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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

AND RESTRUCTURING

IN THE AMOUNT OF US\$8.5 MILLION

TO THE REPUBLIC OF HONDURAS

FOR AN

ADDITIONAL FINANCING TO THE INNOVATION FOR RURAL COMPETITIVENESS
PROJECT (COMRURAL III)

June 27, 2023

Agriculture and Food Global Practice
Latin America and Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective June 6, 2023)

Currency Unit = Honduran Lempira

24.61 HNL = 1 US\$

0.041 US\$ = 1 HNL

FISCAL YEAR

January 1 - December 31

Regional Vice President: Carlos Felipe Jaramillo

Country Director: Michel Kerf

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ABBREVIATIONS AND ACRONYMS

AD	Afro-Descendant
AF	Additional Financing
AD	Afro-Honduran
AM	Accountability Mechanism
AMHON	<i>Asociación de Municipios de Honduras</i> (Association of Municipalities of Honduras)
CCDR	Climate Change Development Report
CDD	Community-Driven Development
COMRURAL	Rural Competitiveness Program
CONAPROAH	<i>Coordinación Nacional de Pueblos Originarios y Afrohondureños</i> (National Coordination of Original and Afro-Honduran Peoples)
COPECO	<i>Comisión Permanente de Contingencias</i> (Permanent Contingency Commission of Honduras)
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostic
CSA	Climate-Smart Agriculture
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESRS	Environmental and Social Review Summary
FAO	Food and Agriculture Organization
FM	Financial Management
GAFSP	Global Agriculture & Food Security Program
GBV	Gender-based violence
GCF	Green Climate Fund
GDP	Gross Domestic Product
GHG	greenhouse gas
GoH	Government of Honduras
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IADB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IP	Indigenous People
IPC	Integrated Food Security Phase Classification
MASTA	<i>Miskitu Asla Takanka</i>
NGO	Non-Government Organization
NSmartAg	Nutrition-smart Agriculture
PDO	Project Development Objective
PIU	Project Implementation Unit
POM	Project Operations Manual
PROASOL	<i>Programa de Acción Solidaria</i> (Solidarity Action Program)

PyENSAN	<i>Política y Estrategia Nacional de Seguridad Alimentaria y Nutricional de Honduras</i> (National Policy and Strategy for Food and Nutritional Security)
SAG	<i>Secretaría de Agricultura y Ganadería</i> (Ministry of Agriculture and Livestock)
SCD	Systematic Country Diagnostic
SDG	Sustainable Development Goal
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
SEDESOL	<i>Secretaría de Desarrollo Social</i> (Ministry of Social Development)
SEDUC	<i>Secretaría de Educación</i> (Ministry of Education)
SERNA	<i>Secretaría de Recursos Naturales y Ambiente</i> (Ministry of Environment)
SESAL	<i>Secretaría de Salud</i> (Ministry of Public Health)
SEP	Stakeholder Engagement Plan
SFP	School Feeding Program
SINASAN	National Food and Nutritional Security System
TA	Technical Assistance
UAP	Unidad de Administración de Proyectos (Project Administration Unit)
USAID	United States Agency for International Development
UTSAN	<i>Unidad Técnica de Seguridad Alimentaria y Nutricional</i> (Technical Unit of Food and Nutrition Security)
WBG	World Bank Group
WFP	World Food Programme

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BASIC INFORMATION – PARENT (Innovation for Rural Competitiveness Project - COMRURAL III - P174328)

Country	Product Line	Team Leader(s)		
Honduras	IBRD/IDA	Viviana Maria Eugenia Perego		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P174328	Investment Project Financing	SLCAG (9241)	LCC2C (1308)	Agriculture and Food

Implementing Agency: Secretaría de Agricultura y Ganadería

Is this a regionally tagged project?	
No	

Bank/IFC Collaboration
No

Approval Date	Closing Date	Expected Guarantee Expiration Date	Environmental and Social Risk Classification
15-Jun-2021	15-Jun-2027		Substantial

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)

Development Objective(s)

(i) To contribute to market access, adoption of climate-smart approaches, and job creation in support of project beneficiaries in selected agri-food value chains; and (ii) in case of an Eligible Crisis or Emergency, to respond effectively to it.

Ratings (from Parent ISR)

	Implementation			Latest ISR
	20-Oct-2021	28-Apr-2022	07-Nov-2022	15-May-2023
Progress towards achievement of PDO	S	S	S	MS
Overall Implementation Progress (IP)	S	S	S	MS
Overall ESS Performance	S	S	S	U
Overall Risk	S	S	S	S
Financial Management	S	S	S	S
Project Management	S	S	S	S
Procurement	S	S	S	MS
Monitoring and Evaluation	S	S	S	S

BASIC INFORMATION – ADDITIONAL FINANCING (Additional Financing (AF) to the Innovation for Rural Competitiveness Project (COMRURAL III) - GAFSP Financing - P181004)

Project ID P181004	Project Name Additional Financing (AF) to the Innovation for Rural Competitiveness Project (COMRURAL III) - GAFSP Financing	Additional Financing Type Restructuring, Scale Up	Urgent Need or Capacity Constraints Yes
Financing instrument	Product line	Approval Date	

Investment Project Financing	Recipient Executed Activities	16-Jun-2023	
Projected Date of Full Disbursement	Bank/IFC Collaboration		
29-Dec-2026	No		
Is this a regionally tagged project?			
No			

Financing & Implementation Modalities

<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	

Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD				<div style="width: 0%; height: 15px; background-color: #ccc;"></div>	%
IDA	100.00		100.00	<div style="width: 0%; height: 15px; background-color: #ccc;"></div>	0 %
Grants				<div style="width: 0%; height: 15px; background-color: #ccc;"></div>	%

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Additional Financing (AF) to the Innovation for Rural Competitiveness Project (COMRURAL III) - GAFSP Financing - P181004)

FINANCING DATA (US\$, Millions)

SUMMARY (Total Financing)

	Current Financing	Proposed Additional Financing	Total Proposed Financing
Total Project Cost	146.10	106.25	252.35
Total Financing	146.10	100.00	246.10
Financing Gap	0.00	6.25	6.25

DETAILS - Additional Financing

Non-World Bank Group Financing

Counterpart Funding		3.80
Local Farmer Organizations		3.80
Trust Funds		8.50
Global Agriculture and Food Security Program		8.50

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any other Policy waiver(s)?

Yes No

Explanation

An exception to Bank Policy to allow the AF to finance the purchase of fresh food from local producers through grants to schools under the Government’s School Feeding Program (SFP) was processed and approved by the Regional Vice President on May 16, 2023 in accordance with the “Bank Procedure: Preparation of Investment Project Financing - Situations of Urgent Need of Assistance or Capacity Constraints” - Selected Expenditures Proposed to be Financed under the Loan – Section (3) Food Expenditures”.

Has the waiver(s) been endorsed or approved by Bank Management?

Approved by Management Endorsed by Management for Board Approval No

Explanation

The AF will provide grants to schools for the purchase of locally-sourced food meals from local producers through the national School Feeding Program.

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

INSTITUTIONAL DATA

Practice Area (Lead)

Agriculture and Food

Contributing Practice Areas

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
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Extended Team			
Name	Title	Organization	Location

I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

A. Introduction

1. **This Project Paper seeks the approval of the Regional Vice President to provide an Additional Financing (AF) grant in the amount of US\$8.5 million, financed from the Global Agriculture and Food Security Program (GAFSP) to the Republic of Honduras for the Innovation for Rural Competitiveness Project (COMRURAL III, P174328).** The AF grant will support the expansion of COMRURAL III to the Moskitia-Costa Atlántica region (located in the administrative department of Gracias a Dios) and will finance interventions addressing the region's urgent food security needs. As a result of the AF, the Parent Project will be restructured to add a new component and incorporate changes to the Project's results framework and costs. The proposed AF is aligned with the original Project Development Objective (PDO), which will remain the same, and the Environmental & Social Risk Classification (ESRC). The implementation arrangements remain broadly unchanged. Because the department of Gracias a Dios represents a more challenging operating environment, additional residual institutional and operational risks have been identified, and the Project's risk rating continues to be assessed as Substantial.

2. **Given the urgent need for improving food security in the Moskitia-Costa Atlántica region, the AF and associated restructuring are being processed under condensed procedures in line with paragraph 12 of Section III of the IPF Policy and an exception to finance food purchases has been granted.** Recent natural disasters, combined with the pre-existing multi-sectoral needs in the Moskitia-Costa Atlántica, have compounded the stark food and fertilizer inflation faced by the entire country, making it urgent to intervene quickly. In addition, the requirements of the GAFSP's call for proposals, which prioritized urgent food security requests, indicate that funds should begin disbursing within nine months of approval by GAFSP (i.e., by November 2023). Restructuring requirements set forth in the Bank's Policy and Directive for Investment Project Financing have been met, namely: (i) the PDO remains achievable; (ii) the Bank and the Recipient agree on actions that will be undertaken to complete the Project on time; (iii) there are no overdue audits; and (iv) the Project is not subject to suspension of disbursements. An exception to Bank Policy to allow the AF to finance the purchase of fresh food from local producers through grants to schools under the Government's School Feeding Program (SFP) was processed and approved by the Regional Vice President on May 16, 2023 in accordance with the "Bank Procedure: Preparation of Investment Project Financing - Situations of Urgent Need of Assistance or Capacity Constraints" - Selected Expenditures Proposed to be Financed under the Loan – Section (3) Food Expenditures".

B. Original Project Objectives and Design

3. **The PDO of COMRURAL III is to contribute to market access, adoption of climate-smart approaches, and job creation in support of project beneficiaries in selected agri-food value chains; and in case of an Eligible Crisis or Emergency, to respond effectively to it.** COMRURAL III (P174328) is part of the COMRURAL project series (building on lessons from COMRURAL I¹ and II²), which has over 10 years of experience in promoting the

¹ Honduras Rural Competitiveness Project (COMRURAL – P101209), approved on June 17, 2008 and closed on June 30, 2021.

² Integrating Innovation for Rural Competitiveness in Honduras (COMRURAL II – P168385), approved on June 27, 2019

development of the country's agri-food sector, with the active participation of the private financial sector to co-finance and maximize the impact of investments. The program has evolved into an increasingly more ambitious agenda that promotes methods by which small farmers can transition from subsistence production to value-added production and where farmer groups gain more access to national and international markets, progressively leveraging private co-financing. COMRURAL III significantly scales up on the models established in prior projects and aims to enhance small farmers' market connectivity and resilience to climate change, leveraging the experience accumulated throughout project implementation of COMRURAL I and II.

4. **COMRURAL III consists of four components.** Component 1, "Enhancing Competitiveness and Resilience in Prioritized Value Chains", aims to support competitive, innovative, and climate-resilient agribusiness initiatives ("subprojects") in prioritized agricultural value chains under the productive alliances³ model. Component 2, "Strengthening Institutions for Improving the Agribusiness Environment", supports the modernization and strengthening of selected public sector services, as well as the improvement of the regulatory framework and institutional capacity for enabling agribusiness competitiveness. Component 3, "Project Management Support", provides monitoring, evaluation, and project management support. Component 4, "Contingency Emergency Response" will provide an immediate response to eligible emergencies. The current closing date is June 15, 2027.

5. **COMRURAL III's key support to beneficiaries is the provision of matching grants to co-finance agribusiness plans.** The Project is based on the well-established "productive alliance" model, which aims to facilitate the links of producers' groups with commercial partners and technical assistance for productivity enhancement and business development. Matching grants support competitive, innovative, climate-resilient, and nutrition-smart agribusiness plans. The matching grants for co-financing agribusiness plans are channeled through four windows with different target beneficiaries and different shares of matching grant financing in order to address economic inclusion needs of different farmer profiles. The four windows are for: (i) subsistence agriculture; (ii) transitional agriculture; (iii) commercially oriented agriculture; and (iv) small agro-logistics and agricultural services. The Project also features a strong focus on strengthening key public services to improve the agribusiness environment, deepen financial sector participation, and bolster a network of services to unlock Honduras' agribusiness potential.

C. Project Performance

6. **COMRURAL is considered the Government's flagship initiative for enhancing rural productivity, incomes, and competitiveness and promoting agricultural exports.** First launched in 2008, it has now included a series of projects implemented with the World Bank's support: COMRURAL and its Additional Financing (P101209, US\$23 million approved in 2008 + US\$48 million AF approved in 2017, closed in 2021), COMRURAL II (P168385, US\$75 million, approved in 2019 and effective in 2020, ongoing) and COMRURAL III (P174328) US\$ 100 million

³ A "productive alliance" is a business relationship (alliance) between a rural producer organization (RPO), a technical assistance provider, a commercial financial institution, and an identified market or buyer. These parties pursue a joint business plan to meet a market demand while improving productivity, value addition, market position, and sales on a benefit-sharing basis. Buyers' participation is critical to the productive alliance model, as buyers provide the market linkages and may continue to do so after project support has ceased. See Figure A2.1 in Annex 2 for a visualization of the Productive Alliance framework.

approved in 2021, ongoing). Supported by different administrations over the past decade, the COMRURAL projects are recognized throughout Honduras for their success in linking smallholder farmers to domestic and international markets. Results from COMRURAL I showed that for every US\$1 invested by the project, an additional US\$1.29 of private capital was mobilized - a total of US\$20.5 million through private financial institutions and US\$13.5 million through the finances of the rural producer organizations.

7. **COMRURAL III was approved in June 2021 (IDA credit 6917 – HN for US\$100 million), the Financing Agreement was signed in December 2022 and the Project is pending effectiveness.** The delay between approval of the IDA credit and its signing was due to the transition to a new political coalition following general elections held in Honduras on November 28, 2021. The new government implemented institutional changes for World Bank-financed operations. In May 2022, the Government of Honduras (GoH) requested a Level-2 restructuring for COMRURAL III to: (i) change the Implementing Agency from INVEST-H to the Ministry of Agriculture and Livestock (Secretaría de Agricultura y Ganadería, SAG in its Spanish acronym); and (ii) integrate new institutional arrangements proposed by SAG⁴ for the Project Implementation Unit (PIU).⁵ The restructuring of the COMRURAL III was approved on December 7, 2022, and the Financing Agreement was signed on December 29, 2022. The original deadline for effectiveness was April 18, 2023, however it was extended for six months to October 18, 2023 to allow more time to complete the PIU transition from INVEST-H to SAG. During this transition period, the PIU experienced significant staff turnover and reorganization, which has led to new recruitment to replace the staff who left. In this context, compliance with the Project's two effectiveness conditions was delayed: (i) the adoption of a Project Operations Manual (POM, in progress); and (ii) the preparation of an updated Environmental and Social Commitment Plan (ESCP, condition met). However, a draft of the POM has been prepared and the effectiveness conditions are expected to be met by September 2023. In the latest Implementation Status and Results Report (May 2023), all key project ratings were assessed as Moderately Satisfactory or Satisfactory.⁶

D. Rationale for Additional Financing

8. **The Moskitia-Costa Atlántica region has been historically marginalized and faces a range of medium-to-long-term economic challenges.** Geographically isolated, the region has historically been characterized by high vulnerability to disasters and its population, nearly 83 percent of whom are Indigenous Peoples (IP) and Afro-descendant (AD),⁷ present severe gaps in development indicators compared to the rest of the country. Its inhabitants mostly produce crops for household consumption (rice, beans, cassava, plantains, among others) and are engaged in artisanal fishing and hunting, although many also sell their labor in the timber industry or are employed in industrial fishing or as divers according to the season (see Annex 1 for more details on livelihoods in

⁴ Letter SAG-1160-2022 dated September 5, 2022.

⁵ SAG's Project Administration Unit (UAP-SAG) will implement the project. The UAP-SAG is an independent department of SAG created with Ministerial Agreement No. 362-14 on June 4, 2014 and has implemented several donor-funded Projects.

⁶ The Environmental and Social rating was assessed as Unsatisfactory due to unsatisfactory performance on labor and working conditions following PIU staff turnover. However, since late May 2023, there has been evidence of a normalization of the situation with new contracts and payments in place for PIU personnel.

⁷ The Miskitos are the second largest Indigenous community in Honduras, accounting for 11 percent of the total Indigenous population. World Bank (2021), Project Improving the livelihoods of the Misquitos indigenous people in La Mosquitia, JSDF/BM-P167767

the Moskitia). Most of the population lives in chronic poverty and experience high environmental and food vulnerability. The incidence of multidimensional poverty in the Moskitia area amounts to 71.8 percent of households, much higher than the national average of 67.2 percent and poverty has been persistent. In 2018, approximately 80 percent of households in the Moskitia zone were considered food insecure, with 45.4 percent of the population in severely food insecure status⁸ very similar to recent Integrated Food Security Phase Classification (IPC) estimates noted above. In the same 2018 assessment, 30.7 percent of children under five years of age were found to suffer from chronic malnutrition and for 5 percent of children with this type of malnutrition, stunting was severe (similar to the nationwide average of 4.2 percent of children classified as severely stunted). Challenges are more acutely felt by vulnerable groups such as women, the youth, and the elderly. This is compounded by a low presence of state programs and weak public institutions in charge of service delivery including water and sanitation, electricity, communication, internet, and agriculture extension, among others. This has created a development context characterized by a lack of financial resources allocated by the central government often also managed with limited accountability, weak technical capacities within the regional administration, limited productive infrastructure, security risks, and physical isolation.

9. **The GoH requested financing from GAFSP in order to respond to the urgent need for improving food security in the Moskitia-Costa Atlántica, a region facing the highest level of food insecurity in the country, aggravated by recent weather shocks.** In addition to long standing development challenges, this region was severely affected by Tropical Storm Julia in October 2022 and according to a rapid assessment, more than 20 percent of the inhabitants in Gracias a Dios, equivalent to 24,000 people, were found to be facing serious livelihood and food security challenges due to the severe effects of the storm⁹. The Moskitia-Costa Atlántica was one of the hardest hit regions with above-average levels of rainfall, resulting in devastating consequences and exacerbating pre-existing multi-sectoral needs throughout the country. Excess rainfall has caused significant crop loss, with nearly 25,000 hectares of crops affected, further increasing food shortages and price surges, also affected by Russia's invasion of Ukraine and global increases in food and fertilizer prices. The latest Integrated Food Security Phase Classification (IPC) projections for June to August 2022 found the Moskitia-Costa Atlántica region faced the highest severity of crisis-level food insecurity (45 percent) of the country's eighteen departments¹⁰.

10. **The COMRURAL model offers an opportunity to relieve acute food insecurity in the Moskitia-Costa Atlántica region and to contribute to economic inclusion.** The COMRURAL model has demonstrated success in increasing the productivity and competitiveness of Honduran smallholder organizations nationwide. Specifically, since the launch of COMRURAL II, approximately 2,500 farmers have adopted improved farming technologies. The investment in business plans has generated over 20% of gross sales and created around 4,000 new jobs. However,

⁸ Territorial Baseline Report for the Department of Gracias a Dios prepared by ANED Consultants for the Alliance for the Development of the Moskitia based on data for 2018.

⁹ Ayuda en Acción, October 2022: Rapid report on the impact on the livelihoods of the indigenous and Afro-Honduran population in the face of storm Julia

¹⁰ IPC (2023). Honduras: Acute Food Insecurity Situation December 2021 to February 2022 and Projections for March to May 2022 and June to August 2022. [online]. Available at: <https://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1155409/?iso3=HND>

despite the overall success of the COMRURAL model nationwide, it has not yet covered the Moskitia-Costa Atlántica region. The proposed AF will expand the COMRURAL model in order to allow the Government of Honduras (GoH) to reach an area significantly affected by the current food security and climate crisis, and where the vulnerability of the population, especially Indigenous and Afro-Honduran communities, is steadily deteriorating. The proposed AF will provide an opportunity to address food and nutrition security, productive inclusion, and empowerment of vulnerable communities in the region, with a special emphasis on Indigenous and Afro-descendant populations.

11. **The proposed AF would expand the COMRURAL model to target Moskitia-Costa Atlántica region and fill an important investment gap to complement ongoing investments in the agriculture sector.** Although government budget and existing financing from external partners are supporting substantial investments in the agriculture sector and for nutrition and food security, little of this funding targets the Moskitia-Costa Atlántica region. WFP expanded its integrated resilience and livelihood programming in the region in early 2023 but significant financing gaps remain. The proposed GAFSP funding will have an important demonstration effect to generate evidence to inform policy making and demonstrate how Government programs can effectively reach underserved communities, enhancing the broader food security agenda while promoting accountability of public resources at the local level. Moreover, the proposed GAFSP-funded AF will serve as a steppingstone for the Government's larger coastal development initiatives and efforts to build a comprehensive approach on productive development, food and nutrition security, and empowerment of Indigenous and Afro-Honduran communities in the Moskitia-Costa Atlántica region.

II. DESCRIPTION OF ADDITIONAL FINANCING AND RESTRUCTURING

12. **In March 2023, GAFSP awarded US\$8.5 million to implement the GoH's proposal to respond to the food security crisis in the Moskitia -Costa Atlántica region.** The World Bank will operate as the Supervising Entity for the implementation of the GAFSP grant and the World Food Programme will be contracted to provide Technical Assistance (TA) and implementation support to producers, schools, and institutions on activities related to the School Feeding Program. In addition, US\$3.8 million are expected to be mobilized by local farmer organizations and communities as counterpart funding for the implementation of sub-projects.¹¹ The proposed AF will restructure and scale up COMRURAL III activities to support immediate and short-term goals aiming to relieve the urgent food insecurity with a strong focus on the inclusion of vulnerable populations. Specifically, the proposed AF will allow COMRURAL III to finance activities in La Moskitia, one of the two last remaining departments of the country not originally targeted by the Project¹². This AF will also allow for continued support to increase the productivity and competitiveness of Honduran smallholders by: (i) facilitating the participation of farmer groups in productive alliances; and (ii) promoting the adoption of climate-smart and nutrition-sensitive approaches. The PDO would not change as a result of the AF, however, the Project would be restructured to include new

¹¹ Counterpart contribution could be in kind or in cash, in line with current COMRURAL III modalities already defined.

¹² The other department that remains not covered through the parent Project or the AF is Islas de la Bahia, where livelihoods depend prominently on elite tourism and there is limited scope for agricultural activities.

subcomponents and adjust the results framework (RF) to reflect the expansion of activities to improve food security in the short term.

