

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC6709

Date ISDS Prepared/Updated: 13-Feb-2014

Date ISDS Approved/Disclosed: 17-Feb-2014

I. BASIC INFORMATION

A. Basic Project Data

Country:	Honduras	Project ID:	P148737
Project Name:	Corredor Seco Food Security Project (P148737)		
Task Team Leader:	Eli Weiss		
Estimated Appraisal Date:		Estimated Board Date:	15-Aug-2014
Managing Unit:	LCSAR	Lending Instrument:	Investment Project Financing
Sector(s):	General agriculture, fishing and forestry sector (60%), Agro-industry, marketing, and trade (10%), Irrigation and drainage (10%), Health (10%), Public administration- Agriculture, fishing and forestry (10%)		
Theme(s):	Micro, Small and Medium Enterprise support (10%), Nutrition and food security (40%), Rural non-farm income generation (20%), Rural services and infrastructure (20%), Managing for development results (10%)		
Financing (In USD Million)			
Total Project Cost:	30.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
Global Agriculture and Food Security Program			30.00
Total			30.00
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

B. Project Objectives

The suggested Project Development Objective is to enhance food and nutritional security of vulnerable households in selected locations of the Corredor Seco in Honduras. Food security will be supported by improving and diversifying agricultural production, value addition, and accessibility to

markets for small rural producers, with a particular focus on environmental sustainability and women. Nutritional status of rural households will be improved by more diversity in households' food consumption due to the combined effect of the change in behavior, induced by nutrition education (i.e. demand side) and the diversification in the agricultural production toward more micronutrients rich crops (supply side).

C. Project Description

The proposed Project is based on the government flagship program proposal to support interventions for the vulnerable population of a series of contiguous municipalities (Dry Corridor – Corredor Seco) whose associated investment plan known as Alianza para el Corredor Seco (ACS) was submitted by the Government of Honduras (GOH) to donors and agencies. The ACS intends to partly fill a financing gap of the Country Investment Plan (PIPSA), increase the incomes and reduce malnutrition of poor and food insecure families, and lay the foundation for continued rural growth. The initial proposal comprises three co-investors: the U.S. Agency for International Development (USAID, US\$ 25M), the Central American Bank for Economic Integration (CABEI, US\$ 30M), and this project of US\$ 30M that is funded by the Global Agriculture and Food Security Program (GAFSP). In addition, the European Union (EU) is currently negotiating with the GOH for a possible program in the ACS for around US\$30 million, while Canadian International Development Agency (CIDA) already has food security interventions in the area for US\$42 million, with an expectation to soon join the ACS group of financiers.

The Corredor Seco is defined largely by the dry and variable climatic conditions and extends from the border of Guatemala to Nicaragua. It includes many of the poorest municipalities in the country. Nearly all (91.7 percent) of its population (650,000 people) has income below the national extreme poverty line (US\$1.81 per person per day). Half (55 percent) is estimated to suffer from stunting. Producers in the Corredor Seco face low productivity and are vulnerable to climate change. Maize yields are 14.8 quintales per manzana (qq/mz), compared to the national average of 26.6, and high-technology yields are 70 qq/mz. Bean yields are 6.7 qq/mz compared to the national average of 10.9, while high-technology yields are 23.75. Because of low crop diversification, exposure to price changes, and limited access to markets, Honduran producers in the Corredor Seco are particularly vulnerable to effects of climate change, price volatility, and extreme weather. The mix of extreme poverty, undernutrition, and vulnerability to climate change converge in creating an economic and social dynamic that calls for integrated food security investment.

The government's ACS proposal is broken down into geographical and thematic areas to allow each contributing entity to finance specific areas of intervention while contributing to the overall "alliance" in a coordinated way. The USAID will focus its support on the departments of La Paz, Intibuca, and Lempira, where it has been traditionally investing in other initiatives. The CIDA is supporting three food security projects implemented by the Food and Agriculture Organization of the United Nations (FAO), CARE, and Oxfam in parts of Choluteca, Valle, Intibucá, Lempira, and La Paz. The GAFSP facility is expected to fund similar activities in parts of Comayagua, Francisco Morazán, and El Paraíso. Its direct beneficiaries are expected to be about 12,000 households with a total of 70,000 beneficiaries, including around 10,750 men, 11,500 women, and 48,000 children (these numbers will however be corroborated during preparation, as the project will provide assistance to individuals, groups, and at times more individuals within the same households). In addition, the GAFSP will provide institutional support to the overall program by financing activities to strengthen the monitoring and evaluation capacity of the Ministry of Agriculture (SAG) for PIPSA and of the Millennium Challenge Account – Honduras (MCA-H) for the ACS. CABEI will finance rural infrastructure, in particular secondary and tertiary roads, across the whole of the Corredor Seco,

thereby complementing the above investments in food security and agriculture. The Project Appraisal Document will have an annex with the details about the different provinces regarding their extension, population, and a map.

