

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA30489

Project Name	Corredor Seco Food Security Project (P148737)
Region	LATIN AMERICA AND CARIBBEAN
Country	Honduras
Sector(s)	General agriculture, fishing and forestry sector (50%), Agro-industry, marketing, and trade (10%), Irrigation and drainage (25%), Health (15%)
Theme(s)	Micro, Small and Medium Enterprise support (10%), Nutrition and food security (40%), Rural non-farm income generation (30%), Rural services and infrastructure (20%)
Lending Instrument	Investment Project Financing
Project ID	P148737
Borrower(s)	Government of Honduras
Implementing Agency	Honduran Strategic Investment Office (INVEST-H)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	14-Jul-2015
Date PID Approved/Disclosed	24-Jul-2014, 15-Jul-2015
Estimated Date of Appraisal Completion	21-May-2015
Estimated Date of First Grant Approval	30-Sep-2015
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Honduras remains one of the poorest and most unequal countries in Latin America. Honduras is a lower-middle income country (US\$4,243 per capita income, PPP) and Central America's second largest and most populated with 7.9 million inhabitants. Honduras experienced a moderate recovery after the 2008-2009 global economic crises, but its fiscal position worsened significantly in 2012 and 2013, slowing down GDP growth, and increasing public debt. While poverty rates declined over the years, 66 percent of Hondurans still live below the national poverty line, and 46 percent live in extreme poverty (US\$1.81/day and US\$2.30/day respectively). Honduras has one of the highest Gini coefficients of the region (57.4). Rural poverty accounts for 70 percent of all poverty and 58 percent of extreme poverty. Honduras' rural poverty is concentrated mostly in the western and southern areas (the Corredor Seco or dry corridor). Honduras continues to have the highest homicide rate in the world. While crime is mostly an urban phenomenon, rural poverty contributes to urban migration, creating greater pressure on services and social safety systems. Finally, the

2013 Global Climate Risk Index identified Honduras as the country most affected by extreme weather events.

Sectoral and institutional Context

Sector Context

The agricultural sector generates 38 percent of all employment and the majority of rural employment, yet Honduras is highly dependent on imports for its food needs. About half of the population of Honduras is rural and 72 percent of agricultural families are dedicated to subsistence agriculture on small plots of land. Even with the high percentage of employment in agriculture, Honduras imports most of its food: the bulk of the main staple, maize and most of its rice. Beans are the second most important food item, locally produced.

Agriculture remains the primary source of income and food security for rural communities, but its productivity is low and vulnerable to external risks. In 2012, agriculture contributed 14 percent of the GDP and 70 percent of total exports. The agricultural sector has lost about a third of its purchasing power in the last two decades, largely due to a decrease in the prices of export crops, notably bananas and coffee. Yet, some progress has been made in improving productivity in lowland agriculture in recent years, through the expansion of non-traditional export crops, such as fruit and horticultural products, and the diversification of rural economic activities in areas such as tourism, crafts, fishing, sustainable timber harvesting and wood processing, and environmental services.

However, small and medium producers are left behind in these developments due to sharp inequities within the rural sector, and the many challenges they are facing. Most small and medium producers grow low-value crops for self-consumption and local markets. Agriculture has low land and labor productivity and the cultivated land is on hilly terrain, with poor access to water, roads, credit, modern production technology, improved seeds, tools, and basic inputs. Currently, abnormal weather conditions are contributing to significant crop losses, and leaf rust is ravaging the coffee crop, affecting more than 100,000 small producers. Female producers face additional challenges: they have lower access to training, capital, inputs, and markets for their goods. When women do have access to land, they have smaller plots on less fertile soil, and are less likely to produce export crops than male farmers.

Experience shows that successful poverty reduction in rural areas is increasingly related to the ability of the poor to diversify their livelihoods. There are communities in the Corredor Seco where farming is not feasible. Successful poverty reduction in these rural areas is linked to the ability of the poor to complement their on-farm income through non-farm activities. This strategy offers higher income levels while income diversification reduces vulnerability to shocks related weather and market conditions. Non-farm employment opportunities are often more accessible for rural women.

Food insecurity and chronic maternal and child malnutrition. The World Food Program estimates that 60 percent of Hondurans are food insecure. One in four children in Honduras is undernourished and their development is stunted. In the Corredor Seco, 58 percent of children under five suffer from chronic malnutrition (characterized as underweight, stunting, and with micronutrient malnutrition). Contributing factors include poverty, limited access to clean water, a nutrient-

deficient diet (predominantly corn, sorghum and beans), poor sanitation, and insufficient breastfeeding and complementary feeding practices. Approximately one in five households in the Corredor Seco has a female head, with higher percentages in urban areas.