A. Additional Financing Component Description

13. **The proposed GAFSP-funded AF will finance a new Subcomponent 3.2 (US\$0.5 million GAFSP grant) to finance additional project management costs to implement and monitor the activities in Gracias a Dios.** COMRURAL III's Component 3 **Project Management** will finance goods including equipment, training, operational costs, and consulting and non-consulting services, including: (i) project management and coordination, including training for project staff on technical issues as well as on social, environmental, and fiduciary issues; (ii) monitoring, evaluation, and impact assessment of project activities, including periodic beneficiary satisfaction surveys and an impact evaluation; (iii) fiduciary costs, including audits; (iv) implementation, monitoring, and reporting of the Environmental and Social Management; (v) implementation of a citizen engagement mechanism, and (f) carrying out sectoral and Project-related studies and assessment. The allocation for Component 3 will be increased to US\$10.5 million and consist of the following two subcomponents:

- **Subcomponent 3.1:** Project Management Parent Project (US\$10 million, IDA credit). This subcomponent will remain unchanged from the original Project description agreed for COMRURAL III Project. The COMRURAL II and COMRURAL III team in the Atlántida regional office will assume coordination of the AF activities, as further detailed in the POM.
- **Subcomponent 3.2:** Project Management Additional Financing (US\$ 0.5 million, GAFSP grant). This subcomponent will finance incremental costs incurred by the implementation and scope of the AF. The list of eligible project management activities defined by the Parent Project will remain valid for the AF. In addition, the AF will finance the establishment of a new office in Puerto Lempira, the departmental capital, with field staff (including but not limited to two technicians in productive alliances, one environmental specialist, one social specialist, one administrative assistant, one boat driver).

14. **The proposed GAFSP-funded AF will also finance a new Component 5: Strengthening Food Security and Productive Inclusion in the Moskitia and Atlantic Coast of Honduras (AF US\$8 million, GAFSP grant).** Building on the existing approach of COMRURAL III this new component will allow a stronger focus on food security as well as on specific institutional strengthening taking into account a multicultural and multiethnic context. Activities will also support the improved functioning and coverage of the School Feeding Program (SFP, see Annex 4) in the department of Gracias a Dios to improve its overall efficiency and pilot mechanisms to decentralize food purchases, linking schools directly with local food producers. It is expected that the support to SFP will also leverage technical assistance by the WFP (see Annex 2 for detailed description of the new component). The new component will include the following three sub-components:

15. **Subcomponent 5.1. Organizational Strengthening and Support to Productive Alliances (US\$4.0 million GAFSP AF grant) will focus on improving food security through productive inclusion of beneficiaries.** This subcomponent will finance capacity building activities for and subprojects from rural producer groups and

organizations by supporting the preparation and financing of business plans (“agrocoastal subprojects”) targeting animal, crop, and marine products, in varying degrees and depending on the maturity of the planned activity.

16. **5.1.1. Community Consultation and Capacity Building.** The AF will enhance the cultural adequacy of COMRURAL III activities, and support community consultations to strengthen institutional and community capacity to identify and implement appropriate needs-based investments financed by the AF in eligible communities. The subcomponent will finance goods, training, technical assistance, operational costs, and consulting and non-consulting services for the identification of beneficiaries, organization of inclusive workshops for community dialogue, capacity building, and support in the preparation of business plans.

17. **5.1.2. Financing for nutrition-smart and climate-smart business plans.** The subcomponent will provide matching grants to rural producers (subsistence and/or transition) groups or organizations in agriculture, forest and fish production identified under subcomponent 5.1.1. Beneficiaries will co-finance business plans (“agrocoastal subprojects”) that promote increased productivity and sustainable value addition to agricultural and fishery production, final products, and sub-products of the forest and fishing. This subcomponent will adopt COMRURAL’s “productive alliances” approach and will support existing and new market linkages to allow local producers to supply food, fish, and agricultural produce to local consumers, including the School Feeding Program (SFP) through the provision of “fresh rations”.¹³ To this end, it is expected that WFP will provide dedicated technical assistance to aspiring SFP providers. The subcomponent will finance works, goods (including energy-efficiency equipment), training, technical assistance, operational costs, and consulting and non-consulting services. Climate- and nutrition-smart investments will be supported throughout the production, processing, and post-harvest stages (see Annex 2).

18. **Subcomponent 5.2. Improving Nutritional Status and Investment in Local Communities (US\$2.6 million, GAFSP grant).** This subcomponent aims at enhancing food and nutrition security through culturally-relevant community investments. The subcomponent will finance the development and implementation of Community Nutrition and Hygiene Plans based on bottom-up community investments in nutrition education and household hygiene that aim to protect and improve the nutritional status of vulnerable households. This subcomponent will also provide support to selected schools to strengthen the SFP through the development and implementation of School Feeding Plans, in particular to decentralize food purchases at school level and link to local food producers. Investment activities will be complemented by (i) training to communities, school feeding committees and heads of families in food and nutrition education; and (ii) community awareness and outreach campaigns.

19. **Subcomponent 5.2.1: Community Nutrition and Hygiene Subprojects.** Investments supported through Community Nutrition and Hygiene Subprojects will channel investments to support the increased availability and consumption of nutritious foods in the project area and improve nutritional education to community members, health facilities, health volunteers, and community/school gardens. Financing will be allocated to the goods,

¹³ *Ración fresca*, for its Spanish name. See Annex 4 for details.

works, consultant and non-consultant services and operational costs through contracted service providers who will implement the activities together with eligible communities.

20. **Subcomponent 5.2.2: School Feeding Program Plans**. The AF will promote the purchase of locally produced fresh food by the SFP, seeking to dynamize local economies and generate economic growth through local community development platforms. Financing will be allocated to the goods, works, services and operational costs through contracted services providers and subproject grants to schools to purchase food under the SFP. In particular, investments under 5.2.2 will be used to strengthen the SFP to provide: (i) grants to schools to buy nutritious fresh food for school meals from local smallholder producers; (ii) training to school feeding committees and heads of households (iii) technical assistance for the improvement of the SFP's efficiency in Gracias a Dios; and (iv) technical assistance and investment for the implementation of the SFP in a select number of ("SFP subprojects"). It is expected that the WFP will provide dedicated technical assistance to involved schools.

21. **Subcomponent 5.3. Multicultural and Multiethnic Institutional Strengthening (US\$1.4 million, GAFSP grant)**. This subcomponent aims to strengthen institutional capacities related to technical, multicultural and multi-ethnic skills among government entities and the local population. The subcomponent will finance technical assistance and the strengthening of infrastructure for government agencies and Territorial Councils, among other project interested parties, with the purpose of fostering a favorable environment for culturally relevant investments in productive inclusion and food and nutrition security. It is expected that the WFP will provide training and capacity-building to project interested parties on the School Feeding Program. The AF will finance minor works, goods, services, and operational costs.

B. Geographic scope and targeting criteria

22. **The AF will focus on the Mosquitia-Atlantic Coast in the department of Gracias a Dios**. To select specific intervention areas, targeting and prioritization criteria (e.g., multidimensional poverty, levels of malnutrition, productive vocation, representativeness of accessibility and cultural diversity, among others) will be agreed upon through participatory processes with different stakeholders (representatives of Indigenous peoples, Afro-Hondurans and local authorities, public institutions) in each of the six municipalities of the Gracias a Dios department. In addition, public health data and other metrics from the Ministry of Health (SESAL) could be included as relevant targeting criteria in particular for subcomponent 5.2. The piloting of fresh rations of the School Feeding Program will be focused on a subset of municipalities, which will be selected to provide equal representation to the four ethnic groups in the region (Pech, Tawahka, Garífuna, Miskito).

Beneficiaries

23. **A total of 4,000 households of Indigenous, Afro-Honduran people, and other vulnerable households in the territories of La Moskitia-Costa Atlántica region will benefit from activities to be financed by the proposed additional financing**. The Project will prioritize communities in extreme poverty and will aim for equal participation of male and female beneficiaries, as well as beneficiaries of all ages. In particular, it is expected that: (i) at least 40 percent of direct beneficiaries will be women; (ii) 70 percent of direct beneficiaries will be individuals

self-identifying as Indigenous and Afro-Honduran; (iii) 30 percent of direct beneficiaries will be youth (ages 18–30); and (iv) 3 percent of direct beneficiaries will be persons with disabilities. These beneficiaries will participate in the preparation of investment subprojects on- and off-farm, preferably as part of a producer group, association, or cooperative. The beneficiaries will mostly include small-scale subsistence farmers that live in isolated territories, and will feature a high presence of Miskitos, Pech, Tawahkas, Garifunas and Creoles, as well as other indigenous peoples. The AF will also benefit public servants at the national and local levels (from SAG, SEDESOL, municipalities, Territorial Councils, communal organizations, among others) through technical assistance and capacity building activities focus on cross-cultural aspects.

C. **Expected Results and adjustments to Parent Project**

24. **The additional results expected through the AF would be:** (i) improved and increased access to nutritious food and enhanced food and nutrition security and sovereignty of vulnerable communities of the Moskitia-Costa Atlántica, including Indigenous and Afro-Honduran peoples and with a focus on vulnerable groups such as women, youth, and people with disabilities; (ii) strengthened capacity of governmental entities operating in the Moskitia-Costa Atlántica relative to food and nutrition security and emergency response; (iii) strengthened governance structure to develop monitoring, early response capacity and to respond to food security emergencies caused by natural hazards; and (iv) greater cultural relevance of productive and food security interventions and increased participation of Indigenous and Afro-Honduran organizations. The proposed AF will maintain the same PDO agreed for the parent project: enhancing productivity, market connectivity, and food security of those target beneficiaries. AF activities will also be designed for rural producers' organizations and groups, and are expected to contribute to employment generation, improved risk management, increased productivity and incomes, and enhanced availability of nutritious food. Ultimately, this is expected to translate into inclusive growth while fostering environmental sustainability and climate change adaptation and mitigation. The Parent Project's original theory of change remains largely unchanged but has been adjusted to demonstrate how AF outputs and intermediate outcomes contribute to the PDO (see Figure A3.1 in Annex 3). Adjustments to the Parent Project's results framework including indicator baselines, targets and data collection are contained in Section VII of this Project Paper.

D. **Additional considerations in project design**

Gender

25. **As with the Parent Project, reducing gender gaps is an important focus of the AF (see Annex 7).** The preparation of COMRURAL III revealed important gender gaps related to Honduran women in agriculture and a high exposure to cultural barriers among Moskitia women. Although the gender action plan and gender-specific indicators of the Parent Project will also apply to the AF, the AF will conduct a specific assessment of gender gaps in the Moskitia-Costa Atlántica and project intervention areas, which will translate into a dedicated gender strategy and action plan that respond to the particular challenges experienced by women (including Indigenous and Afro-Hondurans) in target AF areas.

Indigenous Peoples/Afro-Descendants

26. **The Moskitia-Costa Atlántica is a multi-ethnic, multi-linguistic, and multi-cultural zone, and the region is home to several Indigenous and Afro-Honduran groups (Miskito, Pech, Tawahkas, Garífuna and Creole) with distinctive cultures and cultural land uses.** Even though the indigenous peoples are rich in cultural, social and territorial patrimony, most of these communities live in multidimensional poverty: according to the National Institute of Statistics, in 2013, poverty rates measured in terms of Unsatisfied Basic Needs exceeded 90 percent in four of the department's six municipalities and remained above 70 percent in the remaining two. The AF is designed to explicitly support the Government's *Nuestras Raíces* program for the integration of Indigenous and Afro-Honduran peoples (see below on alignment with GoH priorities). Specifically, the AF would respond to the objectives of the fifth pillar of *Nuestras Raíces*, which refers to the strengthening of productive structures and food security of IP/AH. Within this framework, the AF would start from a community and territorial approach, focused on promoting culturally appropriate productive strategies and the generation of value chains identified by the communities themselves and in line with their own interests and development visions — identified through free, prior, and informed consultation — from processes of broad participation and studies on the cultural uses of the land. The GAFSP grant will strengthen social inclusion by actively encouraging IPs and ADs to participate in the Project and access its benefits through the selection criteria included in the Project Operations Manual. Several indicators in the Results Framework will measure the participation of IPs/ADs. The AF will also ensure that the communication strategy and stakeholder engagement are culturally appropriate and pertinent for these groups.

Climate

27. **Honduras' vulnerability to extreme climate events is among the highest in the world, and climate impacts have decreased GDP by an average of 2.5 percent annually, including large agricultural losses.** Decreases and instability of crop production, in turn, are expected to affect food security, labor markets, the supply and prices of basic goods, and internal and international migration, especially among rural populations of women, youth, and indigenous populations who are more affected by poverty. It is expected that climate change will have strong impacts on agricultural production in the Moskitia. Climate change is expected to have negative impacts on banana, plantain, rice, and corn production, and to result in reduced performance of fishery activities. Furthermore, forest crops may experience thermal and/or hydric stress, becoming more vulnerable to wildfires and plagues. These changes will have a multi-faceted impact on the Moskitia's population, who depends on agriculture for food security (through subsistence production) and livelihoods (as a large proportion of the economically active population is engaged in farming). Further details on climate challenges are presented in a dedicated climate Annex (see Annex 8).

28. **Climate co-benefits.** The AF will generate a wide range of environmental and climate co-benefits across all project activities. The AF will support climate-smart investment projects identified and prioritized by communities and farmer organizations to instill resilience to their agribusinesses. The dissemination of climate-smart agricultural practices such as the use of agroforestry and improved varieties and/or extension of crop

rotations, and integrated management of soil will help strengthen the resilience of the Moskitia-Costa Atlántica population to the negative impacts of climate change. The AF will promote other environmentally beneficial activities (see examples in Box 2.1, Annex 2). The AF will also support key public-sector institutions to deal with the climate-change-induced increase in frequency of natural hazards and improve their on-site meteorological monitoring capabilities, preparedness, and response capacity for food security emergencies.

Nutrition

29. **Nutrition-smart agriculture consists of technologies and practices that improve nutrition while increasing farm and agribusiness productivity and income.** The AF will work with local communities to identify foods and practices that contribute to more nutrient-rich diets and improve productivity. Activities will be based on preliminary diagnostics of the nutritional situation, specifically analyzing consumption patterns and behaviors among communities in project areas, focusing on assessing the nutritional status, the causes of malnutrition, diet characterization and identification of diet gaps, including an assessment of prevailing gender practices and norms, as well as other social and cultural factors and intra-household food distribution dynamics that may affect nutrition. Specifically, based on the diagnostic, the AF will: (i) facilitate adoption of production, processing, and post-harvest techniques to address micronutrient deficiencies, increase protein consumption, and improve nutrition while enhancing and increasing food production (which will also build food reserves); (ii) train project technicians and farmers on food safety, food loss and waste, post-harvest processing, and nutrition and hygiene practices; and (iii) raise nutrition awareness in community institutions to promote behavior change and diversify diets.

E. Implementation Arrangements

30. **The additional financing project will use the same implementation arrangements as the parent project (COMRURAL III).** Both parent project and additional financing will be implemented by SAG through a Project Implementation Unit (PIU) within its Project Administration Unit (UAP-SAG). The SAG will continue to serve as the lead agency for the project. SAG shall continue to maintain a Project Implementation Unit (PIU) during project implementation, with qualified staff and resources to support management of Environmental and Social risks and impacts of the Project, including environmental and social specialists with qualifications and experience acceptable to the Association. Project implementation of the COMRURAL III (including the AF) will be the responsibility of the same PIU that currently implements the ongoing COMRURAL II Project (P168385). While COMRURAL III will recruit additional staff to accommodate the expanded project scope, the arrangement is expected to ensure that the AF is implemented by a PIU that is well prepared and has a strong track record of implementation capacity.

31. **Given the multicultural and multiethnic focus of the new component 5, strong collaboration and coordination with SEDESOL would be required.** In particular, the close collaboration with SEDESOL's decentralized entities Solidarity Action Program (PROASOL) and National Coordination of Original and Afro-Honduran Peoples (CONAPROAH) will be emphasized for the implementation of the organizational strengthening

and food security investments, and for coordinating actions specifically related to Indigenous Peoples and Afro-Hondurans. SAG, through the PIU, will coordinate with SEDESOL by hiring and retaining a Technical Liaison in charge of liaising between the PIU and SEDESOL to facilitate the implementation of the AF, with specific qualifications and functions to be detailed in the POM. SEDESOL will appoint staff with specific responsibilities to interact directly with the PIU to carry out project activities. In order to carry out the institutional strengthening activities envisaged under subcomponent 5.3, SAG will sign technical coordination agreements (inter-institutional agreements) with partner institutions to be identified during implementation.

32. **SAG will implement the AF through selected private sector firms or institutions as project operators, as further defined in the POM.** To ensure the prompt implementation of the project and avoid delays due to the limited presence of many state programs in this territory, the AF will utilize implementation support of selected consulting firms and NGOs or international organizations with a strong presence on the ground (sub-implementers), which will be selected competitively and following key transparency criteria that will be set forth in the Project Operational Manual (POM). In addition, it is expected that the WFP will be hired to provide technical assistance specifically related to the strengthening of the School Feeding Program. In collaboration with these organizations, the AF can provide timely technical assistance and effectively communicate with beneficiaries. The implementation would also seek collaboration with the Associations of Municipalities of Honduras (AMHON) and Indigenous and Afro-Honduran organizations, and would support the operationalization of the Alliance for the Development of the Honduran Mosquitia (*Alianza para el Desarrollo de la Mosquitia Hondureña*), a multisectoral and multistakeholder board coordinating government, municipal, and community decision making in the territory.¹⁴ For School Feeding Program Plans, grant agreements will be signed with the schools that will benefit from the grants under the AF.

33. **The Project Steering Committee established under the Parent Project will also oversee the activities for the new Component 5, including the ratification of subprojects.** The Steering Committee, for the purposes of the AF, will expand its members to include SEDESOL representatives as well as any other representative of relevant institutions or groups as further detailed in the POM. Similarly, as under the Parent Project, an Evaluation Committee will be established for the review and approval of subprojects to be drafted by the AF sub-implementers in close cooperation with the beneficiaries. This Evaluation Committee will be comprised of project technical, fiduciary, social, and environmental personnel, as well as the SEDESOL technical liaison. The duties and functioning of the Evaluation Committee will be further detailed in the Project Operational Manual (POM).

F. Lessons Learned and Alignment with Bank and Government Strategies

34. **The design of the proposed AF incorporates good practices and lessons from the COMRURAL project series and other food security and rural development investment models applied throughout the Latin America and Caribbean region, including the ongoing Corredor Seco Food Security Project in Honduras (PROSASUR, P148737).** Experience has shown that income-generating investments that meets clear market demands are

¹⁴ The Alliance is composed of representatives of (i) Territorial Councils, including the Garifuna population; (ii) Central Ministries; (iii) local authorities; (iv) donors; and (v) civil society.

successful and sustainable over time and can support food and nutrition security. The proposed AF is designed to support investments in activities which can increase rural incomes as well as create additional employment opportunities, therefore contributing to domestic food security. To enhance the food and nutrition security of vulnerable households in the target area, the grant will (i) support production of and access to quality food, (ii) reduce income volatility of poor rural residents as a basis for improving nutrition, and (iii) promote improved nutrition-related behavior and improved hygiene at the household level. Technical assistance, training, and extension services will be carried out through subprojects based on technically and financially viable demand-driven business plans and/or community nutrition and hygiene plans. Specific practical lessons learned from the implementation of the COMRURAL project series as well as the PROSASUR Project are detailed in Annex 5.

35. **The AF will also build on lessons learned from previous grants and other projects supporting indigenous communities.** Technical design of the proposed AF builds on the experience of the ongoing *Improving the Livelihoods of Miskito Indigenous Peoples* project, (P167767), financed by a grant of the Japanese Social Development Fund (JSDF), which has been piloting productive inclusion approaches in the Moskitia. Project design has also been informed by other projects in Central America targeting indigenous communities such as the *Strengthening the Resilience Capacity of Maya Indigenous Peoples and Peasants to Cope with Food Insecurity and Climate Change in the dry corridor of Guatemala* (P130412) and the *Agricultural and Energy Risk Management: An Integral Strategy to Cope with Drought and Food Insecurity* (P132415) in El Salvador. Key lessons have included types of participatory approaches and the mechanisms for effectively including indigenous community groups and civil society in terms of identification and selection of sub-projects. Practical lessons that have been incorporated into project design are as detailed in Annex 5.

36. **The AF is highly aligned with the GoH's agrarian policies, response to the food security crisis, and medium-term resilience strategies, and complements investments mobilized by the WBG and other organizations.** The AF is consistent with GoH policies (including the *State Policy for the Agricultural Sector and Rural Areas 2004-2021* and SAG's *Food Security and Sustained Development Strategy* currently being drafted) prioritizing moving beyond the marginal transformation of agri-food exports and promoting value-added initiatives that will create jobs, while ensuring that smallholders and their organizations can tap into emerging market opportunities. Furthermore, the activities highlighted in this AF will complement activities financed by the GoH, the World Bank and donors to provide food security assistance to Honduras' vulnerable households and prevent food insecurity deterioration nation-wide, in line with the State of Food Emergency declared in October 2022 and the prioritization of the Agricultural Sector in the GoH's crisis response.¹⁵ The AF will also be aligned with the objectives of the National Policy and Strategy for Food and Nutritional Security (PyENSAN) 2030 (aiming to ensure that all Hondurans have access to adequate food and nutrition), as well as the *Nuestras Raíces* program (aiming to integrate Indigenous and Afro-Honduran peoples into a platform of services provided by the State as well as by international cooperation). Finally, the proposed AF will be consistent with the Honduras first Nationally Determined Contribution (NDC) update of 2021 (especially with goals 2 and 11), and will contribute directly to

¹⁵ Executive Decree PCM 10-2022, see Article 1, page 2-3

Honduras' climate-change adaptation strategies in an area that displays high climate-threat indices and low coping capacity.

37. **Like its Parent Project, the AF will be an integral part of the World Bank Group (WBG)'s strategy in Honduras.** The AF is strongly aligned with the WBG's Country Partnership Framework (CPF) for Honduras FY23-27. The CPF places a high emphasis on the Parent Project COMRURAL III under its CPF Objectives 4, 6, and 7. The AF is also consistent with the findings of the Systematic Country Diagnostic (SCD) Update 2022, the Country Private Sector Diagnostic (CPSD) 2021, and the 2023 Honduras Climate Change Development Report (CCDR) on productivity and vulnerability challenges and inclusion and resilience opportunities of the agriculture and agribusiness sector. The proposed financing also integrates the Climate-Smart Agriculture (CSA) and Nutrition-Smart Agriculture (NSmartAg) approaches promoted by the World Bank Agriculture and Food Global Practice, and is consistent with the Global Crisis Response Framework (GCRF)'s Pillars 1 and 4.