To define the areas of intervention, the GOH has developed a municipal prioritization model for investments in food and nutrition security. This model has been built by the Technical Food and Nutrition Unit of the Presidency (UTSAN) based on correlations between chronic malnutrition (as the dependent variable) and poverty, illiteracy, human development index, municipal development index, unsatisfied basic needs, rural populations, and number of persons per household (as independent variables). The results have been weighted, normalized and classified into 5 levels of food and nutrition insecurity: “critical, high, medium-high, medium and low”. The ACS investments will be prioritized in the municipalities that suffer critical and high levels of food and nutrition insecurity.

The Project will contribute to achieving the overall goals of the Alianza para el Corredor Seco (ACS) by enhancing food and nutritional security of vulnerable households in selected geographical locations and by providing institutional capacity. The overall Project design rests on four components: (i) Agriculture production and access to markets; (ii) Non-farm livelihoods; (iii) Nutrition and hygiene; and (iv) Institutional capacity building and project management.

Component 1: Agriculture production and access to markets (US\$ 12M)

The component aims at improving agriculture practices in terms of output, quality, and diversification. It will do so under two principles:

i) Promoting environmentally sustainable and climate smart practices will finance training and technical assistance (TA), and provide matching investment grants to promote agriculture diversification to high value, micronutrients rich crops, improved management practices, post-harvest management, and improved risk management and climate adaptation through agronomic practices. It will also promote training in financial and risk management and provide seed funding for investments in high value crops and value addition. Investment grants will be provided based on eligibility criteria and building on the successful experience of previous or ongoing interventions in the country. The eligibility criteria and the funding mechanism will be consistent across the ACS financing from other donors, in particular USAID. To become eligible, a sub-project will have to meet criteria of financial feasibility, sustainability, and replicability. Once established, it will continue to be supported through a menu of services, including planning, accounting, finance, marketing and sales, transportation, environmental management, and operations, etc.

(ii) Linking production with national or international markets, will finance: a) technical assistance through well-established Non-Governmental Organizations (NGOs), private sector agencies, education institutions, and gremios and cooperatives to promote farmer organizations to access markets, develop long-term private sector alliances, secure better market information on quality standards; and b) small investment grants to facilitate transportation of products, initiate collective purchases such as storage facilities, solar dryers, etc. By the same token, on the demand side, the component will assist brokers, processors and input providers to embed services (transportation, financial, tool provision, fertilizers, etc.) to small producers in their costs. The result will be better linkages between producers, processors, and exporters, and more established business relationships between groups and buyers, including supermarkets and their intermediaries.

Component 2: Non-farm livelihoods (US\$ 8.0M)

This component aims at promoting alternative livelihoods to agriculture, to diversify rural incomes. For most of the poor households in the project area, agriculture is the main source of food and income, but it is often complemented by other livelihood generating activities, like bakery, eateries and food services, repair workshops, handcrafts, transport, brokering, small trade, etc., as well as remittances. There are also communities in the Corredor Seco where farming is not feasible due to dry weather and eroded soil conditions. In these circumstances, greater incomes can be more sustainably achieved through off-farm employment and engaging in alternative livelihood activities.

The component will finance community mobilization and group formation, training and technical assistance, and seed funding to support common interest groups, women's groups, associations and productive alliances to leverage investment funding for income generating activities outside agriculture. TA through well-established local NGOs will be provided for the elaboration of individual or group business plans and small sub-projects that are beneficial for the community by creating employment, providing a useful service, and in general creating a collective good. Like in component 1, to become eligible, a sub-project will have to meet criteria of financial feasibility, sustainability, replicability and of being beneficial for the group or the community. Once established, livelihood sub-projects will continue to be supported through a menu of services, including planning, accounting, finance, marketing and sales, transportation, environmental management, operations, etc. It is expected that the project will leverage other sources of funding such as remittances and small loans by building on successful activities in the area piloted through different earlier and ongoing projects. Assistance will also be provided to leverage affordable financial services and training in record keeping and loan application will be provided. For larger collective businesses, the project will help prepare financing plans and applications to lenders. Experience from the ongoing Bank financed COMRURAL and other several successful projects will be taken into account during preparation to define the specific mechanisms and evaluate the risks associated with this approach.

