and transparency with the intention of strategically enhancing territorial development in La Paz and Lempira and Intibucá.
- 2.25 Key outcomes of this component include 900 producers trained in financial management issues and 40 producer organizations implementing financial support activities in their communities.
- 2.26 The detailed budget presents the description of the activities that will be financed with the Non-Refundable Technical Cooperation (NRTC) with GAFSP resources. Given the scale of the project and its territorial scope, the project includes funding for the deployment of local COMAL staff and specialized consultants that has been estimated as a separate cost for better recruitment control. These resources represent US\$246,000 and their detail is explained in the Annex to the Detailed Budget.
- 2.27 **Conditions prior to all disbursements.** For all disbursements, COMAL must submit to the satisfaction of IDB Lab: (i) the projected semiannual cash flow; and (ii) the bank statement from the bank where the funds of the project are being managed.

¹⁵Summary of the Online Forum: Savings Groups in Latin America. Mastercard Foundation. Eloisa Deviette and Laura Fleischer. 2011.

Community Savings and Women's Economic Empowerment Groups in Rural Areas. Final Evaluation Report IDB Project ATN/ME-13716-EN Sophie Chauliac 2017.

E. Project Results, Measurement, Monitoring and Evaluation

- 2.28 Project results (see also Results Matrix in Annex I). The project indicators were agreed with the funding entity, which is the Global Agriculture and Food Security Program (GAFSP). In this sense, the main results of the project are: (i) 900 small producers participate in value chains and implement agroecological practices resilient to climate change; (ii) 400 households improve their knowledge on the establishment of family gardens and fruit trees; (iii) 40 organizations of small producers trained in management and leadership, governance, business development, financial education, gender, transparency, among others; and (iv) 30 new established savings and credit funds. Given that the project has a scope in regions of the country where there are indigenous populations and young populations, it is expected that some proposed indicators will be disaggregated by these two categories. The mechanism and manner of implementation of this data collection and disaggregation will be agreed with the Executing Agency at the Startup Workshop.
- 2.29 **Measurement, monitoring, and evaluation.** IDB Lab will periodically monitor and supervise the execution of the project, based on the execution time and the committed goals. The monitoring method includes carrying out several activities, such as visits to the areas of intervention of the project, on-site evaluation on the level of progress of the activities and targets through interviews with the direct actors of the project, including producer organizations, marketing companies, small family producers, actors of the production ecosystem and marketing of the selected items of the project. Periodic monitoring meetings will also be held with the Executing Body. Additionally, IDB Lab, under the project management approach based on risks and results, will verify compliance with Milestones (critical project activities) agreed with the Executing Agency that conditions the disbursements at a certain time in the Operational Plan. Likewise, it is planned to develop a Systematization of the project, starting from the first year of the project, in order to capitalize on the learning, lessons learned from the project, in such a way that it can improve the implementation strategy, and raise the expected impact at the end of the operation. Annually, the results achieved must be systematized and published on the project website.
- 2.30 COMAL has a monitoring system for the various development projects it executes. For the purposes of this project, a work team would be formed, led by the project manager or coordinator, the administrator, project assistant (Component IV) and the technical team responsible for components 1, 2 and 3. The project coordinator or manager will be responsible for executing project activities and coordinating tasks with the rest of the team, information inputs into the system, outcome analysis, etc.
- 2.31 COMAL in the monitoring analysis will establish a mechanism for monitoring the results, as well as a process of continuous improvement, that is, it will permanently draw lessons learned from each cohort in order to permanently improve the intervention model.
- 2.32 COMAL has information systems that will be the basis for the data of the indicators, and will report them semiannually to IDB Lab during execution, through the project progress report (PSR). These reports will include updates on achievements against the indicators included in the project Results Matrix (Annex I) and narrative

descriptions of project achievements and progress. Here, the IDB Lab will be informed about the various coordination initiatives with other Bank projects and the possible alliances that may be formed with the executing agencies of these projects. The reports will be aligned to the reporting needs of the GAFSP in order not to duplicate reports.