III. KEY RISKS

38. **The overall risk of the Project continues to be assessed as Substantial.** While the government was elected in November 2021, the political context remains volatile. While PIU staff from COMRURAL II, who possess extensive experience with the project, has joined the COMRURAL III PIU, several key personnel had left the PIU following the transfer of COMRURAL projects to SAG and the dissolution of the PIU that implemented the previous COMRURAL projects. Therefore, the Project is currently recruiting new staff who could potentially have limited experience with World Bank reporting, management, fiduciary, social and environment procedures, and safeguards. This, jointly with the expansion of the COMRURAL project to an area that has been long underserved by traditional assistance, poses significant risks at the implementation stage. In addition, indigenous communities in the Moskitia have little experience working with subprojects and small community grants. Given such difficult political context and limited local capacity, the AF will include different mitigating measures as described below:

39. **Political and Governance Risk (substantial).** The dissolution of INVEST-H because of corruption allegations, the transition from INVEST-H to SAG and the recent decision of dissolving the PIU that implemented the previous projects highlight the complex political landscape in which the project will be implemented and the potential risks that vested interests may try to influence project implementation. At the same time, these changes could signal the interest of the new government to control closely these activities and improve accountability. To manage and mitigate these risks, the team will maintain a close dialogue with the government and the other key local stakeholders, while closely monitoring the political context. Given the urgency of the food-security situation, moreover, the GoH has been moving swiftly in its crisis response and there is a high-level of political support for this operation. In addition, the team is working with key counterparts, including SAG and SEDESOL, to build a strong partnership and support timely and effective implementation of the AF.

40. **Institutional Capacity for Implementation and Sustainability risks (substantial).** Turnover in the COMRURAL PIU staff could undermine the ability of the counterpart to implement the project if not managed

well. The team is working with SAG to ensure that the knowledge accumulated during the implementation of the previous COMRURAL projects is preserved despite this transition. Technical assistance that is expected to be provided by the WFP is expected to strengthen institutional and implementation capacity at the national and subnational level, while mitigating potential governance issues. Additionally, the use of local sub-implementer NGOs with proven implementation capacity and presence on the ground, selected through clear criteria and a transparent process. The proposed AF will also build on the lessons learned from the ongoing JSDF-funded task (P167767) regarding the application of the Environmental and Social Framework; the relevance of the community-driven development (CDD) approach; working in isolated dispersed communities; participatory local planning engaging vulnerable households, involvement of communities and territorial representations in the planning, implementation, and monitoring of subprojects, social inclusion of women, including single female heads of household, planning using the CSA approach, among others. The AF will also provide training and technical assistance at the community-level on project management, financing, monitoring and evaluation to ensure greater accountability in the management of grants and public resources. Finally, to mitigate the risk of loss of institutional knowledge due to the creation of a new PIU, the AF will include targeted training activities for PIU staff focused on World Bank reporting, management, fiduciary, social, and environment aspects and relevant safeguards.

41. **Fiduciary risks (substantial).** As communities in the Moskitia are not familiar with financial and procurement procedures, service providers will be used to build capacity and administer fiduciary aspects for proposed subprojects and to comply with Bank requirements. Subprojects will be implemented following the WB Procurement Regulations. External Audit scope will include the review of subgrants, and the Trust Fund agreement will include a covenant that the NGO will maintain adequate FM implementation arrangement at all times. The NGO-Financial Management staff will be trained on Bank's policies and procedures after effectiveness. Procurement Post Reviews will include Subproject's activities. Based on the risks identified, the residual Fiduciary Risk for this AF is Substantial. Risks factors and mitigating measures are included in the Financial Management and Procurement sections below.

42. **Environmental and Social risks (substantial):**

- The ***environmental risk classification is moderate*** because the scope and scale of the AF's environmental impacts will be small and highly localized.
- ***The Social risk of the overall project is assessed as substantial.*** Social Risks in both the parent project and the AF include: (i) the difficulties of implementing business and social risk management plans with multiple and diverse indigenous groups with different degrees of vulnerability dispersed nationally, particularly under window 1, which targets poor and extremely poor producers; (ii) national context characterized by high levels of crime and violence, and the challenges caused by recent emergencies (COVID-19 and hurricanes Eta and Iota) that hinders PIU monitoring, WB supervision capacity and access to the Project's Grievance Redress Mechanism (GRM); (iii) business plans may generate impacts related to community health and safety and labor conditions from agricultural activities or small scale civil works, including potential child labor in the

supply chains, may exacerbate social tensions related to land tenure and other potential risks and impacts covered under the Environmental and Social Framework (ESF), which is a new framework for SAG; and (iv) difficulties associated with tracking social risks across a wider geographical area than previous versions of the COMRURAL program, and in particular in the geographically isolated region of La Moskitia. The Bank's investment portfolio has been recently transferred to SAG following the liquidation of Invest-H. While SAG has no previous experience implementing the ESF, a substantial part of the original COMRURAL team, including some of its environmental and social specialists have transitioned to SAG, retaining institutional knowledge in the implementation of the Bank's safeguards. However, SAG has experienced challenges in implementing new requirements for direct project workers under ESS2 and the need remains for close supervision and capacity building in SAG to ensure compliance with ESF requirements including the operationalization of a GRM for project workers. In addition, work in La Moskitia, where the large majority of beneficiaries are Indigenous Peoples and Afro-Honduran Peoples (IPAHs), will introduce additional complexities in terms of geographical access and consultation requirements with IPAH stakeholders, which will require close coordination within SAG and with other entities such as SEDESOL.

43. **Other (substantial).** Risks related to security and crime are due to the presence of known criminal activity within the region and the limited reach of law enforcement. Gracias a Dios is generally considered unsafe and in addition has shown high levels of violence against women as captured by recent risk assessments. To mitigate these risks the project will utilize service providers that have well established operations and a track record of successful implementation of activities within Gracias a Dios. Project activities are expected to generate significant community support based on the use of demand-driven, participatory approaches. Training for project beneficiaries will utilize gender-sensitive approaches and disseminate the project's Environmental and Social Management Framework (ESMF) and other social management instruments. The involvement of armed forces or law enforcement in any project activities would be evaluated on a case-by-case basis as discussed in more detail in the ESMF.

IV. APPRAISAL SUMMARY

A. Economic and Financial Analysis

44. **The Economic and Financial Analysis (EFA) updated during preparation of the AF shows that the AF is set to achieve a robust performance in economic terms and to create economic value for the society considering its expected productive, health, and climatic impacts.** It is worth mentioning that the analysis could not account for a number of other high socio-economic expected benefits of the AF. These include the economic impact of local economic revitalization through increased demand for goods and services generated by higher incomes, among others. Therefore, the AF impacts presented in this section are likely to be underestimated, and these results should be considered as a lower bound for the expected AF benefits. The full EFA study is available in Annex 10.



45. **The financial analysis consisted of assessing financial returns and viability of major investments from the point of view of direct beneficiaries.** For this purpose, the analysis developed a set of financial models for potential agrocoastal subprojects representative of the beneficiary communities and territories. These models were evaluated in combination with marketing and technical advice on fishery product processing, crop, and livestock production to improve the income of farmers and the accessibility and availability of food in targeted areas. All models were found financially profitable as they showed positive financial internal rates of return. Based on the estimation of incremental flows of benefits and costs derived from the models developed for the analysis, financial indicators were estimated for a 20-year evaluation period at a financial discount rate of 12 percent.

46. **The economic analysis provided an evaluation of the AF's economic profitability by aggregating project total costs and benefits derived from models considering economic values.** The economic analysis was carried out based on the models used in the financial analysis, with the following adjustments:

- Correction factors were applied to bring market prices to economic prices (*shadow prices*).
- An *economic discount rate* was used to bring future flows to present value.
- The analysis also included other relevant positive externalities to assess important project benefits in terms of *long-term increase in human capital* and incremental gains throughout the life of non-malnourished children, to account for the expected reduction in malnutrition and stunting due to increased access and availability of food as a result of interventions contemplated in Subcomponent 5.2. Economic benefits of improving nutrition in poor societies is described in the literature given the link between nutrition and productivity, measuring project impacts on malnutrition by estimating the expected increase in earnings of non-undernourished individuals. It is assumed that AF interventions will have an impact on the beneficiary children's ability to complete school and thereby earn higher wages in their adult life. The analysis includes the discounted stream of benefits in the form of incremental expected lifetime income as a positive externality, following the methodology presented by Verguet et al, 2020.¹⁶
- The analysis included *expected reduction in carbon emissions*, estimated at 6,910 tCO₂e per year over the period of analysis, calculated based on the ex-ante analysis performed for the Parent Project. The economic analysis estimates the benefits from greenhouse gas (GHG) emissions reduction using a low and a high carbon price assumption, as per current World Bank guidelines¹⁷.

¹⁶ See Verguet S, Limasalle P, Chakrabarti A, Husain A, Burbano C, Drake L and Bundy DAP (2020) *The Broader Economic Value of School Feeding, Programs in Low- and Middle-Income Countries: Estimating the Multi-Sectoral Returns to Public Health, Human Capital, Social Protection, and the Local Economy*. Front. Public Health 8:587046. The hypothesis is that school-feeding programs will increase school attendance. According to Verguet et al, 2020, school meals could increase school attendance by 9% (based on a review of rigorously designed studies undertaken in lower-middle income countries over 1990–2015), and this improvement can eventually increase future wages by 0.81%. Education gains per child is estimated by incremental future wages earned in adult life. Given the horizon analysis of 20 years, it was assumed that at least 5 years of school attendance are needed in order to obtain the incremental wage, with an earning potential of 15 years, discounted at 12% per year.

¹⁷ Guidance notes on shadow price of carbon in economic analysis. World Bank, September 2017

- All costs associated with the AF were included in the analysis, as well as an estimate on **recurrent costs** required to enable the realization of benefits (maintenance, replacement, operation) during the lifespan of benefits themselves.

47. **The economic analysis delivers an estimated incremental economic benefit for the AF of US\$6.03 million, with an economic internal rate of return of 24.4 percent.** To ensure the long-term robustness of the economic behavior of the AF, a sensitivity analysis was performed, and showed that the economic indicators of the AF are still positive even with a variation of key variables such as reductions in expected benefits, delays in benefit generation, cost overruns, lower economic price of carbon, and reduction of expected decrease of carbon emissions. Furthermore, a scenario analysis was performed under a pessimistic scenario to evaluate the economic performance of the AF, and demonstrates that the AF would continue to present positive economic-profitability indicators.

B. Technical

48. **The AF will utilize COMRURAL's productive alliance model and is expected to channel funding primarily to subsistence producers.**¹⁸ As in the Parent Project, investments will also be intended to facilitate the formalization, growth, and strengthening of producer groups, preparing them to graduate to more commercial production.

49. **The objective of subproject investments will be to develop a resilient response to the ongoing food crisis that builds on local native capacities and copying mechanisms, to establish culturally appropriate and locally relevant agro-ecological responses.** Drawing from lessons learned from the implementation of the JSDF-financed grant (P167767), the AF will follow a CDD approach with the strategic meaningful participation of the MASTA organization, empowering local communities to develop, implement and sustain their own technical and managerial solutions with training and technical assistance to build skills and competencies. The AF will also include capacity building activities for public servants on multicultural issues to enhance cultural pertinence in the region. Activities under the AF will be coordinated with implementation of the JSDF grant during 2023 and 2024. However, since most funds under the JSDF have already disbursed or committed, new activities under the AF are not expected to present any coordination challenges.

50. **The AF proposes to complement GoH and WFP efforts to re-start Honduras School Feeding fresh ration model in Gracias a Dios with modifications to address both nutrition security and support greater economic inclusion.** The fresh ration was expanded to Gracias a Dios and successfully implemented between 2016 and 2019, reaching 415 schools across six municipalities, but was then suspended during COVID. The AF will be used to re-launch activities in Gracias a Dios and support a greater inclusion of small-scale producers and producer groups

¹⁸ There is a limited amount of commercial production of basic grains, fish and other marine products in the region that could potentially be covered by other COMRURAL financing windows that target producers in transition (Window 2) or commercial agriculture (Window 3). In that case, the Project may need to be restructured as appropriate.

through the expansion of the supplier base and additional technical assistance to help producers meet food safety and quality standards.

51. **The AF will prioritize post-project sustainability.** The proposed AF is expected to contribute to creating a more resilient, food-secure, and inclusive agrifood system in the Moskitia-Costa Atlántica, which will sustain rural transformation and recovery beyond implementation. Sustainability considerations are addressed regarding the following aspects, which are further detailed in Annex 9: (i) sustainability of productive investments, (ii) sustainability of community interventions, (iii) environmental and ecosystem sustainability, (iv) institutional sustainability.

C. Financial Management and Disbursements

52. **Financial Management (FM) arrangements for this AF will be same as for the parent project COMRURAL III being implemented by the SAG.** The AF activities will use COMRURAL Project budgeting, accounting, and financial reporting, and disbursements arrangements and will be fully centralized by the PIU – SAG and will follow the same internal control processes applied to the COMRURAL III as assessed during the SAG - FMA¹⁹ assessment. The FM arrangements in place at SAG are considered adequate provided that the agreed FM risk mitigation measures are put in place. There are no overdue audits or unresolved fiduciary issues for the Parent Project. The residual FM risk for the AF-supported activities is assessed as Substantial.

53. **The flow of funds for the AF will be different to the flow of funds of the Parent Project.** Although advances to a designated account is the primary method of disbursement agreed for the Parent Project, this method is currently suspended for operations under preparation in Honduras until further notice. Only reimbursements and direct payments will be allowed for the AF. If this restriction is lifted, the advance method may be considered by the Bank. Disbursement arrangements will follow the WB’s disbursement policies and procedures as described in the Disbursement and Financial Information Letter.

54. **Payments to the World Food Programme for activities under subcomponent 5.2 “Improved Nutritional Status and Investment in Local Communities” will be made through UN Advances (with or without a UN Commitment) disbursement mechanism, following the standard Bank’s procedures for operational engagement of United Nations (UN) Agencies for indirect financing.** In case of a contract with WFP requiring a UN Commitment, an application for issuance of UN Commitment is to be submitted by the GoH. Subsequent payments and documentation of expenditures under the contract must be made in accordance with the Commitment letter to be issued by the WB and the contract between the GoH and the UN agency. In case of a UN Advance (without UN Commitment), SAG will submit to the WB a request for advances to the UN Accounts. Documentation of expenditures should be made once the final invoice is issued and based on the UN Financial Report. Any funds disbursed to UN Agencies and not used after the Project’s closing date should be refunded

¹⁹ The Bank carried out a Financial Management Assessment (FMA) during the last week of September 2022, to evaluate the adequacy of the Financial Management (FM) arrangements proposed by the Secretariat of Agriculture and Livestock (SAG, for its Spanish acronym) to absorb five projects that were being implemented by INVEST-H. COMRURAL III is one of these five projects.

directly to the WB. Payments are acceptable during the grace period (four months after closing) for eligible expenditures incurred by the Closing Date.

55. **Disbursements and flow of funds.** The Disbursement and Financing Information Letter (DFIL) will be revised to reflect the use of Reimbursement as primary method and the potential participation of WFP in providing TA services. No transfer of funds to eligible beneficiaries is anticipated under the Agrocoastal Subproject, SFP Subprojects, Community Nutrition and Hygiene Subprojects. Disbursements will be made on a transaction basis, and documented expenditures for goods, works, services, training, and operating costs for each subproject. As for the provision of SFP grants, amounts disbursed to eligible schools will be record for disbursement based on the actual expenditures incurred by schools under the grant for purchase of food. The Operating Costs definition of the Parent Project will be amended to add office rental and transportation costs, as eligible expenditures to be financed by the Project.

56. **In order to accommodate the potential participation of WFP in providing the planned TA under the AF, the DFIL has made provision for contracting of UN agencies.**

D. Procurement

57. **Since the AF will follow the implementation arrangements of the parent Project, no changes are expected to procurement arrangements.** The Bank evaluated UAP-SAG in late 2022, as the new implementing agency for several WB funded Projects, including COMRURAL II and III. The agreement with SAG was to transfer the former GDR from INVEST-H to UAP-SAG. Although several consultants are no longer part of the team, in general the structure and staffing arrangements have been respected, and SAG has committed to competitively hiring the vacant positions. Project Procurement Strategy for Development (PPSD) will be required as per the requirements of the World Bank's Procurement Framework: the PPSD will be updated to describe how the new procurement activities included under the proposed AF will be completed. However, as per paragraph 12, Section III of the World Bank Policy on IPF for Situations of Urgent Need of Assistance or Capacity Constraints, a simplified PPSD and the procurement plan are deferred to the AF project implementation phase. All procurement procedures, delegations of authority and any additional approvals from other units in SAG will be defined in the POM. The POM will be updated to reflect the new implementation arrangements and internal approvals, all of which must be approved by the Bank.

58. **Procurement under the AF will be carried out in accordance with the World Bank's Procurement Regulations** for IPF Borrowers for Goods, Works, Non-Consulting and Consulting Services, dated July 1, 2016 (revised in November 2020) and is subject to the World Bank's Anti-Corruption Guidelines, dated October 15, 2006, revised in January 2011, and as of July 1, 2016. The PPSD was developed to contribute to the achievement of the PDO and deliver value for money under a risk-based approach. It also provides adequate supporting market analysis for the selection methods detailed in the Procurement Plan. The proposed AF will continue to apply Mandatory Procurement Prior Review Thresholds detailed in the WB's Procurement Procedure, Annex I. The AF will use the STEP to plan, record, and track procurement transactions.

59. **The Procurement Risk is considered Substantial.** Risk factors for the Project include: (i) UAP-SAG does not have previous experience implementing WB financed Projects, therefore a learning curve is to be expected; (ii) Additional layers of approvals within SAG may result in delays in procurement processes; (iii) Procurement capacity may be lost with changes in staffing; (iv) There is no previous experience of COMRURAL in La Moskitia, given the geographical and social complexities of the beneficiaries, additional consultations will be needed in order to define the specific needs. Mitigations measures include: (i) Procurement Regulations shall be used for all Bank financed procurement. Training on the WB procurement procedures and regulations shall be provided to UAP-SAG and SAG staff that will be involved in Project implementation; (ii) A clear delegation system between the Minister and the UAP-SAG Coordinator and between the latter and the Project Coordinator shall be included in the Project Operational Manual (POM). UAP-SAG shall not abrogate, amend, suspend, terminate, or waive the POM or any provision thereof; (iii) UAP-SAG shall ensure that the PIU is staffed with the agreed procurement staff at all times, including at least one full time dedicated Procurement Specialist with terms of reference, qualifications, and experience acceptable to the Bank; and (iv) The Project Procurement Strategy for Development will be updated once the technical details and map of beneficiaries of Component 5 are fully defined.

E. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

60. The World Bank's Operational Policy – Projects on International Waterways (OP 7.50) was triggered when COMRURAL III was prepared, since the Project was going to finance small-scale irrigation activities that may rely on water from watersheds of the Goascoran River and the Lempa River (shared with El Salvador) and of the Negro River and Coco River (shared with Nicaragua), which are considered international waterways. As the AF activities may rely on water from watersheds of the Coco River, OP 7.50 is triggered by the AF. The subprojects financed by the AF will support the use of existing hydraulic assets for agricultural production and apply water more efficiently and equitably to farmland without increasing the amount of water abstracted, and there will be no investments in new irrigation schemes that rely on waters of international waterways. Given the limited amounts of water to be abstracted and the localized nature of the sources, the World Bank assessed that: (i) the proposed activities are not likely to adversely affect the quantity or quality of the water flowing to downstream riparians; and (ii) the proposed Project will not be affected by the water use of other riparians. Accordingly, an exception to the riparian notification requirement was granted by the Regional Vice Presidency on May 1, 2023.

F. Environmental and Social

61. **The overall Environmental and Social (E&S) risk classification of the project remains Substantial for the AF.** The specific E&S risks are described in the risk section above.

62. **The AF will use the same implementation arrangements as the parent project (COMRURAL III) and will be implemented by SAG through its Project Administration Unit (UAP-SAG).** The specialists working for SAG have experience working with the Bank's safeguards and ESF, and the AF will establish a new office in Puerto Lempira with additional E&S specialists. Close collaboration and coordination with SEDESOL, PROASOL, and CONAPROAH will be required, particularly for actions related to Indigenous Peoples and Afro-Honduran Peoples (IPAHs). Implementation support from consulting firms, NGOs, and international organizations will be utilized to provide timely technical assistance and effective communication with beneficiaries. The implementation entity or entities will be selected competitively and following key transparency criteria that will be set forth in the Project Operational Manual (POM), including criteria related to capacity and experience working in La Moskitia with key IPAH stakeholders. The specific roles and number of implementing entities will be decided after AF approval. The TORs for the implementing entity or entities will include their specific role for E&S management and required capacity.

63. **The Project's Environmental and Social Management Framework (ESMF), will be updated within 90 days of the parent project effectiveness date** to include the AF areas of intervention and activities. The updated ESMF will cover the new geographical area provide more detail on environmental and social risks and impacts, as well as characteristics and barriers faced by vulnerable groups. See Annex 11 for details. The AF's Environmental and Social Review Summary (ESRS)²⁰ includes a more detailed description of the scope of updates for each of the instrument. Updated instruments will be consulted with stakeholders.

64. **The Environmental and Social Commitment Plan (ESCP) was revised and disclosed at AF Appraisal, on May 25, 2023.**²¹ The revised ESCP includes all the measures and actions to cover the AF and ensure its risks will be managed in accordance with the ESF and the project's E&S instruments, as well as related implementation details, including training and monitoring and reporting activities.