Component 3: Nutrition and hygiene (US\$6 M)

This component aims at improving nutrition education and behavioral change at the household and community level. The component will build on existing interventions related to nutritional education and behavioral change models that have shown to adequately increase food diversity of nutritious food at the individual, household and local level. Three main activities are proposed:

- i) Training, technical assistance and communication activities will focus on improving nutrition by encouraging the consumption of nutritious foods and improving knowledge of basic as well as infant nutrition practices. Feeding practices will promote in particular the integration of vitamin-rich foods, counseling and education to improve food consumption in terms of quality, quantity, and variety of the diet; infant and young child feeding practices (improving weaning practices for children aged 6-18 months using nutritious and locally available foods); use of fortified staple foods; involvement of men and other caregivers in education regarding nutrition and maternal and child health. The component will also train agricultural extension workers in all areas related to nutrition.
- ii) Studies, data collection, and monitoring will focus on the analysis of community-level data for decision-making, and development and implementation of monitoring and supportive supervision systems of nutritious food availability and price fluctuation in the different areas of intervention. Some value chain nutritional assessment will be performed to inform policy makers in

the constraints encountered by food systems in delivering adequate nutritious diets to rural households.

iii) Small grants to improve households' consumption, conditions and community infrastructure to accompany the promotion of local food diversity availability, accessibility and utilization in the areas of intervention. The grants will incentivize the adoption of local micronutrients rich crops to diversify local households' diets.

Component 4: Institutional capacity building and project management (US\$ 4M)

The component aims at strengthening the national institutional capacity to monitor and evaluate the implementation of the country food and nutrition security strategy and to support the Project Management Unit (PMU). Two main activities will be supported:

i) Capacity building for monitoring and evaluation at two levels: for the overall investment plan – the PIPSA – and for the Alianza para el Corredor Seco, therefore including the proposed project. The component will finance improvement of the monitoring and evaluation system for the PIPSA and the monitoring capacity in the Ministry of Agriculture (SAG) by providing training, software and equipment. The system will build on and further strengthen USAID investment in an M&E system based on recommendations from RUTA (Regional Unit for Technical Assistance that promotes sustainable development and poverty reduction in rural areas of Central America), and capitalize on the International Food Policy Research Institute (IFPRI) experience on impact evaluation in the area by establishing a system to monitor, measure, and share results. The strengthening of the food security and nutrition M&E capacity will mitigate implementation risks stemming from the need to articulate an array of GOH ministries and agencies, as well as development and private sector partners, NGOs, etc. The M&E system will be the Government's data point for both GOH and donor funded food security programs and a centerpiece for the new updated PIPSA. Performance data for the ACS will feed into the PIPSA through an M&E system run by the project implementing agency, the MCA-H. Impact evaluation efforts will measure achievement of expected outcome level results, particularly reductions in poverty and malnutrition, including gender-differentiated impacts.

ii) Project management will finance the incremental cost, equipment, and operational costs to establish and operate a Project Management Unit (PMU) at the Millennium Challenge Account - Honduras (MCA-H). The PMU will manage the proposed project implementation by ensuring that (i) interventions are properly planned, coordinated and aligned with project design and development objectives; (ii) implementation and institutional arrangements and activities are in line with the relevant Bank's fiduciary and safeguard policies, procedures and standards; and (iii) there is due monitoring, oversight and reporting of project implementation and the resulting outputs and outcomes as per a result framework to be agreed during the preparation.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project geographical target area will be within the Corredor Seco, where much of Honduras' extreme poverty and chronic undernutrition is concentrated. The Corredor Seco is a large area defined by dry and variable climatic conditions, and it extends from the border of Guatemala to Nicaragua. It includes many of the poorest municipalities in the country, with 91.7 percent of its population (650,000 people) with an income below the national extreme poverty line (US\$1.81 per person per day) and 55 percent suffering from stunting. Producers in the Corredor Seco face far

lower productivity than the national average, and are particularly vulnerable to increasing climate variability and change due to low crop diversification, exposure to price changes, and limited access to markets. The agriculture sector is hampered by poor roads, limited investment for irrigation, seeds, tools, and other basic inputs, antiquated practices, and adherence to low-value crops.