Institutional Context

The Government of Honduras (GOH) considers the eradication of poverty and improved food security and nutrition as its top priorities. In 2009, the National Congress launched a long-term initiative to eradicate extreme poverty, which resulted in legislative approval in 2010 of the Country Vision (2010-2038). The two implementation plans are the National Food Security and Nutrition Strategy (ENSAN) and the Country Investment Plan for the Agri-food Sector (PIPSA). ENSAN addresses food availability for the extremely poor and includes nutrition investments. PIPSA is a comprehensive plan to lower the number of smallholders in poverty and grow the agricultural sector.

The Corredor Seco Food Security Project is well aligned with government priorities and fills an important financing gap of the Alianza para el Corredor Seco. The proposed Project is part of the Alianza para el Corredor Seco (Alliance for the Dry Corridor, ACS), the government flagship program under the PIPSA and ENSAN to support interventions for the vulnerable population in a series of contiguous municipalities in a large dry strip of land called the Corredor Seco. The programmatic goal of the ACS is to reduce poverty and hunger sustainably in the Corredor Seco of Honduras. The ACS aims to lift 50,000 families from extreme poverty between the years 2014 and 2019, reduce under nutrition by 20 percent in target communities, and lay the foundation for continued rural growth.

The project proposal was submitted by the GOH to the Global Agriculture and Food Security Program Trust Fund (GAFSP) and was competitively awarded a grant of US\$30.0 million in September 2013. The ACS currently comprises three co-investors: the U.S. Agency for International Development (USAID) (US\$57 million), the Central American Bank for Economic Integration (CABEI) (up to US\$90 million) and the GAFSP (US\$30 million). Each co-investor will finance specific geographical or thematic areas of intervention. The European Union (EU) and the Canadian International Development Agency (CIDA) have committed to join the ACS partners. GOH (US\$40 million) will complement the funding in areas where financing by international development agencies is insufficient.

The ACS integrates evidence-based research and best practices from all major food security donors/investors in agriculture and health in Honduras. The ACS partners will follow similar approaches from previous successful interventions in the area (see Lessons Learned). USAID has supported integrated nutrition, sanitation and income generation investments and it will continue its support in La Paz, Intibucá, and Lempira. GAFSP will fund similar activities in parts of Francisco Morazán, Choluteca and El Paraíso. CABEI will finance rural roads in the entire Corredor Seco. The GOH will finance investments in irrigation and monitoring of food security programs. CIDA and EU support are still under discussion.

II. Proposed Development Objectives

The objective of the Project is to enhance food and nutritional security of vulnerable households in Selected Areas of the Corredor Seco.

III. Project Description

Component Name

Food Production and Rural Household Income Generation

Comments (optional)

The component's objective is to increase household availability of quality food and revenues of poor and extremely poor rural residents in 25 municipalities as a basis for improving nutrition and in the long-term for reducing child stunting.

Under this component the grant will finance: (i) technical assistance (TA), training and extension services and (ii) agriculture and business development subprojects (SPs), including works, goods and services, to enhance agricultural (including livestock) production and marketing and to foster non-farm revenue generation.

The two subcomponents are:

Subcomponent 1.1. Agricultural production and marketing

Subcomponent 1.2. Non-farm income generating activities

Component Name

Nutrition Education and Household Hygiene

Comments (optional)

In addition to increasing food security through the production side, the Project aims to improve nutrition and nutritional practices especially for children and women. The component's objective is to improve the consumption of nutritious foods and the nutrition status of pregnant and lactating women and children less than five years of age in selected communities of the 25 municipalities.

Under this component the grant will finance: (i) technical assistance (TA) and training, and (ii) community nutrition and household hygiene subprojects (SPs), including works, goods and services, to improve nutrition status and consumption of a nutritious diet.

The two subcomponents are:

Subcomponent 2.1. Nutrition education and growth monitoring.

Subcomponent 2.2. Household hygiene.

Component Name

Monitoring, Evaluation and Project Management

Comments (optional)

This component will finance a share of Project management and monitoring and evaluation activities, including, among others: (i) carrying out Project supervision, including field visits; (ii) carrying out Project audits; (iii) monitoring and evaluation of Project activities, (iv) the carrying out of: (A) a baseline evaluation; (B) a mid-term evaluation; and (C) an impact evaluation; and (v) the financing of Operating Costs.

IV. Financing (in USD Million)

Total Project Cost:	37.80	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount

Borrower	5.80
Global Agriculture and Food Security Program	30.00
LOCAL BENEFICIARIES	2.00
Total	37.80

V. Implementation

Project Management: The Honduran Strategic Investment Office (INVEST-H), under the General Coordination of the Presidency, will be the Project's implementing agency. Under the terms of the GAFSP agreement, the Project will be implemented in line with the rules, procedures, fiduciary compliance and environmental and social safeguards of the World Bank, as Supervising Entity. The Secretariat of Finance (SEFIN), representing the GOH as the grant recipient, will implement the Project through INVEST-H, who will be responsible for the implementation of the entire Project through the contracting of private sector firms or institutions. The INVEST-H Board of Directors will be responsible for the general oversight of the Project's implementation and for procurement, fiduciary and administrative related matters, as stipulated under the law.