65. **Consultations on the AF were carried out in November 2022 with prioritized stakeholders.** These consultations included representatives from various indigenous groups, governmental institutions, civil organizations, productive development service providers, commercial allies, donors, and multilateral cooperation. Feedback from these consultations led to recommendations that have been incorporated in project design such as increasing opportunities for people with disabilities, incorporating hygiene and sanitation services, and integrating ancestral knowledge and practices into the project. Representatives from IPAHs and civil society organizations

²⁰ <https://documents1.worldbank.org/curated/en/099051623090026716/pdf/P181004085359808f09db20a044b06c3ff1.pdf>

²¹ <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099052623113011135/p18100405afa8b0308b190bf8cde79e6f3>

noted that the project presented an opportunity for the inclusion of people with disabilities, empowerment of women and youth, and the co-creation of better opportunities with positive impacts on their livelihoods.

66. **The updated Stakeholder Engagement Plan (SEP), was disclosed on May 25, 2023,** and includes feedback from consultations, participatory mechanisms for identifying, designing, implementing, monitoring, and evaluating specific activities based on ongoing participatory processes with government actors and key IPAH organizations in the territory, as well as specific adaptations to the GRM to make it accessible in La Moskitia.

67. **The Indigenous Peoples Planning Framework (IPPF) will be updated, consulted, finalized, and disclosed within 90 days of Original Project's effective date.** It is expected that the majority of AF beneficiaries will be IPAHs, since target area involves Miskito, Pech, Tawahkas, and Garífunas. While said indigenous groups meet the criteria of ESS7, Creole households and Afro-Hondurans benefitting from the AF and who do not fit the criteria described in ESS7 will be considered as part of ESS1 in the ESMF and will be considered in risk assessments and mitigation measures established in other relevant documents including Environmental and Social Management Plans (ESMPs), SEP, and Labor Management Procedures (LMP). The IPPF will be updated to include the particular elements of work with IPAHs in la Moskitia. This includes the manner in which participatory processes will take place to ensure joint development and co-ownership of the project with representative organizations and communities, as well as how the national and international normative framework related to free, prior, and informed consultations will be applied in the context of the project. Because the majority of project beneficiaries under component 5 are IPAH, business plans, school feeding programs, and community nutrition and hygiene plans will be developed incorporating the elements of an Indigenous Peoples Plan. Therefore, unlike the parent project, whose activities are not solely focused on IPAHs, the preparation of stand-alone Indigenous Peoples Plans for individual subprojects under component 5 is not necessary.

68. **The Parent Project's LMP will also be updated within 90 days of the parent project's effective date to reflect AF activities.** The LMP addresses applicable legal frameworks, types of workers including direct and contracted workers, labor risks and mitigation measures, responsibilities for implementation and monitoring, and a dedicated GRM for workers. No significant additional labor risks are expected in the AF. The LMP identifies the risk of child labor in small agricultural activities and provides a general overview and identifies some actions to be implemented under the Project to prevent the presence of child labor in the Project. The minimum age for work under the project is 18 years old as reflected in the LMP. Forced labor will be prohibited.

V. WORLD BANK GRIEVANCE REDRESS

69. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines

whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

VI SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Disbursements Arrangements	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓

VII DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Enhancing Competitiveness and Resilience in Prioritized Value Chains	124.10	No Change	Enhancing Competitiveness and Resilience in Prioritized Value Chains	124.10
Strengthening Institutions for Improving the Agribusiness Environment	12.00	No Change	Strengthening Institutions for Improving the	12.00



			Agribusiness Environment	
Project Management Support	10.00	Revised	Project Management Support	10.50
Contingency Emergency Response Component (CERC)	0.00	No Change	Contingency Emergency Response Component (CERC)	0.00
	0.00	New	Strengthening Food Security and Productive Inclusion in the Moskitia and Atlantic Coast of Honduras	8.00
TOTAL	146.10			154.60

DISBURSEMENT ARRANGEMENTS

Change in Disbursement Arrangements

Yes

Expected Disbursements (in US\$)

Fiscal Year	Annual	Cumulative
2021	0.00	0.00
2022	0.00	0.00
2023	0.00	0.00
2024	23,807,225.00	23,807,225.00
2025	36,201,017.00	60,008,242.00
2026	32,303,022.00	92,311,264.00
2027	16,188,736.00	108,500,000.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Substantial	● Substantial
Macroeconomic	● Substantial	● Substantial



Sector Strategies and Policies	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● Substantial	● Substantial
Environment and Social	● Substantial	● Substantial
Stakeholders	● Moderate	● Moderate
Other	● Substantial	● Substantial
Overall	● Substantial	● Substantial

LEGAL COVENANTS – Additional Financing (AF) to the Innovation for Rural Competitiveness Project (COMRURAL III) - GAFSP Financing (P181004)

Sections and Description

Schedule 2. Section I.A.2.

No later than one hundred twenty (120) days after the Effective Date, and for purposes of implementing Part 5.3 of the Project, the Recipient, through SAG, shall enter into a technical coordination agreement (“Inter-institutional Agreement”) with SEDESOL and any other relevant entity, as applicable; all under terms and conditions acceptable to the Bank.

Schedule 2. Section I.A.3.

No later than thirty (30) days after the Effective Date, the Recipient, through SAG, shall hire as part of the PIU, and thereafter retain throughout Project implementation, one (1) Technical Liaison, on terms and conditions acceptable to the Bank, as further detailed in the Project Operational Manual.

Conditions

Type	Financing source	Description
Effectiveness	Trust Funds	Article V. 5.01.(i) The Original Financing Agreement has been entered into in a manner acceptable to the Bank and that all conditions precedent to its effectiveness have been fulfilled.
Effectiveness	Trust Funds	Article V. 5.01.(ii)



		<p>The First Amendment to the Original Financing Agreement has been entered into in a manner acceptable to the Bank and that all conditions precedent to its effectiveness (other than the effectiveness of this agreement) have been fulfilled.</p>
Type Effectiveness	Financing source Trust Funds	<p>Description Article V. 5.01.(iii)</p> <p>The Project Operational Manual referred to in Section I.A.1 of Schedule 2 to this Agreement has been updated and adopted in a manner satisfactory to the Bank.</p>
Type Disbursement	Financing source Trust Funds	<p>Description Schedule 2. Section III. B.1.(ii)(a)</p> <p>No withdrawal shall be made for payments under Categories (2), (3) and (4) until the staff referred to in Section I.A1.c. has been hired for the Project Field Unit, with terms of reference and functions and in a manner acceptable to the Bank.</p>
Type Disbursement	Financing source Trust Funds	<p>Description Schedule 2. Section III. B.1.(ii)(b)</p> <p>No withdrawal shall be made for payments under Categories (2), (3) and (4) until the Operator Contract has been entered into in a manner acceptable to the Bank.</p>



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Honduras

Additional Financing (AF) to the Innovation for Rural Competitiveness Project (COMRURAL III) - GAFSP Financing

Project Development Objective(s)

(i) To contribute to market access, adoption of climate-smart approaches, and job creation in support of project beneficiaries in selected agri-food value chains; and (ii) in case of an Eligible Crisis or Emergency, to respond effectively to it.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Contribution to market access						
Increase in the value of gross sales of approved business plans from the second year of project execution (Percentage)		0.00	5.00	10.00	20.00	20.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.</i>					
Enhanced adoption of climate-smart technologies and practices						
Beneficiaries adopting improved technologies promoted by the		0.00	2,240.00	4,600.00	7,160.00	15,000.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
project to enhance climate resilience (Number)						
Action: This indicator has been Revised	Rationale: <i>The number of beneficiaries increased with additional financing.</i>					
of whom women (Percentage)	0.00	7.00	17.00	30.00	30.00	
Action: This indicator has been Revised	Rationale: <i>Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.</i>					
of whom youth (Percentage)	0.00	4.00	8.00	15.00	15.00	
Action: This indicator has been Revised	Rationale: <i>Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.</i>					
of whom Indigenous Peoples/Afro-Descendants (Percentage)	0.00	5.00	12.00	20.00	20.00	
Action: This indicator has been Revised	Rationale: <i>Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.</i>					
of whom people with disabilities (Percentage)	0.00	0.00	3.00	3.00	3.00	



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator is New		Rationale: A new group of beneficiaries was included upon discussion during the preparation mission.				
Contribution to job creation						
Additional individuals working under investment initiatives financed by the Project, disaggregated by gender, youth, Indigenous Peoples, and Afro-Descendants (Number)		0.00	3,225.00	8,210.00	14,000.00	14,200.00
Action: This indicator has been Revised		Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.				
of whom women (Percentage)		0.00	7.00	17.00	30.00	30.00
Action: This indicator has been Revised		Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.				
of whom youth (Percentage)		0.00	4.00	8.00	15.00	15.00
Action: This indicator has been Revised		Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.				
of whom Indigenous Peoples/Afro-Descendants (Percentage)		0.00	5.00	12.00	20.00	20.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
<i>Action: This indicator has been Revised</i>		<i>Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.</i>				
Food and Nutritional Security (Action: This Objective is New)						
Households with improved food security as measured by the Food Insecurity Experience Scale (FIES) (Percentage)		0.00	0.00	50.00	50.00	70.00
<i>Action: This indicator is New</i>		<i>Rationale: A new indicator was added to measure food security.</i>				
Dietary diversity score in participating households (Percentage)		0.00	0.00	50.00	50.00	70.00
<i>Action: This indicator is New</i>		<i>Rationale: A new indicator was included in order to measure the dietary diversity of beneficiaries.</i>				

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Enhancing competitiveness and resilience in prioritized value chains						
Business plans financed under the Project (Number)		0.00	117.00	296.00	510.00	510.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator has been Revised						
	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
of which subsistence agriculture (Number)	0.00	45.00	134.00	224.00	224.00	224.00
Action: This indicator has been Revised						
	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
of which transitioning agriculture (Number)	0.00	30.00	70.00	124.00	124.00	124.00
Action: This indicator has been Revised						
	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
of which commercially-oriented agriculture (Number)	0.00	20.00	42.00	62.00	62.00	62.00
Action: This indicator has been Revised						
	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
of which small agro-logistics (Number)	0.00	20.00	50.00	100.00	100.00	100.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
Business plans financed under the Project that incorporate climate-smart investments (Number)	0.00	58.00	148.00	255.00	255.00	255.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
Business plans financed under the Project that incorporate nutrition-smart agriculture investments (Number)	0.00	30.00	92.00	155.00	155.00	155.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
Increase in the Index of Organizational Capacity of RPOs (Percentage)	0.00	0.00	5.00	10.00	10.00	10.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
Beneficiaries participating in business plans under the Project (Number)	0.00	3,200.00	11,770.00	20,000.00	20,000.00	20,000.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator has been Revised		Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.				
of whom women (Percentage)		0.00	7.00	17.00	30.00	30.00
Action: This indicator has been Revised		Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.				
of whom youth (Percentage)		0.00	4.00	8.00	15.00	15.00
Action: This indicator has been Revised		Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.				
of whom Indigenous Peoples/Afro-Descendants (Percentage)		0.00	5.00	12.00	20.00	20.00
Action: This indicator has been Revised		Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.				
Individuals working under investment initiatives financed by the Project (Number)		0.00	4,000.00	8,250.00	12,750.00	25,000.00
Action: This indicator has been Revised		Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.				



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
of whom women (Percentage)		0.00	7.00	17.00	30.00	30.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
of whom youth (Percentage)		0.00	4.00	8.00	15.00	15.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
of whom Indigenous Peoples/Afro-Descendants (Percentage)		0.00	5.00	12.00	20.00	20.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
Producer Organizations accessing new sources of finance for operating expenses and capital investment (Number)		0.00	52.00	112.00	187.00	187.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Private capital mobilized (Amount(USD))		0.00	12,176,613.00	12,848,387.00	14,805,000.00	39,830,000.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
Beneficiaries satisfied with technical and financial assistance received under the Project (Percentage)		0.00	80.00	80.00	80.00	80.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
Beneficiaries satisfied with the participatory process of business plan preparation (Percentage)		0.00	80.00	80.00	80.00	80.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
Women attending women-tailored training events implemented to provide additional support to their enterprises (Number)		0.00	615.00	1,482.00	2,500.00	2,500.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Women beneficiaries demonstrating an improvement in empowerment (Pro-WEAI) (Percentage)		0.00	0.00	8.00	8.00	15.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
Strengthening institutions for improving the agribusiness environment						
Beneficiaries reached with agricultural assets or services in the Project-targeted value chains (Number)		0.00	5,385.00	13,270.00	22,500.00	22,500.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
of whom women (Percentage)		0.00	7.00	17.00	30.00	30.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
of whom youth (Percentage)		0.00	4.00	8.00	15.00	15.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator has been Revised			Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.			
of whom Indigenous Peoples/Afro-Descendants (Percentage)		0.00	5.00	12.00	20.00	20.00
Action: This indicator has been Revised			Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.			
Reduction in the average time required for selected, prioritized SENASA processes (Percentage)		0.00	10.00	20.00	30.00	30.00
Action: This indicator has been Revised			Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.			
Reduction in the average time required for ARSA laboratory analyses (Percentage)		0.00	10.00	20.00	30.00	30.00
Action: This indicator has been Revised			Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.			
ARSA Mobile Laboratories created and functioning (Number)		0.00	0.00	3.00	3.00	3.00
Action: This indicator has been Revised			Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.			



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
National ARSA Laboratory with internationally-accredited processes created (Yes/No)	No	No	No	Yes	Yes	
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
National agro-logistics strategy prepared (Yes/No)	No	No	Yes	Yes	Yes	
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
National Agricultural Council (NAC) and Technical and Business Unit created under SAG (Yes/No)	No	No	Yes	Yes	Yes	
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
National Registry of value-chain agricultural producers created (Yes/No)	No	No	Yes	Yes	Yes	
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
The Project Administration Unit of SAG develops and issues its gender strategy (Yes/No)		No	Yes	Yes	Yes	Yes
Action: This indicator has been Revised	Rationale: Changed name deleting "Rural Development Office of INVEST-H" and replacing with "Project Administration Unit of SAG" to reflect change in Implementing Agency.					
Project management support						
Grievances responded to and/or resolved within 90 days (percentage of total received) (Percentage)		0.00	100.00	100.00	100.00	100.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
Indigenous Peoples/Afro-Descendants in project areas that feel project investments reflect their needs established during participatory business plan formulation process (Percentage)		0.00	80.00	80.00	80.00	80.00
Action: This indicator has been Revised	Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.					
of whom women (Percentage)		0.00	30.00	30.00	30.00	30.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator has been Revised		Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.				
Project impact evaluation implemented (Yes/No)	No	No	No	Yes	Yes	
Action: This indicator has been Revised		Rationale: Adding the description as it had gone missing because of technical glitches in the December 2022 restructuring. NO FURTHER CHANGES TO THIS INDICATOR HAVE BEEN MADE.				
Strengthening Food Security and Productive Inclusion in the Moskitia and Atlantic Coast of Honduras (Action: This Component is New)						
Direct beneficiaries of the component (Number)	0.00	0.00	2,000.00	3,000.00	4,000.00	
Action: This indicator is New		Rationale: New indicator				
Of whom women (Percentage)	0.00	0.00	40.00	40.00	40.00	
Action: This indicator is New		Rationale: New indicator				
Of whom youth (Percentage)	0.00	0.00	20.00	20.00	20.00	
Action: This indicator is New		Rationale: New indicator				
Of whom Indigenous People/Afro-Descendants	0.00	0.00	70.00	70.00	70.00	



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
(Percentage)						
Action: This indicator is New		Rationale: New indicator				
Of whom people with disability (Percentage)		0.00	0.00	3.00	3.00	3.00
Action: This indicator is New		Rationale: New indicator				
Number of workshops held with local communities and producers' groups (Number)		0.00	0.00	20.00	40.00	50.00
Action: This indicator is New		Rationale: New indicator				
Business plans implemented in the Moskitia-Costa Atlántica (Number)		0.00	0.00	30.00	50.00	60.00
Action: This indicator is New		Rationale: New indicator				
Producers receiving technical assistance on School Feeding Program (Number)		0.00	0.00	40.00	80.00	96.00
Action: This indicator is New		Rationale: New indicator				
Of whom women (Percentage)		0.00	0.00	40.00	40.00	40.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Action: This indicator is New		Rationale: New indicator				
Of whom youth (Percentage)		0.00	0.00	15.00	15.00	15.00
Action: This indicator is New		Rationale: New indicator				
Of whom Indigenous Peoples/Afro-Descendants (Percentage)		0.00	0.00	70.00	70.00	70.00
Action: This indicator is New		Rationale: New indicator				
Of whom people with disability (Percentage)		0.00	0.00	3.00	3.00	3.00
Action: This indicator is New		Rationale: New indicator				
Of whom youth ()		0.00				15.00
Action: This indicator is New		Rationale: New indicator				
Number of Community Nutrition and Hygiene Plans implemented in the Moskitia-Costa Atlántica (Number)		0.00	0.00	15.00	25.00	30.00
Action: This indicator is New		Rationale: New indicator				



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Number of schools receiving technical assistance on School Feeding Program (Number)		0.00	0.00	100.00	200.00	330.00
Action: This indicator is New		Rationale: New indicator				
Number of schools participating in School Feeding Program fresh ration pilots (Amount(USD))		0.00	0.00	6.00	10.00	12.00
Action: This indicator is New		Rationale: New indicator				
Innovation centers created and equipped in the department of Gracias a Dios (Number)		0.00	0.00	0.00	1.00	1.00
Action: This indicator is New		Rationale: New indicator				
Number of SAG's personnel and local technicians and paratechnics in the territory of influence receiving training (Number)		0.00	0.00	25.00	50.00	75.00
Action: This indicator is New		Rationale: New indicator				



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Increase in the value of gross sales of approved business plans from the second year of project execution	Percentage increase over the baseline, calculated by comparing the value of gross sales of a sample of beneficiary producer organizations.	Yearly starting in year 3	Business plans and beneficiary monitoring system	Increase in percentage points over the baseline, calculated by comparing the value of gross sales of a sample of RPOs benefited by the Project with a control group.	M&E Team of COMRURAL PIU
Beneficiaries adopting improved technologies promoted by the project to enhance climate resilience	The number of beneficiaries who answered that they adopted improved technologies promoted by the project to enhance climate resilience at the end of project implementation.	Mid-term evaluation and final evaluation	Business plans and beneficiary monitoring system, mid-term and final evaluation reports.	This indicator will be measured through a survey, conducted by a third party, applied to a representative sample of farmers who are part of business plans that incorporate climate-smart practices or technologies.	M&E Team of COMRURAL PIU
of whom women	This indicator measures the number of female farmers who have adopted at least one improved agricultural practice and/or technology promoted by the project.	Mid-term evaluation and final evaluation	Business plan and beneficiary monitoring system, Mid-term and final evaluation report.	This indicator will be measured through a survey, conducted by a third party, applied to a representative sample of farmers who are part of business plans that incorporate climate-	M&E project team of PIU COMRURAL



				smart practices or technologies.	
of whom youth	This indicator measures the number of farmers (aged 18-30) who have adopted at least one improved agricultural practice and/or technology promoted by the project.	Mid-term evaluation and final evaluation	Business plan and beneficiary monitoring system, Mid-term and final evaluation report.	This indicator will be measured through a survey, conducted by a third party, applied to a representative sample of farmers who are part of business plans that incorporate climate-smart practices or technologies.	M&E project team of PIU COMRURAL
of whom Indigenous Peoples/Afro-Descendants	This indicator measures the number of farmers who self-defined as Indigenous or Afro-Descendants and who have adopted at least one improved agricultural practice and/or technology promoted by the project.	Mid-term evaluation and final evaluation	Business plan and beneficiary monitoring system, Mid-term and final evaluation report.	This indicator will be measured through a survey, conducted by a third party, applied to a representative sample of farmers who are part of business plans that incorporate climate-smart practices or technologies.	M&E project team of PIU COMRURAL
of whom people with disabilities	The disaggregation of this indicator that refers to people with disabilities only applied under beneficiaries supported under component 5, which implies the activities	Mid-term evaluation and final evaluation	Business plan and beneficiary monitoring system, Mid-term and final evaluation	This indicator will be measured through a survey, conducted by a third party, applied to a representative sample of farmers who are part of business plans that	M&E project team of PIU COMRURAL



	carried out in the department of Gracias a Dios.		report.	incorporate climate-smart practices or technologies.	
Additional individuals working under investment initiatives financed by the Project, disaggregated by gender, youth, Indigenous Peoples, and Afro-Descendants	This definition encompasses the variety of forms of employment associated with jobs in agriculture that could be created under the various sub-project windows proposed under Component 1: e.g. self-employment by producers and their families; hiring of temporary and seasonal workers; full-time, formal jobs.	Annual	Reports of monitoring visits to sites of business plan activities	Number of new jobs verified through monitoring visits. The data will be collected by the Entrepreneurship Development Service Providers (PSDEs) and the PIU through the regional offices.	M&E Team of COMRURAL PIU
of whom women	Female beneficiaries	Annual	Reports of monitoring visits to sites of business plan activities	Number of new jobs verified through monitoring visits. The data will be collected by the empowerment development service providers PSDEs and the PCU through regional units.	M&E project team of PIU COMRURAL
of whom youth	Individuals aged 18-30	Annual	Reports of monitoring visits to sites of business	Number of new jobs verified through monitoring visits. The data will be collected by	M&E project team of PIU COMRURAL



			plan activities	the empowerment development service providers PSDEs and the PCU through regional units.	
of whom Indigenous Peoples/Afro-Descendants	Individuals who self-define as Indigenous or Afro-Descendants	Annual	Reports of monitoring visits to sites of business plan activities	Number of new jobs verified through monitoring visits. The data will be collected by the empowerment development service providers PSDEs and the PCU through regional units.	M&E project team of PIU COMRURAL
Households with improved food security as measured by the Food Insecurity Experience Scale (FIES)	The number of households whose food security improved, measured by FIES.	Baseline, mid-term, and at the end of the project	FIES Monitoring report	The indicator will be measured through the Food Insecurity Experience Scale (FIES)	The implementing agencies on the ground.
Dietary diversity score in participating households	The number of individual food items or groups consumed daily by children under 5 and their mothers.	Baseline, Mid-term, and Final.	Measured at the HH or individual level through a questionnaire. The indicator measures the percentage of	Questionnaire	UAP-SAG through implementing agency or extensionists.