The population of the Corredor Seco region is primarily Ladino, although some Indigenous Lenca Peoples live in the western regions. A number of factors contribute to their overall vulnerability: severe poverty, limited access to clean water, a nutrient-deficient diet (largely corn and beans), poor sanitation, and insufficient breastfeeding. The project is expected to fund above described activities in yet undefined municipalities in the departments of Comayagua, Francisco Morazán, and El Paraíso (a final list of the municipalities to be covered is still being discussed and will be finalized as part of the project preparation).

Overall, Honduras is ranked as one of the most vulnerable countries to climate change on the planet. Over the last 30 years, 50 natural disasters have cost \$4.7 billion and killed 15,500 people, disproportionately affecting harvests and food prices. Leaf rust—an airborne fungus—is ravaging the coffee industry affecting more than 100,000 small producers. Honduras' endowment of water, forests, and soil is one central foundation for much of the country's economic activity, but is vulnerable to natural shocks, mismanagement, and depletion. Poverty and natural resource depletion are strongly linked. About half of the population of Honduras is rural, 80 percent of which live in environmentally unstable hillside areas practicing subsistence agriculture, and affecting the sustainability of the natural resources. Deteriorating natural resources fail to provide a minimal livelihood to the poor. Rural poverty accounts for 70 percent of all poverty and 58 percent of extreme poverty which is concentrated mostly in the western and southern areas of Honduras. Past experience show that successful poverty reduction in rural areas is linked to the ability of the poor to diversify their livelihoods while conserving the environment. There are communities where farming is not feasible due to dry weather and/or eroded soil condition. Successful poverty reduction in rural areas is linked to the ability of the poor people to diversify and complement their traditional sources of on-farm income through off-farm micro and small enterprises. This offers higher levels of income while the diversification of income reduces vulnerability to shocks due to weather and market conditions. Non-farm employment opportunities are often more accessible for rural women. Hence, several public goods are to be produced by the project which justifies the use of public resources.

E. Borrowers Institutional Capacity for Safeguard Policies

Millennium Challenge Account Honduras (MCA-H) will host the Project Management Unit (PMU) and be in charge of the project implementation. This includes securing that implementation and institutional arrangements and activities are in line with the relevant World Bank's safeguard policies, procedures and standards, and that there is due monitoring, oversight and reporting of project implementation and results. The MCA-H was created in 2005 with a five-member Board of Directors with voting right composed of the Vice-President, the Finance Minister, the Minister of Industry and Commerce, and two representatives of the civil society. The Minister of Agriculture and the Minister of Transport and Public Works seat in the Board as observers with no voting right.

The MCA-H has implemented a US\$ 205 million Millennium Challenge Corporation compact, demonstrating its implementation capacity across numerous sectors and proved expertise on socio-environmental management. For example, it recently implemented a major road project in Honduras that involved significant involuntary resettlement. However, as an institution it has no previous direct experience in implementing World Bank projects and safeguard policies. Hence, component 4 of the project will support MCA-H to strengthen its capacity in fiduciary, safeguard and M&E aspects.

The MCA-H counts with an individual consultant who has substantial experience in the Bank safeguards, and the task team is working with the MCA-H to prepare the project's Environmental and Social Management Framework (ESMF). The GOH will complement the existing MCA-H technical team in charge of the ESMF preparation by hiring two consultants, one social and other with combined skills and experience in environment and agriculture/rural development. The Bank has provided the GOH selected example Terms of Reference and ESMFs of similar Bank projects in Honduras and other LAC countries. The ESMF will be initially prepared for the GAFSP-financed activities only, but the other ACS development partners are welcome to use it as a good practice guide for the non-Bank related activities. The GOH has an interest in further developing the ESMF during project implementation under component 4 with a medium term objective to develop a single approach to environmental and social impact assessment and management; one set of consistent rules and procedures, regardless of the financing source.

F. Environmental and Social Safeguards Specialists on the Team

Jason Jacques Paiement (LCSSO)