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS

A. Alignment with the IDB Group

- 3.1 The project is aligned with the IDB Group's Country Strategy in Honduras 2019-2022, mainly with the strategic objective of "Expansion of sustainable productive opportunities", through the prioritization of interventions that improve the performance of production chains. The new interventions will be aligned to achieve an increase in financing to small agricultural producers, incorporation of technology to improve productivity and adaptation to climate change.
- 3.2 The project is in line with IDB Lab's vision,¹⁶ and is congruent with the efforts led by IDB Lab to promote productive and food security opportunities, especially in vulnerable populations. In this sense, the role of inclusion is highlighted, particularly of women, to increase the quality and access of people with lower incomes to the market, making it possible to generate commercial transactions. The project is aligned with the thematic area of Climate Smart Agriculture and aligns with the vertical of agriculture and natural capital.
- 3.3 The project is aligned with the Sector Framework Document for Agriculture and Natural Resources Management (GN-2709-10) which points out the importance of food security to increase agricultural productivity.
- 3.4 **Alignment with the Paris Agreement.** This operation has been analyzed from the framework of the Multilateral Development Banks for the Paris Agreement and is considered aligned with both mitigation and adaptation efforts to climate change.
- 3.5 The project is aligned with the following Sustainable Development Goals (SDGs) declared by the United Nations General Assembly: SDG1 – End poverty (Target 1.4), by allowing access to higher value markets to small family producers in vulnerable situations; SDG 2 – End hunger (Target 2.3) and SDG 8 – Decent work and economic growth (Target 8.2) given that the project aims to improve the incomes of smallholder families linked to the value chains of vegetables, avocado and honey.
- 3.6 7.4% of the operation's resources are invested in climate change mitigation and/or adaptation activities, according to the joint methodology of the Multilateral Development Banks. These resources contribute to the IDB's climate finance goal (30% of the volume of approvals annually).

¹⁶IDB Lab Business Plan 2022-2023. October 13, 2022.

B. Expansion and scale

- 3.7 The project has the potential to implement a scalable solution within the framework of the HO-L1201 project “Integral Project of Rural Development and Productivity” managed by the R&D Division. This project has several highly compatible activities with which synergies can be created, since it is developed in the dry corridor and includes the value chains of vegetables, honey, and avocado.
- 3.8 Likewise, the project will be able to coordinate with the operation “HO-T1343 - CoffeeChain - Digitization of the Coffee Value Chain” that promotes processes for the creation of Digital Identity for producers in rural areas, to provide training, advice and show the benefits of digitization in the commercial articulation, productive processes such as input management, crop management, among others.
- 3.9 The general scalability of the project will be given through the expansion of the work of COMAL to new producer organizations, as well as new regions and production chains. This allows it to remain active during the different commercial windows of different products, prioritizing the chains of exportable products such as bananas, coffee, and cocoa.
- 3.10 For the scale strategy of the project, it has been convenient to generate cooperation alliances with other organizations present in the regions, as well as other historical cooperators with whom Red COMAL has worked¹⁷, public entities, local governments, and other productive associations.

C. Project and institutional risks

- 3.11 **Environmental risk:** The project is located in an environmentally vulnerable area, meaning the project will be exposed to potential extreme weather events such as hurricanes, floods, and droughts. **Mitigating:** While this probability is medium, the project will seek coordination with local authorities, emergency committees, health brigades, and the community board. Adaptation measures will be established according to the specific conditions of the area, category and type of risk and vulnerability.
- 3.12 **Social risk:** other social dynamics constitute a risk for the project. As such, limited participation of youth and women due to legal, social, and cultural barriers, women, and youth. While this risk is low, its impact could be medium, given that the project will especially target women and young people. **Mitigating:** the project will seek to involve young people and women in the design of activities and promote the leadership of young people and women in decision-making spaces. In addition, the project will work with key local leaders and engage them as champions to promote the participation of women and youth. It will seek to create formal and informal spaces seeking their representation in the activities.
- 3.13 **Security risks:** Due to the high level of insecurity in the country, the likelihood of this risk is considered medium and the potential impact on the project is

¹⁷COMAL has maintained project relations with the following entities: Irish Aid, BMZ, AECID, CORDAID, CODESPA, ICCO, Christian Aid, Progressio, VECOMA, STROHAL, La Caixa, ActionAid Denmark, Acción Verapaz, Communitas / EcoViva and CAFOD.

considered medium. Insecurity can have implications for the safety of staff and the communities in which the project is implemented. **Mitigating:** COMAL will implement a security protocol and work with project organizations to ensure acceptance and build strong relationships with key local leaders and stakeholders who can influence and promote security and protection.

IV. INSTRUMENT AND BUDGET PROPOSAL

- 4.1 It is important to note that, in its effort to obtain additional and complementary resources for the development of its objectives, the IDB Lab obtained the participation of the Global Agriculture and Food Security Program (GAFSP) for the total financing of the budget of this project. In that sense, the total project budget, which is USD 2,130,000, will be contributed by the Global Agriculture & Food Security Program (GAFSP).
- 4.2 The Global Agriculture and Food Security Program (GAFSP) is a multilateral funding platform dedicated to improving food and nutrition security worldwide. Launched by the G20 in the wake of the global response to the 2007-08 food price crisis, GAFSP works to build systems. Since 2010, GAFSP has raised more than \$2 billion in donor funds and provided financial and technical resources (grants, technical assistance, concessional loans, blended financing, and advisory services) for demand-driven projects along the food chain, from farm to table. The IDB is one of the entities managing these resources and as such will use these resources for the execution of this project.