			the target population that has a dietary diversity score equal to or higher to 4.		
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Business plans financed under the Project	Total number of business plans financed by the project under all windows of Component 1	Semi-annual	Project monitoring system	Count of business plans approved by the Project	M&E Team of COMRURAL PIU
of which subsistence agriculture	Total number of business plans financed by the project under Window 1 of Component 1	Semi-annual	Monitoring system of project	Count of business plans approved by the project	M&E project team of PIU COMRURAL
of which transitioning agriculture	Total number of Number Business plans financed by the project under Window 2 of Component 1	Semi-annual	Monitoring system of project	Count of business plans approved by the project	M&E project team of PIU COMRURAL
of which commercially-oriented agriculture	Total number of Number Business plans financed by the project under Window 3 of Component 1	Semi-annual	Monitoring system of project	Count of business plans approved by the project	M&E project team of PIU COMRURAL



of which small agro-logistics	Total number of Number Business plans financed by the project under Window 4 of Component 1	Semi-annual	Monitoring system of project	Count of business plans approved by the project	M&E project team of PIU COMRURAL
Business plans financed under the Project that incorporate climate-smart investments	Total number of business plans financed under the project that incorporate climate-smart investments.	Semi-annual	Business plans and project monitoring system.	Count of business plans approved by the Project.	M&E Team of COMRURAL PIU
Business plans financed under the Project that incorporate nutrition-smart agriculture investments	Total number of business plans financed under the project that incorporate nutrition-smart agriculture investments	Semi-annual	Business plans and project monitoring system.	Count of business plans approved by the Project.	M&E Team of COMRURAL PIU
Increase in the Index of Organizational Capacity of RPOs	Average percentage increase in the baseline Index of Organizational Capacity of each RPO. The index refers to the capabilities of the RPO in terms of: i) Management Administration, ii) Strategic Orientation, iii) Organizational Structure and Functionality, iv) Organizational Processes, v) Control and vi) Services Offered or Channeled. Each topic is broken down into elements of qualification that are evaluated semi-annually and provide	Semi-annual	Business plans and project monitoring system.	Business plans and beneficiary monitoring system.	M&E Team of COMRURAL PIU



	insight of the progress of the RPO based on its organizational capacity and business management for the implementation of the business plan. Those elements with the lowest qualification imply the definition of specific actions to achieve the objectives and goals of the RPO and success in implementing the business plan.				
Beneficiaries participating in business plans under the Project	This indicator measures the number of beneficiaries who participate directly in the business plans (Component I).	Semi-annual	Business plans and beneficiary monitoring system	Lifting of characterizations of partners by RPO.	Information elicited by the Service Provider during the formulation of the business plan, with a semi-annual follow-up, and M&E Team of COMRURAL PIU.
of whom women	Female beneficiaries	Semi-annual	Business plan and beneficiary monitoring system	Lifting of characterizations of partners by RPO.	Information raised by the Service Provider during the formulation of the plan with a semi-annual follow-up, and M&E project team of PIU COMRURAL.



of whom youth	Individuals aged 18-30	Semi-annual	Business plan and beneficiary monitoring system	Lifting of characterizations of partners by RPO.	Information raised by the Service Provider during the formulation of the plan with a semi-annual follow-up, and M&E project team of PIU COMRURAL.
of whom Indigenous Peoples/Afro-Descendants	Individuals who self-define as Indigenous or Afro-Descendants	Semi-annual	Business plan and beneficiary monitoring system	Lifting of characterizations of partners by RPO.	Information raised by the Service Provider during the formulation of the plan with a semi-annual follow-up, and M&E project team of PIU COMRURAL.
Individuals working under investment initiatives financed by the Project	This definition encompasses the variety of forms of employment associated with jobs in agriculture that could be created under the various sub-project windows proposed under Component 1: e.g., self-employment by producers and their families; hiring of temporary and seasonal workers; full-time, formal jobs.	Annual	Reports of monitoring visits to sites of business plan activities.	Number of new jobs verified through monitoring visits. Entrepreneurship Development Service Providers (PSDEs) and the PIU through the regional offices.	M&E Team of COMRURAL PIU.
of whom women	Female beneficiaries	Annual	Reports of monitoring	Number of new jobs verified through	M&E Team of COMRURAL PIU.



			visits to sites of business plan activities.	monitoring visits. Entrepreneurship Development Service Providers (PSDEs) and the PIU through the regional offices.	
of whom youth	Individuals aged 18-30	Annual	Reports of monitoring visits to sites of business plan activities.	Number of new jobs verified through monitoring visits. Entrepreneurship Development Service Providers (PSDEs) and the PIU through the regional offices.	M&E Team of COMRURAL PIU.
of whom Indigenous Peoples/Afro-Descendants	Individuals who self-define as Indigenous or Afro-Descendants	Annual	Reports of monitoring visits to sites of business plan activities.	Number of new jobs verified through monitoring visits. Entrepreneurship Development Service Providers (PSDEs) and the PIU through the regional offices.	M&E Team of COMRURAL PIU.
Producer Organizations accessing new sources of finance for operating expenses and capital investment	This indicator measures the number of Producers Organizations beneficiaries of Windows 2 and 3 of Component 1 that accessing new private funding sources for	Semi-annual	Business plans and monitoring system	Loan contracts with private financial partners established by the RPOs.	M&E Team of COMRURAL PIU.



	operating expenses and capital investment				
Private capital mobilized	Private commercial financing leveraged by the project to implement business plans.	Semi-annual	Business plans and monitoring system	The information for this indicator will be collected from data on loans and other types of private capital obtained by participating agribusiness organizations to co-finance their business plans under the Project.	M&E Team of COMRURAL PIU.
Beneficiaries satisfied with technical and financial assistance received under the Project	This indicator measures the level of satisfaction of beneficiaries with the agricultural technical assistance received under the project.	Mid-term evaluation and final evaluation	Business plans and beneficiary monitoring system	This indicator will be assessed through a survey of a representative sample of beneficiaries, taking into account the targets for the participation in business plans for women, youth, Indigenous Peoples, Afro-descendants, and those covered under GoH social protection programs. This indicator will be assessed by a third party.	External consulting firm, M&E Team of COMRURAL PIU.



Beneficiaries satisfied with the participatory process of business plan preparation	This indicator measures the level of satisfaction of beneficiaries with the participatory process implemented to prepare business plans under the project.	Mid-term evaluation and final evaluation	Business plans and beneficiary monitoring system	This indicator will be assessed through survey of a representative sample of beneficiaries, taking into account the targets for participation in business plans for women, youth, Indigenous Peoples, Afro-descendants, and those covered under GoH social protection programs. This indicator will be assessed by a third party.	External consulting firm, M&E Team of COMRURAL PIU.
Women attending women-tailored training events implemented to provide additional support to their enterprises	Number of women attending training and capacity-building events directed at women's enterprises to provide additional support for their subprojects.	Semi-annual	Business plans and monitoring system	Business plans and beneficiary monitoring system.	M&E Team of COMRURAL PIU.
Women beneficiaries demonstrating an improvement in empowerment (Pro-WEAI)	Ratio of the number of women participating in business plans that demonstrate an increase in the Pro-WEAI index over total number of surveyed women participating in business plans.	Mid-term evaluation and final evaluation	Business plans and beneficiary monitoring system	Surveys will be used to measure empowerment, self-management, and inclusion of women in the agricultural sector. This indicator will be assessed by a third party.	External consulting firm, M&E Team of COMRURAL PIU.



	<p>The project-level Women’s Empowerment in Agriculture Index (Pro-WEAI) is a survey-based index for measuring the empowerment, agency, and inclusion of women in the agriculture sector. It is composed of 12 indicators of women’s empowerment in agriculture: autonomy in income, self-efficacy, attitudes about domestic violence, input in productive decisions, ownership of land and other assets, access to and decisions on credit, control over the use of income, work balance, visiting important locations, group membership, membership in influential groups, and respect among household members.</p>				
<p>Beneficiaries reached with agricultural assets or services in the Project-targeted value chains</p>	<p>This indicator measures the number of beneficiaries who participate directly in the business plans</p>	<p>Semi-annual</p>	<p>Business plans and beneficiary monitoring</p>	<p>Business plans and beneficiary monitoring system</p>	<p>M&E Team of COMRURAL PIU.</p>



	(Component 1) and in Component 2 of the Project.		system		
of whom women	Female beneficiaries	Semi-annual	Business plans and beneficiary monitoring system	Business plans and beneficiary monitoring system	M&E Team of COMRURAL PIU.
of whom youth	Individuals aged 18-30	Semi-annual	Business plans and beneficiary monitoring system	Business plans and beneficiary monitoring system	M&E Team of COMRURAL PIU
of whom Indigenous Peoples/Afro-Descendants	Individuals who self-define as Indigenous or Afro-Descendants	Semi-annual	Business plans and beneficiary monitoring system	Business plans and beneficiary monitoring system	M&E Team of COMRURAL PIU.
Reduction in the average time required for selected, prioritized SENASA processes	Percentage reduction in the average time required in processes previously defined by SENASA, measured after the execution of the investments	Annual	Analysis of the annual database of processes (SENASA)	This indicator measures the percentage reduction in days to register medicines for veterinary use, products for animal feeding, and pesticides.	Department of Informatics of SENASA, M&E Team of COMRURAL PIU.
Reduction in the average time required for ARSA laboratory analyses	Percentage reduction in the average time required in processes previously	Annual	Analysis of the annual database of	This indicator measures the percentage reduction in	Department of Informatics of ARSA, M&E Team of



	defined by ARSA, measured after the execution of the investments		processes. (ARSA)	days required for ARSA to deliver results of laboratory analyses to beneficiaries.	COMRURAL PIU.
ARSA Mobile Laboratories created and functioning	Number of ARSA Mobile Laboratories created and functioning	Annually	Department of Informatics of ARSA	Mobile laboratories are created and performing rapid food and beverage analysis.	Department of Informatics of ARSA, M&E Team of COMRURAL PIU.
National ARSA Laboratory with internationally-accredited processes created	National ARSA Laboratory with internationally-accredited processes created	Final evaluation	Department of Informatics of ARSA	Documentation certifying the international accreditation and improvement of laboratory processes.	External consulting firm, Department of Informatics of ARSA, M&E Team of COMRURAL PIU.
National agro-logistics strategy prepared	National agro-logistics strategy prepared	Final evaluation	Information gathering in coordination with SAG	Approved document	External consulting firm, SAG, M&E Team of COMRURAL PIU.
National Agricultural Council (NAC) and Technical and Business Unit created under SAG	National Agricultural Council (NAC) and Business Unit created under SAG	Final evaluation	Information gathering in coordination with SAG	Established NAC and Business Unit	External consulting firm, SAG, M&E Team of COMRURAL PIU.
National Registry of value-chain agricultural producers created	National Registry of value-chain agricultural producers is created	Annually	Information gathering in coordination with SAG.	Registry created.	External consulting firm, SAG, M&E Team of COMRURAL PIU.



The Project Administration Unit of SAG develops and issues its gender strategy	The PIU-SAG develops and issues its approved gender strategy.	Once, in the first year of the Project	Information collected by the COMRURAL PIU for the development of the strategy	Approved document	M&E Team of COMRURAL PIU.
Grievances responded to and/or resolved within 90 days (percentage of total received)	Percentage of grievances responded and/or resolved within 90 days	Semi-annual	Information collected by the COMRURAL PIU through the Grievance Redress System, and from inquiries made through other means.	Reception, analysis, and response to complaints, claims, and inquiries made through the Grievance Redress System and other means.	M&E Team of COMRURAL PIU.
Indigenous Peoples/Afro-Descendants in project areas that feel project investments reflect their needs established during participatory business plan formulation process	Percentage of individuals who self-define as Indigenous or Afro-Descendants in project areas who feel that project investments reflect their needs established during the participatory business plan formulation process	Mid-term and final evaluations	Business plans and monitoring system	Application of an instrument for gathering information through the socialization of business plans.	RPOs and M&E Team of COMRURAL PIU.
of whom women	Percentage of female individuals who self-define as Indigenous or Afro-Descendants in project	Mid-term evaluation and final evaluation	Business plan and monitoring system	Socialization of the business plan and application of an instrument for gathering	RPOs and Project team of PIU COMRURAL



	areas who feel that project investments reflect their needs established during the participatory business plan formulation process			information	
Project impact evaluation implemented	The evaluation measures the impact of the Project on the beneficiary RPOs	Final evaluation	Business plans, project monitoring system, and information provided by the beneficiary RPOs	The impact of the Project will be evaluated through a survey of a representative sample of beneficiary RPOs, taking into account the indicators and goals of the business plans.	External consulting firm, M&E Team of COMRURAL PIU.
Direct beneficiaries of the component	The number of direct beneficiaries (individuals) benefiting from capacity building, technical assistance, business plans, Community Nutrition and Hygiene Plans, and School Feeding Program Plans.	Semi-annual	Project monitoring system	Count of direct beneficiaries of component 5 in Moskitia-Costa Atlántica	M&E Team of COMRURAL PIU/implementing agency
Of whom women	Female beneficiaries	Semi-annual	Project monitoring system	Count of direct beneficiaries of component 5 in Moskitia-Costa Atlántica	M&E Team of COMRURAL PIU/implementing agency
Of whom youth	Understanding youth as individuals aged 18–30	Semi-annual	Project monitoring system	Count of direct beneficiaries of component 5 in Moskitia-Costa Atlántica	M&E Team of COMRURAL PIU/implementing agency



Of whom Indigenous People/Afro-Descendants	Individuals who self-define as Indigenous or Afro-Descendants	Semi-annual	Project monitoring system	Count of direct beneficiaries of component 5 in Moskitia-Costa Atlántica	M&E Team of COMRURAL PIU/implementing agency
Of whom people with disability	The disaggregation of this indicator that refers to people with disabilities only applied under beneficiaries supported under component 5, which implies the activities carried out in the department of Gracias a Dios.	Semi-annual	Project monitoring system	Count of direct beneficiaries of component 5 in Moskitia-Costa Atlántica	M&E Team of COMRURAL PIU/implementing agency
Number of workshops held with local communities and producers' groups	The indicator measures the # of workshops related to subcomponent 5.1.1 carried out with local communities	Semi-annual	Project monitoring system	Count of workshops held with local communities and producers' groups by component 5	Implementing agency reporting to the M&E Team of COMRURAL PIU
Business plans implemented in the Moskitia-Costa Atlántica	Business plans implemented in the Moskitia-Costa Atlántica and financed under this component (GAFSP funds).	Semi-annual	Project monitoring system	Count of business plans approved and financed by the Project	implementing agencies reporting to the M&E Team of COMRURAL PIU
Producers receiving technical assistance on School Feeding Program	Number of project beneficiaries that attend and complete training and technical assistance on the School Feeding Program	Semi-annual	Project monitoring system	Count of producers receiving technical assistance on the School Feeding Program	M&E Team of COMRURAL PIU/Implementing agency



Of whom women	Female beneficiaries	Semiannual	Project monitoring system	Count of producers receiving technical assistance on the School Feeding Program	M&E Team of COMRURAL PIU/Implementing agency
Of whom youth	aged 18–30	Semiannual	Project monitoring system	Count of producers receiving technical assistance on the School Feeding Program	M&E Team of COMRURAL PIU/Implementing agency
Of whom Indigenous Peoples/Afro-Descendants	Individuals who self-define as Indigenous or Afro-Descendants	Semiannual	Project monitoring system	Count of producers receiving technical assistance on the School Feeding Program	M&E Team of COMRURAL PIU/Implementing agency
Of whom people with disability	The disaggregation of this indicator that refers to people with disabilities only applied under beneficiaries supported under component 5, which implies the activities carried out in the department of Gracias a Dios.	semiannual	Project monitoring system	Count of producers receiving technical assistance on the School Feeding Program	M&E Team of COMRURAL PIU/Implementing agency
Of whom youth	this indicator considers individuals aged 18-30				
Number of Community Nutrition and Hygiene Plans implemented in the Moskitia-Costa Atlántica	The total number of community Nutrition and Hygiene Plans implemented in the Moskitia-Costa Atlántica	Semi-annual	Project monitoring system	Count of CNH plan approved by the project	Implementing agency reporting to the M&E Team of COMRURAL PIU



	and financed by this component (GAFSP funds).				
Number of schools receiving technical assistance on School Feeding Program	The total number of schools receiving technical assistance on the School Feeding Program	Semiannual	Project monitoring system	Count of schools receiving technical assistance on the School Feeding Program	WFP reporting to the M&E Team of COMRURAL PIU
Number of schools participating in School Feeding Program fresh ration pilots	The total number of schools participating in School Feeding Program fresh ration pilots	Semi-annual	Project monitoring system	Count of schools participating in School Feeding Program fresh ration pilots	WFP reporting to the M&E Team of COMRURAL PIU
Innovation centers created and equipped in the department of Gracias a Dios	The indicator measures the number of innovation centers created (infrastructure) and equipped with the technical materials and laboratories needed to function to support local producers.	Baseline, mid-terms, end of the project.	Project monitoring system	Count of innovation centers created and equipped in the department of Gracias a Dios	The institutions involved in the creation and supervision of the infrastructure and equipment of the centers: SAG, SENASA, and Fishery institutions, among others that will benefit from the output.
Number of SAG's personnel and local technicians and paratechnics in the territory of influence receiving training	This component will provide comprehensive training packages in multiculturalism, nutrition, and productive issues, etc. Accredited trainers of institutions such as SEDESOL, SESAL, National University of Agriculture, PMA, etc will provide the	semi-annual	Project monitoring system	Details will be further discussed during the early implementation of the project.	The institutions carrying out the training.



	training.				
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Annex 1. Livelihoods in the Moskitia

Source: Famine Early Warning Systems Network (FEWS NET). March 2014. HONDURAS Livelihood Zones and Descriptions.

Main productive assets	
Poor households	Better-off households
< 1 ha communal land <5 ducks, chickens, pigs Hand tools (machete, file, hoe, spiked stick, pickaxe, knapsack sprayer, rope) Rifle or harpoon Canoe	Private land, home (≥ 5 ha) Pigs Cattle (up to 10) or Sawmill or Scuba equipment and motor boat
Household size	
Poor households	Better-off households
5-8 members	3-4 members
Main foods consumed and sources	
Poor households	Better-off households
Rice (MP, OP) Cassava (OP) Plantain (OP) Fish (G)	Rice (MP, OP) Cassava (OP) Plantain (OP) Fish (G) Meat, dairy (OP, MP)
Main income sources	
Poor households	Better-off households
Labor (diving, other) Artisanal fishing Hunting	Trade and services Skilled labor Larger-scale fishing Timber sales
Main markets	
San Pedro Sula, La Ceiba, Puerto Lempira	
Main hazards, timing, and frequency	
Flooding	January and August to October
Irregular <i>canícula</i>	July to August
High fuel prices	Year-round
Response strategies of poor households	
Migration within and outside the country	

1. **The department of Gracias a Dios is adjacent to the Rio Plátano Biosphere Reserve, in the northeast region of the country.** It is located on the Atlantic coastline, which borders Nicaragua, and is part of the tropical rainforest of the Moskitia. Vegetation and wildlife is abundant.

2. **Transportation within the zone is primarily via waterways.** Communication between communities is through rainfed rivers (i.e., El Patuca, El Coco, and Segovia), and by sea. There are daily boats traveling from La Ceiba and Trujillo; air access is also available. It is a zone with low population density, where Miskito Indigenous communities predominate, alongside Garífunas, Pech, and Tawahka communities.

3. **Poor households are the majority of the population of this zone.** They produce crops for household consumption (rice, beans, cassava, and eddo), and artisanal fishing and hunting. They also sell their labor in the timber industry or are employed in industrial fishing or as divers according to the season.

4. **Middle households are engaged in basic grains production and cattle production.** They also sell their labor in the timber industry or are employed in the service sector as teachers, policemen, or informal traders. In the case of better-off households, some are engaged in river transportation, others in mechanized fishing and marketing. They also have productive assets, such as diving equipment and motorboats or cows; others may have sawmills. They will hire labor from the poor and middle-income groups. They may also have a few livestock (pigs, cattle).

5. **Most people use municipal markets, but the main source markets are Puerto Lempira, La Ceiba, and San Pedro Sula.** Though the poor may rely on own

production for yucca and plantain, they also depend on markets nearly year-round either for rice or beans, particularly between May and June.

6. **The level of rainfall is high, about 3,000 mm per year, with temperatures ranging from 22°C to 30°C.** Flooding is the primary food security hazard as it results in crop losses and restricts fishing. Dry spells, which are most common during the July/August *canícula*, may also reduce harvest yields. High fuel prices are also a concern for the zone as they increase the cost of transportation and, by extension, the cost of basic goods. In response to shocks, poor households are likely to increase labor migration to the coast or abroad to increase access to income for food purchase.

Figure A1.1: Seasonal calendar in the Moskitia

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Seasons												
Rainy season	■	■	■	■	■	■	■	■	■	■	■	■
Dry season		■	■	■	■							
Lean season					■	■	■					
Crops												
Rice					■	■	■					
Beans	■	■	■	■	■	■	■	■	■	■	■	■
Cassava	■	■	■				■	■				
Other												
Artisan fishing		■	■	■	■	■	■	■	■	■	■	■
Hunting		■							■	■	■	
Diving												
Timber extraction		■	■	■	■							
Sale of dual purpose livestock												
Hazards												
Flooding												
Extended dry spells							■	■				
Peak prevalence of malaria and dengue							■	■	■	■	■	■
Legend												
		■	■	■	■	■	■	■	■	■	■	■

Figure A1.2: Food access calendar for poor households in the Moskitia

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Staple foods												
Fish	■	■	■	■	■	■	■	■	■	■	■	■
Cassava	■	■	■	■	■	■	■	■	■	■	■	■
Beans	■	■	■	■	■	■	■	■	■	■	■	■
Rice	■	■	■	■	■	■	■	■	■	■	■	■
Income												
Sale of labor in timber extraction		■	■	■	■							
Sale of labor in industrial fishing									■	■	■	■
Expenditures												
Staple food												
Education												
Clothing												■
Legend												
	■	■	■	■	■	■	■	■	■	■	■	■

Annex 2. Detailed Project Description of Additional Financing Activities

1. **The proposed GAFSP-funded AF will finance a new Component 5. Strengthening Food Security and Productive Inclusion in the Moskitia and Atlantic Coast of Honduras (AF US\$8 million, GAFSP grant).** Building on the existing approach of COMRURAL III, this new component will allow a stronger focus on food security as well as on specific institutional strengthening taking into account a multicultural and multiethnic context. Investments will be identified in line with the Indigenous principle of community called “life plans”, which are comprehensive and holistic strategies for the sustainable development of indigenous communities that take into account their cultural, social, economic, and environmental dimensions.²² Activities will also support the improved functioning and coverage of the School Feeding Program (SFP, see Annex 4) in the department of Gracias a Dios to improve its overall efficiency and pilot mechanisms to decentralize food purchases, linking schools directly with local food producers. The support to SFP will include dedicated investments in capacity building and food purchasing mechanisms, leveraging synergies with the WFP (see Box 2.2 at end for detailed proposed technical assistance activities by the WFP). The new component will include the following three sub-components:

2. **Subcomponent 5.1. Organizational Strengthening and Support to Productive Alliances (US\$4.0 million GAFSP grant) will focus on improving food security through productive inclusion of beneficiaries.** This subcomponent will finance capacity building activities for and subprojects from rural producer groups²³ and organizations – by supporting the preparation and financing of business plans (“agrocoastal subprojects”) targeting animal, crop, and marine products. Business plans will be prepared by rural producer groups/organizations and will be evaluated based on their commercial, technical, environment, social, and financial viability; as well as based on their potential to increase rural incomes and to contribute to the following key outcomes for the Moskitia-Costa Atlántica region: (i) addressing food insecurity of the local population producing and/or consuming the food products; (ii) supporting family farmers adopting more sustainable and resilient agriculture and post-harvest practices; and (iii) promoting the participation of the most vulnerable populations, such as Ips, Ads, women, youth, and/or persons with disabilities. Finally, subcomponent 5.1 is expected to generate synergies between the School Feeding Program through the strengthening of linkages between the supply of school meals and demand of food and/or agricultural produce. The AF will provide matching grants to rural producers’ groups or organizations to finance feasible business plans in line with the terms of COMRURAL III Component 1 (Window 1 for subsistence agriculture)²⁴.