Tuuli Johanna Bernardini (LCSEN)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project is proposed as Category B as per OP/BP 4.01 on Environmental Assessment. No large scale, significant and/or irreversible impacts are foreseen. The project activities are expected to be mostly small-scale and enhance baseline conditions and procedures regarding socio-environmental management and sustainability. The project requires preparation of an ESMF that will guide the socio-environmental management of its demand-driven sub-projects (components 1 and 2), which are expected to be between USD 2,000–5,000 per beneficiary, and other activities that could have environmental impacts. Beyond financing agricultural inputs, sub-projects can entail minor investments in productive facilities and equipment that will require socio-environmental management. The ESMF will be prepared to prioritize and guide environmentally sustainable and climate smart agricultural practices under the ACS. Further, the ESMF will include a negative list to secure exclusion of any large scale, significant and/or irreversible negative environmental or social impacts.
Natural Habitats OP/BP 4.04	Yes	The Corredor Seco includes at least three national parks and two biological reserves. Further, taken its focus on rural areas and

		demand-driven nature, OP/BP 4.04 will be triggered to allow funding for sub-projects that would have positive impact on natural habitats and/or engage in sustainable use of their resources. Additionally, the ESMF's negative list will exclude any activity that could lead to conversion or degradation of natural habitats.
Forests OP/BP 4.36	Yes	Taken the project's focus on rural areas and its demand-driven nature, OP/BP 4.36 will be triggered for its potential relevance mainly under component 2 on alternative livelihoods. Forestry-related project activities are not particularly foreseen, but the project design will neither exclude them. Overall, project activities aim at reducing pressure to deforest for agriculture and/or livestock purposes and promoting agro-forestry.
Pest Management OP 4.09	Yes	The project will finance agricultural activities where baseline conditions involve different levels of use of agrochemicals. The project will promote Integrated Pest/Crop Management through project-provided extension services. The ESMF will include a list of prohibited agrochemicals. It will be determined during the ESMF preparation whether green and blue label pesticides will be eligible for project financing.
Physical Cultural Resources OP/BP 4.11	Yes	Honduras has rich archaeological and cultural resources. The project design does not particularly aim at financing activities related with physical cultural resources. However, taken its demand-driven nature and since the actual sub-project locations will not be known during project preparation, OP/BP 4.11 will be triggered to make sure that component 2 on non-farm rural livelihoods will be able to address potential PCR/tourism-related sub-projects. The project will only allow positive impacts on PCRs; the ESMF's negative list will exclude any activity that could lead to their degradation or destruction. The ESMF will also guide for applicable archaeological chance find procedures.
Indigenous Peoples OP/BP 4.10	TBD	The ESMF preparation will determine if any indigenous peoples are likely to benefit from the proposed project activities. Small numbers of indigenous Lenca and Tolupan peoples live in

		the Comayagua and Francisco Morazán departments where project activities will take place. However, the specific municipalities participating in the program have not been defined yet. Once the eligible municipalities have been identified, an environmental and social screening will be carried out. During this process, the presence of Indigenous Peoples that meet the four criteria of OP 4.10 will be assessed. In the event that such groups are determined to be present within the project area of influence, the GOH will prepare an Indigenous Peoples Planning Framework (IPPF) will be prepared, consulted and disclosed prior to appraisal.
Involuntary Resettlement OP/BP 4.12	TBD	The project is not expected to require any involuntary resettlement and it is extremely unlikely that project activities will result in any land acquisition. None the less, the Environmental and Social Management Framework (ESMF) preparation process will evaluate the likelihood that some small amounts of land may be required for the construction of storage facilities, etc. The ESMF will also include robust screening criteria for voluntary land donations. In the unlikely event that this assessment confirms some potential need for land acquisition, the GOH will prepare a Resettlement Policy Framework (RPF) to provide simple standards for assessing value, confirming eligibility and providing compensation in accordance with OP 4.12.
Safety of Dams OP/BP 4.37	TBD	The project will not finance any mayor dam. However, taken it expects to finance small dams and irrigation systems, OP/BP 4.37 could be triggered as a precautionary measure to make sure the project will be habilitated to adequately address sub-projects that would depend on an existing dam.
Projects on International Waterways OP/BP 7.50	TBD	The task team is working with the GOH and the country lawyer to determine the need to trigger this policy.
Projects in Disputed Areas OP/BP 7.60	No	There are no disputed areas within the project area.

III. SAFEGUARD PREPARATION PLAN

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

A. Tentative target date for preparing the PAD Stage ISDS: 17-Mar-2014

B. Time frame for launching and completing the safeguard-related studies that may be needed.
The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

Consultations in the selected eligible municipalities will be completed before appraisal begins and the ESMF and any other potential safeguard instrument duly disclosed in country and at the InfoShop before the appraisal mission that is planned to take place the first week of June 2014.

IV. APPROVALS

Task Team Leader:	Name: Eli Weiss	
<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name: Glenn S. Morgan (RSA)	Date: 16-Feb-2014
Sector Manager:	Name: Laurent Msellati (SM)	Date: 17-Feb-2014