Budget summary table (see budget detail in Annex II):

Components	GAFSP Contribution (USD)
Component I. Value Chain Development	1,449,500
Component II. Food and nutrition security	174,200
Component III: Strengthening Organizational Capacity	105,300
Follow-up, evaluation, and monitoring	55,000
Technical Equipment	246,000
Operating Expenses	65,000
Monitoring and Evaluation IDB Lab	35,000
Total	2,130,000

V. ENVIRONMENTAL AND SOCIAL ASPECT

- 5.1 On March 21, 2023, the project was reviewed and classified in category “B”, in accordance with the IDB's Environmental and Social Policy Framework (GN-2965-3) given that the activities to be financed are expected to have medium potentially adverse environmental and social risks or impacts. The project presents risks related to its operation in rural areas and with small agricultural producers, including: problems of health and safety at work (“OSH”), work and working conditions, child labor and forced labor, resource use efficiency and pollution control, use/storage of prohibited chemicals according to the risk classification of the World Health Organization (“WHO”), impacts on communities,

deforestation and significant conversion of natural and/or critical habitats for agricultural purposes. As part of the execution of the project, the Executing Agency will make a series of improvements and additions to its policies and develop procedures of its environmental and social management system, which are summarized in the Summary of the Environmental and Social Review found in the Annex of this document.

VI. MILESTONES COMPLIANCE AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 Disbursements by Results and Fiduciary Arrangements. The Executing Agency will commit to the IDB Lab's standard arrangements regarding disbursements by results, to the procurement and financial management policies applicable to the private sector, and as specified in the "Guidance on Management by Milestones and Financial Supervision for Technical Cooperation of the IDB Lab and the PES". This is consistent with the outcome of the Diagnosis of Institutional Integrity and Capacity (DICI), which reflects that COMAL has an acceptable financial management system for the IDB Lab and has a monitoring and accountability structure for the presentation of its annual Institutional Financial Statements to the Bank.
- 6.2 **Project management based on risk and performance.** Under this modality, the amounts of the project disbursements will be determined according to the liquidity needs of the project estimated for a maximum period of 6 months. These needs will be agreed between the IDB and COMAL and will reflect the activities and costs programmed in the annual planning exercise.
- 6.3 **Disbursements.** The first disbursement will be conditional on the fulfillment of preconditions and successive disbursements will be made provided that the following two conditions are met: (i) verification by IDB Lab that the milestones have been met, as agreed in the annual planning; and (ii) that the Executing Agency has justified at least 80% of the accumulated advance funds advances. In the event that the disbursement milestones are not met, the Executing Agency shall submit, for the Bank's no objection, an action plan for the fulfillment of the milestones. In the event that the action plan does not take effect, the Bank may cancel the undisbursed balance of the project.
- 6.4 COMAL Network has prior collaboration agreements with CAFOD, which is the development agency of the Catholic Church in England and Wales and was established in 1962 by the Bishops of England and Wales. CAFOD is a non-profit, non-governmental entity whose vision is to see a world transformed according to the principles of the Kingdom of God, where all communities and individuals can flourish as agents of their own development. CAFOD has a long history of working with institutional donors in development, humanitarian aid, and emergencies. Accompany COMAL since 2001 and will provide support in the following activities:
 - Technical support for monitoring impact indicators (e.g., income, expenses, agroecological farms, farm map).

- Capacity building: accountability, governance, protection (including SADI framework) and practice of quality standards in the project.
- Facilitate online learning and regional learning exchanges linked to knowledge management.
- Support and accompany the promotion of policies favorable to small producers.

6.5 COMAL Network has previous collaboration agreements with IICA, which is the Inter-American Institute for Cooperation on Agriculture, the specialized agency in agriculture of the Inter-American System that supports the efforts of Member States to achieve agricultural development and rural well-being. Since its creation in 1942, its vision has been to be a platform of human resources and processes capable of mobilizing the knowledge available in the region and the world to achieve competitive, inclusive, and sustainable agriculture that takes advantage of opportunities to contribute to economic growth, development and promotes greater rural well-being and sustainable management of natural capital. It will support the following activities:

- Technical Training
- Technical support in documentation of experiences (Systematization)
- Strengthening community organizations around the use of tools (e.g., Management, evaluation, and improvement of CRAC management for sustainability).
- Advice on e-commerce, local fairs, and market development.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

7.1 This document does not contain confidential information or intellectual property aspects that require exceptions to the Bank's policy. The Bank may disclose, reproduce, and publish any information related to the Project, as well as its participation in the financing of the Project.