²² Life plans aim to ensure the well-being and self-determination of indigenous peoples by promoting their participation in the planning and implementation of development initiatives that align with their values, needs, and aspirations. The life plans approach is based on the principle of *buen vivir* (“good living”), which emphasizes the importance of living in harmony with nature, community, and oneself.

²³ This includes informal groups of farmers and fisher groups that have the potential to enter into productive investments of an incipient commercial nature.

²⁴ Window 1 supports subsistence producers through the provision of grants to groups of producers while requiring some level of beneficiary contributions, which could be in-kind. COMRURAL II window 1 financing rules require beneficiaries to provide 15%

3. **5.1.1. Community Consultation and Capacity Building.** The AF will enhance the cultural adequacy of COMRURAL III activities, and support community consultations to strengthen institutional and community capacity to identify and implement appropriate needs-based investments financed by the AF in target communities. Expenditures under 5.1.1 will be allocated to the goods, services and operational costs required to undertake community consultations and capacity building activities. The output of the consultation process will inform business plans to be financed under subcomponent 5.1.2 as well as community-level investments financed under subcomponent 5.2. Through capacity building and provision of technical assistance, subcomponent 5.1.1 will also support the creation, formalization and strengthening of producers' groups/organizations to ensure they comply with the requirements needed to apply for a matching grant under subcomponent 5.1.2 and to inform the development of community nutrition and hygiene plans under sub-component 5.2.

4. Activities under subcomponent 5.1.1 will focus on:

- (i) identifying potential project beneficiaries (including small subsistence farmers and fisher groups, Ips, Ads, women, youth, and/or persons with disabilities) according to their vulnerability to food insecurity and other risk factors, and creating spaces for intercommunity and intercultural dialogue;
- (ii) planning and conducting participatory workshops and community risk assessments, especially during initial project stages;
- (iii) strengthening capacities of Indigenous and Afro-Honduran organizations to allow their participation in business plans under sub-component 5.1.2 and in food security and emergency response initiatives that strengthen their livelihoods and their risk management capabilities in the face of climate-related or other crises financed under sub-component 5.2; and
- (iv) generating culturally appropriate knowledge, including a detailed analysis of cultural land uses, and Indigenous methodologies for territorial management. The subcomponent will finance goods, training, technical assistance, operational costs, and consulting and non-consulting services for the identification of beneficiaries, organization of inclusive workshops for community dialogue, capacity building, and support in the preparation of the business plans to be considered under Subcomponent 5.1.2.

5. **5.1.2. Financing for nutrition-smart and climate-smart business plans.** The subcomponent will provide matching grants to rural producers and fisher (subsistence and/or transition) groups or organizations identified under subcomponent 5.1.1. Beneficiaries will co-finance²⁵ business plans ("agrocoastal subprojects") that

co-financing (in kind or in cash) and the maximum grant size for the group is an amount that does not exceed US\$1,000 per individual member. Financing guidelines for COMRURAL III are currently being drafted and are expected to be similar.

²⁵ Business plans will be evaluated based on their commercial, technical, environment, social, and financial viability, according to criteria to be specified in the Project Operational Manual. As is the case in the Parent Project, business plans will be approved by an Evaluation Committee, and the decisions of the Evaluation Committee will be ratified by the Project Steering Committee, made

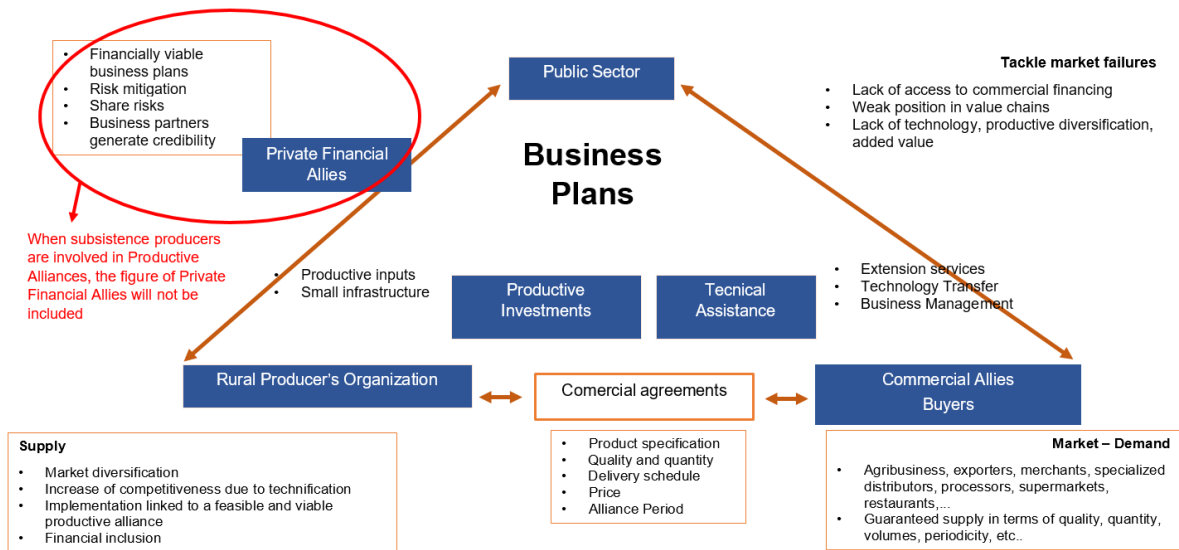
promote increased productivity and sustainable value addition to agricultural and fishery production, final products, and sub-products of the forest and fishing, and in compliance with health, quality, and safety conditions. This subcomponent will adopt COMRURAL's "productive alliances" approach, and is intended to support the "graduation" of family farmers over time from subsistence producers to more commercially oriented models of production. As with the Parent Project, expenditures will be allocated through the subprojects that co-finance business plans. Through the co-financing of business plans, this subcomponent will support existing and new market linkages to allow local producers to supply food, fish, and agricultural produce to local consumers, including the School Feeding Program (SFP) through the provision of "fresh rations".²⁶ To this end, it is expected that the WFP will provide dedicated technical assistance to aspiring SFP providers on issues such as formalization processes, and food quality and safety standards (among others), to enable them to supply the SFP in a fair, safe, sustainable, and profitable way.

6. Matching grants will incorporate Climate-Smart and Nutrition-Smart Agriculture approaches to enhance natural resource-use efficiency, reduce greenhouse gas (GHG) emissions, and promote climate adaptation, mitigation, and resilience at different stages of key agri-food value chains. To support the inclusion of historically marginalized groups, minimum percentages of subprojects both led by and/or with an overall participation of women, youth, people with disabilities, IPs and ADs will be targeted across the subcomponent. The subcomponent will finance works, goods (including energy-efficiency equipment), training, technical assistance, operational costs, and consulting and non-consulting services for the identification, formalization, and/or strengthening of local fisher and producers' organization and community cooperatives, implementation of business plans, creation of productive alliances to promote producer's access to markets and productive innovation spaces for cultural relevance. Funds will also cover the elaboration of value chain development as well as strategies for the reintroduction and marketing of native products, among others. Climate- and nutrition-smart investments will also be supported throughout the production, processing, and post-harvest stages (see Box 2.1).

of representatives of (ii) SAG; (iii) producer organizations; (iv) the Honduran Council of Private Enterprise; and (v) other private and public sector institutions. Decisions will be made public. Non-approved business plans will receive feedback on the areas to be strengthened in their proposals and will receive visits by project technicians who will encourage and support them to participate in the following calls for applications.

²⁶ *Ración fresca*, for its Spanish name. See Annex 4 for details.

Figure A2.1: Productive Alliances scheme



Box 2.1: Activities to be adopted under Climate-Smart Agriculture and Nutrition-Smart Agriculture Business Plans

Subprojects under component 5.1.2 will be required, as a criterion for the grant award, to incorporate climate-smart and nutrition-smart agriculture practices and/or technologies, which will respond to the particular nutrition, environmental, and/or climate challenges faced by each particular producer organization. Examples of such practices and technologies are:

- Activities directly linked to conservation of local and natural practices such as beekeeping (excluding Africanized bees).
- Improved poultry and small livestock management (health, genetics, feeding).
- Soil and water conservation and management practices.
- Farmer-led irrigation and small-scale collective irrigation schemes.
- Improved water harvesting and storage in small, excavated ponds.
- On-farm drip and sprinkler irrigation technologies.
- Low-cost, energy-efficient water pumping systems (including solar panels).
- Biodigesters (with livestock manure) for renewable energy.
- Facilities for composting crop residues.
- Activities to prevent forest fires such as maintaining natural fire breaks.
- Biofortified seeds.

7. **Subcomponent 5.2. Improved Nutritional Status and Investment in Local Communities (US\$2.6 million, GAFSP grant)**. This subcomponent aims at enhancing food and nutrition security through culturally-relevant community investments. The subcomponent will finance the development and implementation of Community Nutrition and Hygiene Plans based on bottom-up community investments in nutrition education and household hygiene that aim to protect and improve the nutritional status of vulnerable households. This subcomponent will provide support to selected schools to strengthen the SFP through the development and implementation of School Feeding Plans, in particular to decentralize food purchases at school level and link to local food producers. Investment activities will be complemented by (i) training to communities, school feeding committees and heads of families in food and nutrition education; and (ii) community awareness and outreach campaigns. In partnership with WFP, the subcomponent will support the expansion of the national SFP in Gracias a Dios and the strengthening of local institutional structures related to school feeding in areas such as food procurement management and transparency, formalization of arrangements with producer groups and promotion of market linkages. Subcomponent 5.2 will be divided into two main activities: (i) Community Nutrition and Hygiene Plans; and (ii) School Feeding Program Plans.

8. **Subcomponent 5.2.1: Community Nutrition and Hygiene Subprojects**. Investments supported through Community Nutrition and Hygiene Subprojects will channel investments to support the increased availability and consumption of nutritious foods in the project area and improve nutritional education to community members, health facilities, health volunteers, and community/school gardens. Financing will be allocated to the goods, works, consultant and non-consultant services and operational costs through contracted service providers who will implement the activities together with selected communities. Specific activities to be financed will be agreed upon with local communities through a participatory approach, and could include the following: (i) establishing home, school or community gardens as learning spaces for food production and nutrition education that, in case of surplus, could also provide/sell to local markets and schools; (ii) implementing minor household hygiene works to improve access to clean water and sanitation to reduce the risk of waterborne diseases that can cause malnutrition (such as equipment for water filters, latrines, hand-washing basins with soap, metallic storage containers and slab floors).

9. **Subcomponent 5.2.2: School Feeding Program Plans**: the AF will promote the purchase of locally produced fresh food by the SFP, seeking to dynamize local economies and generate economic growth through local community development platforms. Financing will be allocated to the goods, works, services and operational costs through contracted services providers and subproject grants to schools²⁷ to purchase food under the SFP. In particular, investments under 5.2.2 will be used to strengthen the SFP to provide: (i) grants to schools to buy nutritious fresh food for school meals from local smallholder producers supported by the AF who comply with

²⁷ Grants will be provided to between 10-20 selected schools (out of a total of 105 in the department) to ensure the operation of the national SFP. Schools will be selected through a consultative process with local Indigenous communities to identify the most vulnerable and food insecure areas in each municipality, as well as equal representation of the four Indigenous groups in the target AF area. Grant agreements will be signed with the schools that will benefit from the grants under the AF.

specified eligibility criteria in terms of food quality, safety, and sustainable production standards;²⁸ (ii) training to school feeding committees and heads of households in food and nutrition education, food safety and storage, hygiene and food preparation, with a special emphasis on native crops and locally produced fresh foods (promoting processing and preservation methods that are less reliant on access to energy and cold storage) to significantly improve the nutritional value of school meals; (iii) technical assistance for the improvement of the SFP's efficiency in Gracias a Dios, to ensure "dry ration"²⁹ flows can be optimized and food can seamlessly reach students during times of food security crisis; and (iv) technical assistance and investment for the implementation of the SFP in a select number of schools in terms of minor civil works investment within schools e.g. to store and manage food ("SFP subprojects"). On this latter investment, AF financing will build on the existing model for decentralized food purchasing of the SFP, whereby schools receive grants to buy nutritious fresh food for school meals from local producers (see Box 2.2 for details). It is expected that the WFP will provide dedicated technical assistance to involved schools on issues such as records, verification of purchases, invoices, cash flows, food storage, hygiene, and preparation (among others).

10. Subcomponent 5.3. Multicultural and Multiethnic Institutional Strengthening (US\$1.4 million, GAFSP grant). This subcomponent aims to strengthen institutional capacity and technical skills among government entities and the local population so they that are appropriate to the multicultural and multi-ethnic context of La Mosquitia . The subcomponent will finance technical assistance and strengthening of infrastructure to government agencies such as SAG, the Ministry of Social Development (SEDESOL), Territorial Councils, among others, as well as other relevant project-interested parties, with the purpose of fostering a favorable environment for culturally relevant investments in productive inclusion and food and nutrition security.³⁰ In particular, capacity building efforts will focus on building public servant capacity to enhance their understanding of multicultural and multiethnic aspects of food and nutrition interventions (including knowledge of Indigenous language), and to ensure that those capacities remain in the area of influence even when the Project ends. This sub-component also aims at promoting the participatory elaboration of culturally appropriate and transparent public investment priorities for SAG and SEDESOL; and generating support for the development of skills and knowledge that can promote accountability in the territory of local populations. This includes the training for technicians who speak Indigenous languages and technical training of Indigenous agricultural extension workers; design of monitoring

²⁸ Reference food prices to be paid by schools to food producers will be set in accordance with average market prices in the municipality where each school is located, so the grants are not expected to result in a distortion of market prices. The food expenditures will be assessed with due attention to considerations for economy, efficiency, and transparency. Funds will flow to schools which will have to report on the use of the grants and keep a number of administrative records to be periodically monitored by project officials. Exact reporting and recording details will be set forth in the POM. Broadly, each school will to keep: (i) a record of all the agreements with local producers relating to the organization of the SFP; (ii) a record of all payments made to producers specifying all the products purchased; and (iii) a warehouse record keeping track of all food entering the school with each purchase as well as of available food stocks.

²⁹ *Ración seca* in Spanish. See Annex 4 for details.

³⁰ Institutional strengthening will also include building capacity to manage public resources in an accountable and transparent manner.

systems for food security and micro watershed management and preservation; and establishment of platforms for dialogue between local civil servants and populations to improve local governance.

11. The subcomponent will finance minor works, goods, services and operational costs associated with: (i) development of capacity-building programs for public servants and project stakeholders on multicultural and multiethnic aspects of food and nutrition security interventions; (ii) delivery of training and capacity-building to project interested parties (such as public officials, technicians and para-technicians, extension workers, and beneficiaries) culturally relevant food and nutrition security interventions; (iii) design of culturally appropriate monitoring and management instruments and support for knowledge and communication systems to track food security and local micro watersheds preservation; (iv) equipping and rehabilitating the minor physical infrastructure of an innovation center for climate-smart agriculture and improved nutrition;³¹ (iv) upgrading minor equipment and rehabilitating infrastructure to facilitate the provision of public services for Territorial Councils of the Gracias a Dios department, and (v) delivery of training and capacity-building to project interested parties on the School Feeding Program.

Box. 2.2 WFP’s Proposed technical assistance activities

In order to contribute to food and nutrition security and to the strengthening of rural livelihoods in the Moskitia region, the following activities are proposed for WFP technical assistance:

1. Sub-Component 5.1: Organizational strengthening and support to Productive Alliances

- Provide training and technical assistance to local authorities (Municipalities, Associations of Municipalities – “Mancomunidades”) on local food procurement management, transparency and accountability, support to the formalization of producers associations looking to simplify processes, and promotion of market linkages to facilitate local trade, development of local production plans to quantify and align local demand and supply.
- Implement capacity strengthening activities with local producers groups to increase associativity and formalization, create productive alliances, develop production plans and marketing plans

2. Subcomponent 5.2: Improved nutritional status and investment in local communities

Improved nutritional and health practices

- Provide training to school feeding committees, teachers, and heads of households in food and nutrition education, food safety and storage, hygiene and food preparation, with a special emphasis on native crops and locally produced fresh foods

³¹ A basic innovation center could be equipped with the following items: (i) full IT connectivity, including Wi-Fi with adequate bandwidth and at least a couple of terminals (desktops) for web search, Office software plus PDF reader/editor and videoconferencing; (ii) one classroom/meeting room; (iii) electric generator for back-up; (iv) one lab room with basic equipment and supplies: Ph meter, moisture meter, microscope, refractometer, water filter, oven, refrigerator and freezer. Personal protection equipment. Under air conditioning; (v) one office room; (vi) one greenhouse; (vii) 1 Ha prepared for local crop evaluation, basic soil preparation, agronomic practices equipment if possible.

- Capacity strengthening for health workers, parents or caretakers and community leaders for the development and implementation of Community Nutrition Plans that support the increased availability and consumption of nutritious foods;
- Provide training to parents or caretakers, community leaders and health workers in monitoring child growth and preventing and managing malnutrition among children under five;
- Promotion of nutrition-sensitive and culturally-appropriate awareness campaigns through social and behavior change communication (SBCC).

Strengthened school feeding and local value chains

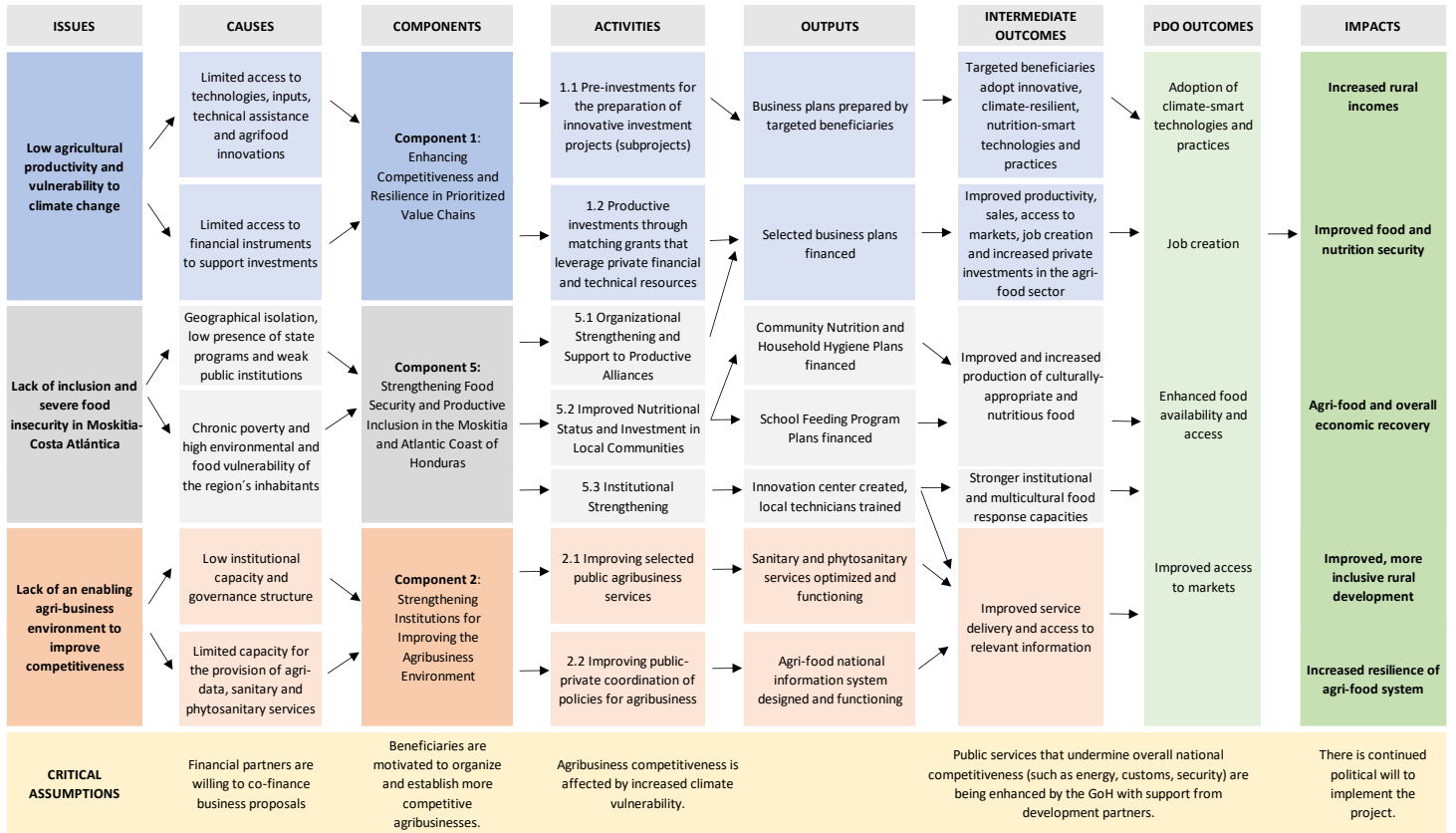
- Provide technical assistance to local farmers and producer associations to strengthen the links with the National School Feeding Programme (and other local markets), promoting stable production and higher productivity, production plans, associativity and formalization of producers associations, and the purchase of locally produced fresh food, seeking to dynamize local economies and generate economic growth through local community development platforms.
- Support the setting-up school gardens to complement school meals with products from these gardens.