Implementation: INVEST-H will implement Component 1 and 2 of the Project through two competitively selected private sector firms or institutions as project operators, each with its staff allocated to a specific geographic area, as further defined in the Operations Manual. The operators will be responsible for: (i) project implementation including of the project's Environmental and Social Management Framework (ESMF); (ii) preparing annual implementation plans, budgets, and cash flows to be approved by INVEST-H; (iii) contracting, supervising and monitoring their staff (such as agricultural and nutrition extension specialists), and firms or NGOs implementing parts of the annual project plans; (iv) preparing, implementing and following-up to agricultural, business development, community nutrition, and household hygiene SPs; (v) hiring subcontractors and making payments to suppliers for the implementation of the SPs; (vi) collecting data at the beneficiary level and keeping the monitoring system up to date at all times and accessible to Invest-H and the Bank in real time; and (vii) preparing quarterly and annual implementation reports. Operators and subcontractors' remuneration will be based on field results. Each operator will have a certain degree of freedom in its implementation methodology (but following the POM) resulting from their technical proposals and to be further agreed upon during contract negotiations. This flexibility will enable INVEST-H to draw lessons from diverging methodologies.

INVEST-H will use grants proceeds to contract a team of technical specialists in agriculture, nutrition, food security, marketing, environment, social development, gender, monitoring and management to supervise the operator's activities and to collect information to monitor implementation progress.

Governance, Oversight, and Coordination. As per the policies established by the National Food Security Council (CONASAN), the ACS Technical Committee (ACS-TC) will oversee all investments under the ACS. ACS-TC oversees the effective and efficient implementation of all ACS investments, resource allocation and use, and will be the primary recipient of monitoring and evaluation (M&E) data of all the ACS-supported activities. ACS-TC will also serve as the link with the subject matter-related GOH institutions, for technical liaison as well as for resolving management problems.

The Food and Nutrition Technical Unit (UTSAN) advises ACS-TC and is its member secretary. UTSAN promotes coordination among all GOH entities and development agencies on food and nutrition security issues. UTSAN operates under the responsibility of the Social Inclusion and Development Cabinet. It has played the leading role in preparing the GAFSP funding request and the Project. Its role is to advise CONASAN and monitor the performance of ACS activities and other related food and nutrition security projects and programs.

Other Government Institutions. As part of the Country Investment Plan (PIPSA) and the National Food Security and Nutrition Strategy (ENSAN), the Project will coordinate with the Secretariat of Agriculture and Livestock (SAG) and the Secretariat of Health (SESAL). SAG participates in the meetings of the Invest-H Board of Directors and will provide input into project oversight as well as selective technical guidance on agriculture and rural development issues. SESAL is involved in the Project through Component 2. SESAL has a wide ranging and effective community health volunteer program, supports decentralized health services in rural areas, and implements nutrition, grain fortification and child monitoring programs. The POM will further detail the relationships with SAG and SESAL.

Coordination with other programs. The Project's geographical areas overlap partly with programs financed by the Canadian CIDA (PROSADE–Promoting Food Security in Choluteca and Rio Negro Watersheds), IFAD (EMPRENDESUR–Sustainable Rural Development Program for the Southern Region) and several others. Moreover, although some NGOs will play a key role as subcontractors in the Project, other NGOs will exercise a complementary function as independent organizations promoting their own agenda in rural development and nutrition. The Project will coordinate with the Departmental Food Security Roundtables (formal platforms for policy and community discussion among rural organizations, private and public sector and development agencies) ensuring that the project's policies and programs and those of other development agencies and NGOs run parallel, do not overlap, are complementary and do not create unhealthy competition.

Rural organizations. Honduras has a very strong network of rural organizations in production, marketing and credit, in particular in the coffee and vegetable sectors. The caja rural (formal and informal savings and loans societies, SLS) is a widespread rural organization at the village level. In the Project, these SLSs will provide small loans to producers for business start-ups. Many SLSs are weak. They will receive TA and training under subcomponent 1.1.

Project Operational Manual. INVEST-H has developed a POM that contains among others: (i) a project description; (ii) institutional framework and inter-institutional relationships; (iii) implementation arrangements including beneficiary eligibility criteria; (iv) participant financial contribution levels; (v) financial management and audit arrangements; (vi) procurement procedures; (vii) monitoring and evaluation key indicators and arrangements; (viii) the ESMF with the applicable socio-environmental management procedures; (ix) the list of participating municipalities; (x) formats of business and food security plans; (xi) principles and mechanism of SPs; and (xii) the Terms of References and draft contracts of the operators.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	

Forests OP/BP 4.36	x	
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37	x	
Projects on International Waterways OP/BP 7.50	x	
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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