3. Subcomponent 5.3: Multicultural and multiethnic institutional strengthening

- Provide capacity strengthening to government representatives in Municipalities, Associations of Municipalities, the Ministry of Agriculture (SAG), Ministry of Education (SEDUC) and Ministry of Social Development (SEDESOL) to improve participatory community planning skills, promoting inclusive planning processes that take into account the interests and needs of local indigenous populations, especially women, in terms of advancing their food and nutrition security and increasing the resilience of their livelihoods.
- Strengthen Monitoring & Evaluation capacities of local authorities to ensure adequate supervision, follow-up and information generation of progress in the target schools and municipalities, including tracking of food security information and preservation of natural resources and ecosystems.

Annex 3. Expected Adjustments to Parent Project Theory of Change

Figure A3.1: Updated Theory of Change



Annex 4. Honduras' School Feeding Program

- 1. Every year, the School Feeding Program (SFP) in Honduras caters to 1.3 million children in 21,000 public schools over the national territory for 180 school days.** The program aims at building inclusive, efficient and resilient education systems that can improve children's school attendance rates and educational outcomes while contributing to their food security and regular nutrient intake.
- 2. The main components of the SFP include two operating models:**
 - The "basic ration" or "**dry ration**" (*ración seca*) model involves serving a snack (*merienda escolar*) prepared with locally-procured wheat or maize flour, rice, beans, and oil which provide 33% of children's daily calorie needs. The model is managed through a centralized purchase system (see Figure A4.1, panel a), and is currently reaching 1.3 million children in the entire national territory (except the Intibucá department).
 - The "home-grown school feeding" or "**fresh ration**" (*ración fresca*) model is based on a stronger emphasis on nutrient content and includes the provision of fruits, vegetables, fish, eggs, and dairy products based on children's nutrient intake needs. The model is characterized by a decentralized purchase system (see Figure A4.1, panel b), whereby schools directly purchase their food to local smallholder farmers. In order to supply to the SFP, local producers must have legal status and be able to generate an invoice for the sale of food. Failing that requirement, producers can be associated within rural cooperatives or associations. Producers also receive technical assistance on topics such as climate-smart agricultural practices, legalization, and quality and safety standards for fresh produce. The fresh ration scheme reached a total of 280,000 children in prioritized food-insecure areas of the country (including Gracias a Dios), but was discontinued in 2020 in the wake of the COVID-19 pandemic.
- 3. Both operating models are supported throughout design and implementation by the World Food Programme (WFP),** which oversees programming, purchase, quality and food safety controls, transportation and distribution, as well as monitoring and evaluation. In addition, the WFP also provides institutional capacity strengthening and technical assistance to schools and producers, as well as rehabilitation of water, sanitation and hygiene (WASH) infrastructure and kitchens in schools.

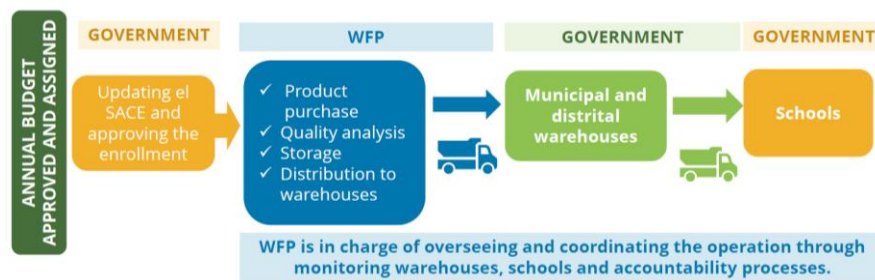
Interinstitutional coordination

- 4. The success of the SFP model requires coordination between various sectors and actors at both the national and local levels.** While the Ministry of Development and Social Inclusion (SEDESOL) is responsible for the program, it is the Ministry of Education (SEDUC) structure that enables the distribution of the fresh ration, with Associations of municipalities (*Mancomunidades*) and mayors' offices playing a fundamental role in administration and supervision. The Ministry of Agriculture (SAG) provides technical support to local producers, while other institutions and organizations can assist with complementary actions such as infrastructure and food education. Coordination is needed at both the local and central levels. The School Feeding Law (Decree N° 125-2016) establishes an Inter-Institutional Committee integrated by the SEDESOL, SEDUC, Ministry of Health (SESAL), SAG,

Ministry of Finance (SEFIN), Technical Unit of Food and Nutrition Security (UTSAN), and a representative of the Association of Municipalities of Honduras (AMHON). The committee is however currently not fully operational to make strategic decisions. The same applies to existing platforms like the local Food and Nutrition Security Committees which need to see their role institutionalized.

Figure A4.1. SFP operating models

Panel a. Dry ration



Panel b. Fresh ration



The SFP in the Moskitia-Costa Atlántica in Gracias a Dios

5. In 2019 (the last year where the fresh ration was active in the area), the SFP in the Moskitia-Costa Atlántica had a total enrollment of 10,306 students and was present in 105 schools in the six municipalities of the Gracias a Dios department. The dry ration included beans, rice, vegetable oil, and cornmeal, while the fresh ration contained a variety of fruits, vegetables, eggs, and fish. The program covered a complete school year of 180 days (36 weeks) and had worked with various local implementing partners. During the distributions of fresh rations, WFP worked with 33 producers in the municipalities of Ahuas, Juan Francisco Bulnes, Puerto Lempira, Brus Laguna, Villeda Morales, and Wampusirpi, while in Villeda Morales, they worked with 7 producers. The cost per student per day for the fresh ration was of 24 cents in 2019, but due to food and input price inflation, it is currently estimated at around 41 to 44 cents. According to the Educational Centers Administration System (SACE), enrollment in Gracias a Dios today amounts to 27,953 children in 415 schools. This number of schools is currently being served with dry rations.

Annex 5. Lessons learned and incorporated into project design

1. Specific practical lessons learned from the implementation of the COMRURAL project series as well as the PROSASUR Project include:

- Linking agricultural development initiatives with nutrition can promote food security. The promotion of a diverse diet ensures that increased income and food availability promoted by improved and increased agriculture production are translated into better nutrition for the whole household. The AF will address community nutrition patterns and practices, school feeding, nutrition education, tailoring subproject investments to the specific needs of each community.
- Income-generating investments that respond to clear market demand are more sustainable. Productive alliances are successful and sustainable over time when they respond to market demand. The proposed AF is designed to establish market linkages with commercial allies, to ensure a market for subprojects' produce.
- Promotion of sustainable and productive technologies combined with improved access to markets is an effective strategy. The AF will promote adoption of sustainable production and processing practices and help beneficiaries access markets that provide price premia for quality and reliability.
- Factors fostering the inclusion of vulnerable groups should be incorporated into project design and objectives, explicitly addressing factors that prevent vulnerable groups from engagement in project activities. The proposed AF will target vulnerable groups and promote their participation via targeted outreach and selection criteria: for example, additional points will be assigned during the evaluation process for the approval of productive plans to producers' organizations and groups with a higher proportion of members from vulnerable groups (IPs, ADs, women, youth, and persons with disabilities). Moreover, feedback from vulnerable groups will be systematically integrated in subproject implementation.
- Strengthening the capacity of critical sectoral institutions is essential for successful implementation. For the agrifood system to function efficiently, public sector services must be strengthened, and the institutional capacity for enabling agriculture and agribusiness competitiveness must be improved. The proposed Project will support efforts to improve service delivery and minor rural infrastructure, as well as coordination between SAG, SEDESOL, and other central and local institutions.
- Selection criteria need to be made explicit and transparent to local authorities and key stakeholders, to avoid the opaque allocation of funding to public investments and subprojects. Selection criteria and investment ceilings under the proposed AF will be specified clearly in the POM.
- Strengthening institutions and building capacity among vulnerable populations takes time and requires an extended commitment. Revitalizing the rural economy while boosting the inclusion of

traditionally marginalized groups is a long-term goal calling for sustained support by development institutions.

2. Practical lessons learned that have been derived from previous grants and other projects supporting indigenous communities are as follows:

- Strong local presence is required for projects that work with Indigenous People's communities.
- Remoteness and scattered locations within project area require more resources than the average project.
- The participatory approach of the project may slow down the start of implementation of subprojects, which calls for an effective and realistic plan of activities.
- Capacity building activities for communities for technical and administrative topics need to be offered on a continued basis.
- The partnership with MASTA, the organization that represents the Miskito Indigenous Peoples, is key for project success and to ensure women's participation in project activities.

Annex 6. Gender

- 1. Research previously undertaken during the preparation of COMRURAL III revealed important gender gaps related to Honduran women in agriculture.** This includes a female labor force participation (52 percent) that is much lower than its male counterpart (86 percent) as of 2019, especially among women aged 15–24. Women employees receive lower average wages than men. Also, poverty affects women to a greater extent than men. According to the Social Forum for the External Debt of Honduras (2018³²), of the more than 110,000 Honduran extremely poor families, the majority were headed by women aged 18–35. Women have low access to land, which means low access to credit and entrepreneurship. Loans to women amount to a third of the credit provided by commercial banks, and women are usually charged higher interest rates. This also implies that women in agricultural value chains are generally less involved in higher-value-added tasks requiring more capital investment. Furthermore, women in Honduras are severely exposed to gender-based violence, having one of the highest violent death of women and femicides rates in Latin America (ECLAC, 2018³³).
- 2. Women in the Moskitia face specific cultural challenges.** From the previous JSDF *Improving the Livelihoods of Miskito indigenous peoples in la Moskitia Project* (P167767), it was observed that there is a division of labor between women and men, which limits women’s access to resources and decision-making power. For instance, men harvest the sea cucumbers and women clean them. Regardless of their importance, women appear to remain disadvantaged due to cultural, sociological, and economic factors. Furthermore, many societies have taboos that prohibit women from undertaking certain activities that may limit their participation in development interventions.
- 3. The AF will provide training related to gender topics (such as gender roles and joint decision making, and including prevention of gender-based violence) to improve awareness about the roles and empowerment of women.** In the JSDF project, the participation of women was facilitated by the establishment demonstration farms involving women, which were situated near their homes to avoid they had to travel long distances. Moreover, continuous dialogue on gender roles and inclusion was undertaken with communities and families, including men and Indigenous governance structures such as MASTA.³⁴
- 4. The gender action strategy and plan (including gender-specific indicators in the Results Framework) of the Parent Project will also apply to the AF and will be further strengthened under the AF.** The AF will conduct a specific assessment of gender gaps in the Moskitia-Costa Atlántica and project intervention areas. The gender gaps assessment will translate into a dedicated gender strategy and an action plan to ensure: (i) women’s needs, concerns, and aspirations are duly considered so that they can effectively participate in project activities and fully

³² European Union. 2018. *Realización de un análisis de género de Honduras. Informe Final*. Project No. 2018/399258.

³³ <https://www.cepal.org/en/pressreleases/eclac-least-2795-women-were-victims-femicide-23-countries-latin-america-and-caribbean#:~:text=In%202016%2C%20Honduras%20recorded%205.8,cases%20for%20every%20100%2C000%20women>.

³⁴ The Miskitu Asla Takanka (MASTA) is an umbrella organization formed by 11 Territorial Councils. It is the highest authority of political representation, advocacy and ancestral identity for the Miskito indigenous communities in Honduras.



benefit from their participation; (ii) the AF helps reduce gender gaps and promotes the participation and empowerment of women; and (iii) that the AF includes adequate activities for the prevention of gender-based violence (GBV).³⁵

³⁵ Possible activities to prevent GBV include: (i) mapping local service providers in charge of GBV prevention and response in the Environmental and Social Management Plans developed as part of business plans, and measures to prevent sexual exploitation and abuse/sexual harassment (SEA/SH) rural producers' organizations and groups; (ii) capacity building on SEA/SH response and prevention for the PIU, service providers, and producers' organizations and groups; (iii) worker code of conduct with provisions on SEA/SH; and (iv) updated Grievance Redress Mechanism (GRM) to address SEA/SH grievances.

Annex 7. Climate Change

1. **Honduras' vulnerability to extreme climate events is among the highest in the world, and climate impacts have decreased GDP by an average of 2.5 percent annually, including large agricultural losses.** In the future, these events as well as higher temperatures and less rainfall associated with climate change are expected to: (i) decrease the productivity of important export or food security products such as coffee, sugar cane, maize, and beans, as well as livestock (especially in the Southern part of the country); (ii) reduce water availability; and (iii) increase forest loss due to fires and pine beetle infestations. The agriculture sector will also be indirectly affected by important impacts of climate change on transport, power generation, and ecosystems which are critical for the productivity of agriculture. Decreases and instability of crop production, in turn, are expected to affect food security, labor markets, the supply and prices of basic goods, and internal and international migration, especially among rural populations of women, youth, and indigenous populations who are more affected by poverty, due to their greater dependence on natural resources for their livelihood needs.

2. **It is expected that climate change will have strong impacts on agricultural production in the Moskitia.** Increasing temperatures, the intensification of hot and dry spells, and the decrease in rains as well as in their regularity will prompt a water shortage and, consequently, a change in the apt zones for different crops. These effects will be compounded by a probable increase in the frequency and intensity of extreme events (droughts and tropical storms), and by climatic variability. Climate change is expected to have negative impacts on banana, plantain, rice, and corn production, and to result in reduced performance of fishery activities, mainly in artisan fishing. Furthermore, forest crops may experience thermal and/or hydric stress, becoming more vulnerable to wildfires and plagues.

3. **These changes will have a multi-faceted impact on the livelihoods of the Moskitia's population.** As agriculture in the region is primarily at the subsistence level, climate change can severely affect the food security of its population. Besides production for self-consumption, moreover, the more dependent on agricultural incomes a population is, the more sensitive it will be to the effect of climate change on crops: in Gracias a Dios, a large proportion of the economically active population is engaged in farming, while the capacity of climate change adaptation of the rural population in the department remains low. In the face of high exposure to severe meteorological events like droughts and floods, the agriculture sector in the department is consequently classified as highly vulnerable to climate change.

4. **Alignment to country climate commitments.** The proposed AF financing is aligned with the Honduras first NDC update (2021), especially with goal 2 (sustainable rural development with focus on activities that promote climate resilience in family agriculture as means to reducing food insecurity) and goal 11 (social inclusion, with special attention to the groups most vulnerable to climate-induced shocks: women, children, Indigenous Peoples and Afro-Hondurans). Hence, the grant will contribute directly to Honduras climate-change adaptation strategies in a department (Gracias a Dios) that has been historically overlooked and that, along with the Atlantic Coast and

Sula Valley, has the highest climate-threat index and the lowest coping capacity at the community and individual levels.

5. **Climate co-benefits.** The AF will generate a wide range of environmental and climate co-benefits across all project activities. The AF will support climate-smart investment projects identified and prioritized by communities and farmer organizations to instill resilience to their agribusinesses. The dissemination of climate-smart agricultural practices such as the use of agroforestry and improved varieties and/or extension of crop rotations, and integrated management of soil will help strengthen the resilience of the Moskitia-Costa Atlántica population to the negative impacts of climate change. The grant will promote other environmentally beneficial activities, such as the use of solar pumps and collection of livestock manure and agricultural waste to convert into energy, organic fertilizer, and pest and disease bio-controllers. The subprojects will be guided by the principle of seeking climate change adaptation and mitigation and the use of sustainable technologies for storage.

6. **The AF will also support key public-sector institutions** such as SAG, SEDESOL, the Ministry of Environment (SERNA) and the Permanent Contingency Commission of Honduras (COPECO) to increase their presence and strengthen their governance structures to deal with the climate-change-induced increase in frequency of natural hazards and improve their on-site meteorological monitoring capabilities, preparedness, and response capacity for food security emergencies. This will contribute to diminishing reliance on external aid, contributing to long-term sustainability.

Annex 8. Project Sustainability

- 1. The AF will prioritize post-project sustainability.** The proposed AF is expected to contribute to creating a more resilient, food-secure, and inclusive agrifood system in the Moskitia-Costa Atlántica, which will sustain rural transformation and recovery beyond implementation. Sustainability considerations are addressed as below:
- 2. Sustainability of productive investments.** Enhanced competitiveness, leading to greater market access and improved sales, will create a strong avenue for subproject investments to be sustained. Project support for technological improvements and more efficient, resilient production is expected to make beneficiaries' agrifood activities more profitable and sustainable over time. Independent assessments of the technical, financial, operational, environmental, and social viability of productive investments will enhance their sustainability. The AF will strengthen market linkages for beneficiary organizations (which will help to improve product sales as well as exports where relevant), and the long-term sustainability of supported business plans will be reinforced through capacity building and technical assistance to improve entrepreneurial capacities and improved product quality, along with the adoption of climate-resilient technologies.
- 3. Sustainability of community interventions.** To improve household and community resilience, the AF incorporates elements to increase community absorptive capacity (ability to minimize exposure to shocks) and adaptive capacity (making informed choices about alternative livelihood strategies). Fostering participatory approaches and strengthening the capacity of stakeholders to plan and manage future actions will help empower Indigenous and Afro-Honduran communities, and ensure that AF-financed community interventions have a lasting impact on the vulnerable communities they serve.
- 4. Environmental and ecosystem sustainability.** Given the high dependence of rural communities in the Moskitia-Costa Atlántica on forest and coastal ecosystems of high biodiversity value, environmental sustainability of project-financed activities is critical to the longer-term maintenance of household livelihoods. Environmental and eco-system sustainability will be ensured by specific measures identified in the ESMF. Subproject investments will promote climate-smart technologies and practices to reduce the environmental footprint of agriculture, enhance natural resource-use efficiency, reduce GHG emissions, and promote the climate resilience of agrifood value chains at the production, processing, and post-harvest stages. The incorporation of climate-resilient technologies and natural resource management practices will promote ecosystem preservation, contribute to climate change mitigation, and reduce the vulnerability of subsistence producers and poor rural households to climate change and natural disasters.
- 5. Institutional sustainability.** Increased strategic and operational capacities of relevant public institutions and Indigenous governance structure will foster system-wide sustainability. Together with improved multicultural and

multiethnic capacities to design, implement, and monitor agrifood interventions, this will provide an effective framework to support productive inclusion and food security even after the Project ends.

Annex 9. Economic and Financial Analysis

- 1. Introduction.** This annex summarizes the ex-ante economic and financial analysis of the Additional Financing, which assesses the incremental benefits and costs derived from the main investments identified in the project description and theory of change. The analysis attempts to evaluate the AF's expected performance and the feasibility of planned investments from the perspective of its financial net benefits and costs, and from the standpoint of the AF's overall economic benefits, costs, and externalities.³⁶
- 2. Financial analysis consists of assessing financial returns and viability of major investments** from the direct beneficiaries' point of view. To illustrate the financial results of the investments, a set of financial models' representative of the beneficiary communities and territories are developed. It concerns income-generating activities in the fisheries sector - processing of salted semi-dried jellyfish, as well as dried salted fish; and in the agriculture sector - cocoa drying plant and a cocoa-based agroforestry system (AFS). The models also integrate technical and marketing advice, to improve the accessibility and availability of food in specific areas, as well as the farmers income.
- 3. The economic analysis** provides an assessment of the project economic profitability by aggregating the project total costs and benefits derived from the models considering economic values. The economic analysis has been carried out based on the models used in the financial analysis, to which correction factors are applied to bring market prices to economic prices, taking an economic discount rate to bring future flows to present value. The analysis also includes other relevant positive externalities that allow evaluating other important benefits of the project in terms of the long-term increase in human capital and the incremental gains from better access and availability of food, reducing malnutrition and increasing growth.
- 4. Sources of information.** Data collection comes from a wide range of sources, including models implemented in the Moskitia region by support organizations, consultations with SAG officials in Honduras, local suppliers, and

³⁶ The parent project undertook an economic and financial analysis (EFA) for all project investments and operational costs. Project benefits are largely derived from the incremental net revenue flowing to beneficiaries from subproject implementation under Component 1 and from the expected global economic benefits arising from a net reduction in GHG emissions of approximately 133,076 tCO₂e per year over a 20-year period. These benefits were estimated using low carbon price (LCP) and high carbon price (HCP) assumptions, as per current WBG guidelines. Economic benefits from Component 2 will materialize through more efficient public services and the benefits that agribusinesses derive from them, but these benefits are too complex to estimate ex-ante and are not considered in the cost-benefit analysis (Component 2 represents 8.2 percent of total project costs). The EFA for the parent Project yielded an economic rate of return (ERR) of 24.1 percent with the low carbon price (LCP) assumption and 28.8 percent under the high carbon price (HCP) scenario. The benefit-cost ratios (B/C-R) were 2.5 and 3.2 for the LCP and the HCP scenarios, respectively. The economic net present value (NPV) was estimated at US\$73.9 million under the LCP assumption and US\$106.8 million under the HCP scenario, using a 12 percent social discount rate. Even without accounting for the economic benefits of a net reduction in GHG emissions, the parent Project was considered to be economically feasible, with an ERR of 19 percent, NPV of US\$40.9 million, and a B/C-R of 1.8.

other key informants in the field. The economic value of the long-term increase in human capital and incremental earnings over the lifetime of non-malnourished children has been estimated from *Verguet et al, 2020*³⁷.

5. **EFA Guidelines.** The incremental benefits and costs derived from the project are evaluated according to the guidelines of the World Bank for the Economic and Financial Analysis of Investment Operations, which comply with the World Bank's Environmental Strategy and Climate Change Policy.

6. **Project Impact.** The Additional Financing (AF) shares the same development objective than that of the original project *"To contribute to market access, adoption of climate-smart approaches and job creation in support of project beneficiaries in selected agri-food value chains; and in the event of an eligible crisis or emergency, to respond effectively to it."* The AF will target poor households in six municipalities of the department of Gracias a Dios and will invest in increasing household food accessibility, availability and improving nutrition through three main subcomponents: Subcomponent 5.1 – Organizational Strengthening and Productive Alliances; Subcomponent 5.2: Improvement of nutritional status and investment in local communities; and Subcomponent 5.3: Institutional Strengthening. The economic and financial analysis estimates benefit, costs and profitability measures expected due to the main typical interventions identified for each component summarized in four financial models.

7. **Main activities and financial models developed.** The AF seeks to strengthen the capacities of organizations/groups of subsistence producers in the Moskitia-Atlantic Coast, gradually increasing (scale-up) their productive and commercial capacities, through training, technical assistance, productivity improvement and access to markets of formal and informal producer organizations/groups, under the Productive Alliances model, by financing climate resilient and nutritionally intelligent business plans.

8. The operation supports entrepreneurial producers, fishermen, processors, and traders to expand, improve the quality and aggregation of the product, consolidate production and access higher value in local and regional markets with their products. Four models were developed to evaluate the economic and financial results and investment impacts: (a) Jellyfish Salted Semi-Dry Processing Plant; (b) Dried Salted Fish Processing Plant; (c) Cocoa Collection and Drying Center Expansion; and (d) Cocoa Agroforestry System (AFS).

9. **Financial Analysis.** The following paragraphs summarizes the main assumptions and results of the analysis and the financial models considered.

10. **Model 1 - Jellyfish Salted Semi-Dry Processing Plant.** The jellyfish is marketed at times when other fishery products are closed and is fished for a period of five months. This product provides an alternative for income diversification to the artisanal fishermen of the Moskitia, 60% of the labor in this fishery is done by women. The

³⁷ Verguet S, Limasalle P, Chakrabarti A, Husain A, Burbano C, Drake L and Bundy DAP (2020) The Broader Economic Value of School Feeding, Programs in Low- and Middle-Income, Countries: Estimating the Multi-Sectoral Returns to Public Health, Human Capital, Social Protection, and the Local Economy. *Front. Public Health* 8:587046

AF will promote good practices of artisanal capture and sustainable processing. The jellyfish salted semi-dried processing practice lasts around 15 days and is a non-traditional export product for the Asian market.

11. Situation without project. This fishery operates through three indigenous fishing companies (Kauma, Epmc and Apmec), whose functions are to collect and process the product. They are incipient companies in the process of business organizational strengthening to achieve their sustainability. Each company has several artisan stalls as suppliers, which supervise the fishing and processing of the jellyfish in wooden and nylon huts located on the shore of the beach. These stations are made up of an average of 10-15 families. Usually, indigenous companies advance working capital in kind (salt and alum) for the process, and it is deducted on delivery of the processed jellyfish. On reception, a quality control is carried out and the product packed in plastic buckets and sent to their customers located in La Ceiba or San Pedro Sula. In the scenario without the project, the costs of collecting and processing the jellyfish represent 91.2% of the gross income, the fixed costs 4.2% and the net income 4.6%.

12. Situation with project. One of the difficulties that indigenous companies face in the jellyfish industry is quality product, since by not directly carrying out the processing they have less control over this link in the chain. In addition, the fact of being collectors restricts them in cost control options to make this item profitable. For this reason, and in order to reduce processing and transportation costs and improve quality control a single processing station is proposed as a new strategy - investments in a single station and its equipment.

13. The model is based on activities implemented under the SDC Prawanka Project (2022) and illustrates the impact of the construction of a small brine-salted jellyfish processing plant on the Kauma indigenous fishermen's enterprise, in the Kaukira community. This single station would be used and exploited by two indigenous fishing companies located in the same community. The model it represents an important alternative and source of income for the Kaukira community. The model contemplates investments in inputs, equipment, and training for the processing of about 1.9 million pounds of fresh jellyfish that yields about 924,000 pounds of salted semi-dried jellyfish (50% yield), or the equivalent of 21 containers per year. Dehydrated jellyfish will be marketed in 40-pound buckets and a thousand buckets per container (40 thousand pound per container). The model will create 10 jobs for a period of 200 days annually for the processing, a manager, administrator, and a supervisor are needed all year round, in addition to creating activity with the artisanal fishermen.

14. Model 2 - Dried Salted Fish Processing Plant. Fishing jointly with agriculture are the main livelihoods in the Moskitia region. Industrial lobster, conch, shrimp and sea cucumber fishing for export is the main source of salaried employment and is dominated by businessmen who are not native to the territory. On the other side, artisanal fishing of fish, shrimp, crab, and jellyfish has traditionally been practiced as a subsistence activity, involves a high percentage of the population, and is an important space for women. This fishing is carried out within 3 nautical miles and in lagoon systems, it is a low-risk fishery for the fisherman and incurs little environmental impact. The demand for traditional dried salted fish is very high at national and Central American level and is not fully supplied, mainly due to the lack of a comprehensive quality and product management system. A large percentage of artisanal fishermen are not well equipped, *which* causes them to sell to middlemen.



15. **Situation without project.** Currently, there is no enterprise that markets dried salted fish in the region. Some fishermen produce dried salted fish individually and sell in bulk in surrounding cities but mainly during Holy Week. The preferred species for dried and salted are sea bass (*Centropomus spp*) and tarpon (*Megalops atlanticus*). Fresh fish is sold in the community, generally in retail, with species such as loggerhead (*Eugerres plumieri*), machaca (*Vieja maculicauda*), guapote (*Cichlasoma sp*), dormilón (*Gobiomorus dormitor*) and recently tilapia (*Oreochromis sp*).

16. **Situation with project.** This model is based on activities implemented under the COSUDE Prawanka Project (2022) and illustrates the capture and processing of fresh and dry-salted fish for marketing through packing and exporting companies. The model is based on the improvement and adaptation of the infrastructure of three local companies for the collection of fresh fish, as well as the processing and packaging of dried salted fish; and considers the strengthening of the suppliers' productive capacities to improve the quality of the raw material, the awareness of the fishermen in sustainable fishing and the responsible fishing code of conduct to guarantee the availability of resources in the future. The enterprises will sell the ice to supplying fishermen to guarantee the quality of the product and will buy, classify, label and store four days' worth of production in isothermal containers. For the fish drying infrastructure, an investment will be made in solar dryers so that the quality of the fish is not affected by the rainy season. Customers will be offered a high-quality product that meets expectations for competitive pricing, volumes, desired features, and constancy of delivery. The model will create 11 processing jobs (6 persons for cleaning, 2 for drying, 2 packaging and 1 supervisor), a manager and an administrator all year round. The model foresees salted fish production of around 5,000 pounds per month, 80% A quality and 20% B quality. Buying fish on a regular basis will directly benefit the community artisanal fishermen.

17. **Model 3 - Cocoa Agroforestry System (AFS).** The global demand for cacao has recently increased internationally. To meet this demand, the cultivated area has been expanded in tropical forest areas and production has intensified by replacing traditional agroforestry systems with monocultures. This has led to a loss of biodiversity in cacao-growing areas. More sustainable production systems, such as agroforestry systems, are expected to produce less cocoa, but secondary crops and higher prices, respectively, could financially offset lower yields. The Moskitia region has favorable climatic conditions and soils for cocoa cultivation, especially in the municipality of Wampusirpi where there are plantations that are more than 20 years old and are the only source of income for Wampusirpi families.

18. **Situation without project.** Existing agroforestry systems date from the 80-90s, have low yields due to their age and poor agronomic management by cocoa families. Additionally, there is a lack of market and high transportation costs to get the product out of the territory. It is common to observe that when there is no market, producers abandon their farms and re-enable them when they find a buyer again. The plantations are small areas, on average one manzana per family, few have two to four and most of this area has a low density of trees. In addition, although organic management is carried out, the plantations do not have any type of certification, a situation that further limits the commercialization and profitability of the item. In the scenario without the project, all gross income come from sales of cocoa in *baba*, where handling costs represent 73% and net income 11%.

19. **Situation with project.** The proposal is to renew the farms that have already reached their final productive life cycle and establish new plantations maintaining the agroforestry systems model. The cocoa that will be used is a grafted cocoa with clonal arrangements to maximize yields. Likewise, the technical knowledge of cocoa families will be strengthened for the agronomic management of AFS, the harvest and post-harvest of cocoa in *baba*; It is proposed that the farms achieve organic certification and fair trade to sell at a better price.

20. This model is based on activities implemented under the COSUDE Prawanka Project (2022) and illustrates a cacao-based agroforestry system, mixed with native timber trees and Musaceae as an alternative and an appropriate technology that contributes to improving the standard of living of the Moskitia population based on land use without causing undesirable environmental changes. Cocoa–timber systems have been proposed as viable alternative for simultaneously satisfying the livelihood needs of the farmers (in terms of production of cocoa and other goods for family use or sale) while improving the capacity of the cocoa agroforestry system to provide other ecosystem services at the plot and landscape level. Under the model, the Musaceae produce and give positive cash flow for the second and third years of the investment; cocoa, sold in slime, give a full positive cash flow from year six; and the timber trees are harvested from the year 20.

Model 4 - Cocoa Collection and Drying Center Expansion - post-harvest facility.

21. **Situation without project.** Originally, a small number of cacao trees were introduced to the Moskitia region, through trade with other indigenous communities. Cacao trees have grown wild in the forests, been harvested sporadically by the Miskitu and Tawahka first nations over the years, but cacao had not been a primary source of food or income for the communities – until recently. Cocoa plantations are scattered, and indigenous families harvest their crops mainly for food and barter. To give cocoa greater added value, it must have a good fermentation and drying process, as well as product certifications that allow positioning in special market niches, which is lacking. The traditional method of drying cocoa does not allow controlling certain variables such as time, temperature and humidity, which affects the effectiveness and quality of drying. During processing, fermented cocoa beans have a moisture content of between 40% and 60%, which for safe storage and transport should be reduced to 6-7%. Currently there is a cocoa post-harvest center with a production capacity of 25 tons with fermentation areas using traditional type of drying.

22. **Situation with project.** Cacao agroforestry in the Moskitia could provide an *ecologically-friendly income generating model* for local families and a clear alternative to cattle farming or involvement in illicit activities. The objective of the producers in the short term is to achieve transformation processes that allow the production of other by-products with higher added value, which generate higher income for a better quality of life. Based on activities implemented under the COSUDE Prawanka Project (2022), the cocoa post-harvest, and commercialization center model consists of expand the existing fermentation and drying areas, and to change the traditional type of drying to solar drying. Likewise, obtain organic and Fair-Trade certifications to market the product with origin certification in more lucrative market niches. The planned investments (scales, classifiers, solar dryer, meters, drawers, and extensions of the productive areas, etc.) are to increase the commercialization of 25

to 50 tons of dry cocoa per year, that is, to double production with the support project. The model will create 8 jobs (1 manager, 2 technicians, 2 fermenters, 2 collectors and 1 vigilant).

23. Food Security Model. The economic and financial viability model for food security has not been integrated into the AF analysis, since it is considered that the model was widely developed in the EFA of the Parent Project Innovation Project for Rural Competitiveness - COMRURAL III. Subprojects investments for producers focused on food security would be similar and the previous findings apply for the FA, the results obtained were positive.

24. Financial analysis results. The financial analysis results of the models presented above are summarized in Table 1. Based on the estimation of incremental flows of benefits and costs derived from the models, financial indicators were estimated for 20-year evaluation period at a financial discount rate of 12 percent. As indicated in Table 1 below, overall, all the models were found financially profitable as they showed financial internal rates of return higher than the financial discount rate. The models showing the highest financial returns on investments in the intervention are the following: Jellyfish Salted Semi-Dry Processing Plant (IRR at 83 percent) followed by Dried Salted Fish Processing Plant (63 percent).

Table 9.1. Financial indicators per model

Model	Net Present Value (USD) 20 years - 12%	Net Present Value (USD) 20 years - 12%	Net Present Value (USD) 20 years - 12% Incremental	Internal Rate of Return 20 years Incremental
	Without Project	With Project		
Jellyfish Salted Semi-Dry Processing Plant	1,224,686	2,476,005	1,251,319	83.3%
Dried Salted Fish Processing Plant	0	277,552	277,552	63.8%
Cocoa Agroforestry System	208	2,255	2,046	17.9%
Cocoa Collection and Drying Center Expansion - post-harvest facility	-50,502	98,949	149,451	20.9%

Source: own elaboration, 2023

25. Economic benefits. A stream of economic benefits derived from models was obtained using shadow prices to get economic values in models. The following table presents the conversion factors considered for this analysis.

Table 9.2. Economic conversion factor

Official Exchange rate (L/USD)	24.65
Shadow Exchange rate (L/USD)	25.52
Standard Conversion Factor	0.966
Shadow wage rate factor – unqualified labor	0.8978
Conversion factor for inputs price	0.9148
Conversion factor for output price	0.8724
Economic discount rate	12%

Source: own elaboration, 2023

26. In addition to this, economic benefits include positive externalities due to expected impacts on human capital and incremental gains throughout the life of malnourished children. Economic benefits of improving nutrition in poor societies is described in the literature as emerged from two main sources³⁸. One source of benefits is the impact estimated in the reduced healthcare costs and expenditures that otherwise would have been required or avoided costs (i.e., reduction in resources required to deal with mortality or morbidity). Malnutrition increases risks of mortality and illnesses that hinders the wellbeing of individuals, requires increased resources for health care services, and results in loss of time in the productive activities of caregivers. The second source of economic benefits derives from the link between nutrition and productivity, measuring project’s impacts on malnutrition by estimating the expected increase in earnings of non-undernourished individuals. It is assumed that the project interventions have an impact on the beneficiary children’s ability to complete school and thereby earn higher wages in their adult life. The analysis includes the discounted stream of benefits in the form of incremental expected lifetime income as a positive externality, following the methodology presented by *Verguet et al, 2020*. The hypothesis is that school-feeding programs will increase school attendance. According to *Verguet et al, 2020*, school meals could increase school attendance by 9%, based in a review of rigorously designed studies undertaken in lower middle-income countries over 1990–2015, and this improvement can eventually increase future wages by 0.81%. Education gains per child is estimated by incremental future wages (FW) earned in adult life. Given the horizon analysis of 20 years, it was assumed that is needed at least 5 years of school attendance in order to obtain the incremental wage, with an earning potential of 15 years, discounted at 12% per year.

$$FW = W * A * \sum_{i=6}^{20} (1 + r)^i$$

Where:

FW: present value of future wage per child

W: wage (Gross Domestic Product per capita of Honduras, USD2,771 in 2021 according to World Bank)

A: the impact of school feeding programs on wages (i.e., 0.81%)

r: economic discount rate (12%)

³⁸ Alderman, H., Behrman, J. R. and Hoddinott, J. 2007 “Economic and Nutritional Analyses Offer Substantial Synergies for Understanding Human Nutrition,” *J Nutr.* 2007 March; 137(3): 537–544.

27. The AF will support the expansion of COMRURAL III to the Moskitia-Atlantic Coast region, located in the administrative department of Gracias a Dios. As a result of the AF, the Parent Project COMRURAL III will be restructured to add a new component and incorporate changes to the Project's results framework and costs, but the proposed AF will maintain the original Project Development Objective (PDO). Similarly, the Environmental & Social Risk Classification (ESRC) and the implementation arrangements remain broadly unchanged. The FA Component's activities will build on the existing approach of COMRURAL III, and share its objectives of supporting competitive, innovative, and climate-resilient agribusiness initiatives in prioritized agricultural value chains under the productive alliances model.

28. Given these similarities between the FA and COMRURAL III, it is assumed that the expected reduction in carbon emissions per million USD invested in subprojects (business models) in Component 1 "Enhancing Competitiveness and Resilience in Prioritized Value Chains" of COMRURAL III estimated in the ex-ante economic analysis, remain unchanged. This assumption is made in order to incorporate the economic value of carbon into the economic analysis of the FA. Then, the expected global economic benefits of a net reduction in GHG emissions are 6,910 tCO₂e per year, over the period of analysis³⁹. The economic analysis estimates the benefits from GHG emissions reduction using a low and a high carbon price assumption, as per current World Bank guidelines⁴⁰.

29. **Economic costs.** The economic analysis includes all the costs associated with the project. Besides, an estimate on recurrent costs required to enable the realization of benefits (maintenance, replacement, operation) is also included during the lifespan of benefits.

30. **Economic profitability.** The economic analysis shows an incremental economic benefit for Additional Financing estimated in US\$6.03 million, with an economic internal rate of return of 24.4 percent⁴¹.

31. **Sensitivity Analysis.** To ensure the long-term robustness of the economic behavior of the project, a sensitivity analysis was performed to evaluate how the economic indicators of the overall Project changes with a variation of key variables: reductions in expected benefits; delays in benefit generation; cost overruns; lower economic price of carbon; and reduction of expected decrease of carbon emissions. The table below shows that the Project's overall net-present value still presents a positive economic even where there is a delay in benefit generation of 3 years, or significant overruns appears, or if it's a 15 percent of reduction of expected benefits. This reveals the robustness of the Project. Also, it reveals that the project still present positive economic indicators if there is a reduction of expected decrease of carbon emissions or if it is considered lower economic price of carbon.

³⁹ In the sensitivity and scenario analysis that is presented later, the economic performance indicators of the project are modeled taking 75%, 50% and 0% of the expected annual carbon reduction (6,910 tCO₂/year).

⁴⁰ Guidance notes on shadow price of carbon in economic analysis. World Bank, September 2017

⁴¹ These results consider the higher economic price of carbon, USD 60 tCO₂e, with an annual increase of 2.25%, as proposed in Guidance note on shadow price of carbon in economic analysis. World Bank, September 2017.

Table 9.3 Sensitivity Analysis

Variable	Variation	Economic indicators	
		Net Present Value (million US\$)	Internal Rate of Return
Reduction in expected benefits	-5%	5.64	23.8%
	-10%	5.25	23.1%
	-15%	4.86	22.4%
Delays in benefit generation	1 year	1.61	17.1%
	2 years	0.80	14.3%
	3 years	0.08	12.2%
Cost overruns	10%	5.54	22.5%
	20%	5.05	20.9%
	30%	4.56	19.5%
Economic price of carbon	40 US\$/tCO ₂ e	4.98	21.9%
	0 US\$/tCO ₂ e	2.88	17.3%
Reduction in expected decrease of carbon emission	15%	5.55	23.3%
	50%	4.45	20.6%
	75%	3.66	18.9%

Source: Own elaboration, 2023.

32. **Scenario Analysis.** In addition, a scenario analysis was performed under a pessimistic scenario to evaluate the economic performance of the Project: reduction of 10% of the expected benefit in with project situation, cost overruns of 10 percent of the investments, a delay in the implementation of the Project that would permit the generation of one-year benefits, a decrease of 10% of expected reduction of emissions, and an economic value of carbon of 40 USD/tCO₂e. Under these conditions, the Project continues to present positive economic-profitability indicators, with an incremental net-present value of US\$0.01 million and an internal rate of return of 12.2 percent. These results represent a robust performance in economic terms and, considering the productive and health impacts, create societal economic value.

Table 9.4 Scenario Analysis

Variable	Pessimistic Scenario	Neutral Scenario	Optimistic Scenario
Expected benefit	Reduction of 5% of the expected benefit	Expected benefit are achieved in with project scenario	Expected benefit are increased in 10% in with project scenario
Benefit generation	Delay in 1 year in benefit generation	No delays in benefit generation	No delays in benefit generation
Investment costs	5% cost overruns	No cost overruns	No cost overruns
Economic price of carbon	0 USD/tCO ₂ e	60 USD/tCO ₂ e	60 USD/tCO ₂ e
Expected decrease of carbon emission	3,455 tCO ₂ e/year	6,910 tCO ₂ e/year	6,910 tCO ₂ e/year
Economic Indicators			
Net Present Value (million US\$)	US\$0.01 million 12.2%	US\$6.03 million 24.4%	US\$6.8 25.8%
Internal Rate of Return			

Source: Own elaboration, 2023.

33. The project presents a robust performance in economic terms and creates economic value for society considering the productive, health and climatic impacts. However, it was not possible to account for a number of other high economic benefits in society. These include the economic impact of local economic revitalization through the increased demand for goods and services generated by higher incomes, among others. Therefore, the estimates are underestimated, and these results should be considered as the lower limit of the project benefits.

Annex 10. Expected updates to the Environmental and Social Management Framework

- 1. The ESMF provides generic guidance on measures to avoid, minimize or mitigate potential impacts on biodiversity and on the sustainability of living natural resources.** The Moskitia-Costa Atlántica region has very high indices of biodiversity. The ecosystem services provided by these high biodiversity areas, such as water storage and flow regulation and fisheries are critical to sustaining communities and economic, particularly agricultural, development. A screening processes has been developed to prevent activities negatively impacting natural or critical habitats, protected and/or internationally recognized areas, and any residual impacts will be addressed through site-specific mitigation measures defined in sub-project ESMPs.
- 2. Potential pollution sources from AF activities will be addressed through generic mitigation measures included in the updated ESMF, following the mitigation hierarchy.** Water efficiency, waste management, and GHG emissions will be considered to minimize negative impacts on the environment.
- 3. Risks and impacts related ESS4 will be outlined in the updated ESMF, along with measures to safeguard community health and safety during AF implementation.** Project investments may expose communities to health and safety risks. Gender-based violence risks are considered low as project activities will be community based and labor influx is expected to be limited, but mapping of local service providers for GBV prevention and response will be carried out, building on work carried out under previous WB projects in the region. Capacity building on SEA/SH will be provided to the PIU, implementing entities, and beneficiary communities and organizations. Implementing entities and contractors will be required to develop and adopt a workers' code of conduct, including provisions on SEA/SH. It is not expected that the government of Honduras or Project and AF beneficiaries will need to rely on private security, military or police forces to provide security services in connection to the Project and AF; however, the updated social assessment will indicate whether the involvement of security forces will be necessary in the context of the AF, and the parent project's ESMF already includes guidelines consistent to manage risks related to the use of security forces.
- 4. The AF is not expected to include risks related to ESS5 different to those identified for the parent project.** While activities to be financed through business plans are expected to cover on-site investments in privately-owned land, it is not possible to rule out the need of permanent or temporary physical or economic displacement as determined under ESS5. Under the AF, some minor community infrastructure investments with the potential of causing involuntary resettlement may be included under component 5.2, and some activities related to infrastructure improvements may be included under component 5.3. The Project's RPF will apply to the AF as well as the parent project, and it will be updated and disclosed within 90 days after the parent project effective date.