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Report No: PAD949

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT FROM THE

GLOBAL AGRICULTURE AND FOOD SECURITY PROGRAM TRUST FUND

IN THE AMOUNT OF US\$30 MILLION

TO THE

REPUBLIC OF HONDURAS

FOR A

CORREDOR SECO FOOD SECURITY PROJECT

August 19, 2015

Agriculture Global Practice
Latin America and the Caribbean Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective June 20, 2014)

Currency Unit = Lempira
20.5 Lempira = US\$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACS	<i>Alianza para el Corredor Seco</i> /Alliance for the Dry Corridor
ACS-TC	<i>Alianza para el Corredor Seco</i> – Technical Committee
AIN-C	Integrated Community Child Health Program
BPs	Business Plans
CABEI	Central American Bank for Economic Integration
CIAL	Local Agricultural Research Committee
CIDA	Canadian International Development Agency
CONASAN	National Food Security Council
CPS	Country Partnership Strategy
EA	Environmental Assessment
ENSAN	National Food Security and Nutrition Strategy
ESMF	Environmental and Social Management Framework
ERR	Economic Rate of Return
EU	European Union
FIRSA	Honduras Trust Fund for the Reactivation of the Agricultural Sector
FNS	Food and nutrition security
FSPs	Food Security Plans
GAFFSP	Global Agriculture and Food Security Program
GAP	Good Agricultural Practices
GMP	Growth Monitoring Program
GOH	Government of Honduras
HH	Households
HVC	High value crops
INVEST-H	Honduran Strategic Investment Office
M&E	Monitoring and Evaluation
PIPSA	Country Investment Plan for the Agri-food Sector
POM	Project Operational Manual
PROSADE	Promoting Food Security in Choluteca and Rio Negro Watersheds Project
SAG	Secretariat for Agriculture and Livestock
SEFIN	Secretariat of Finance
SESAL	Secretariat of Health
SIA	Social Impact Assessment
SIAFI	Integrated Financial Administration System
SLS	Savings and loan societies (<i>cajas rurales</i>)
SPs	Subprojects
TA	Technical assistance
UEPEX	Executing Unit for Externally Financed Projects (SIAFI module)
USAID	United States Agency for International Development
UTSAN	Food and Nutrition Technical Unit
WB	World Bank
WEAI	Women Empowerment in Agriculture Index

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Country Director:	J. Humberto Lopez
Senior Global Practice Director:	Juergen Voegele
Practice Manager:	Laurent Msellati
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HONDURAS
Corredor Seco Food Security Project

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PAD DATA SHEET*Honduras**Corredor Seco Food Security Project (P148737)***PROJECT APPRAISAL DOCUMENT***LATIN AMERICA AND CARIBBEAN**Agriculture Global Practice*

Report No.: PAD949

Basic Information			
Project ID P148737	EA Category B - Partial Assessment	Team Leader Eli Weiss	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 04-Jan-2016	Project Implementation End Date 30-Jun-2021		
Expected Effectiveness Date 04-Jan-2016	Expected Closing Date 30-Jun-2021		
Joint IFC No			
Practice Manager/Manager Laurent Msellati	Senior Global Practice Director Juergen Voegelé	Country Director J. Humberto Lopez	Regional Vice President Jorge Familiar
Approval Authority			
Approval Authority RVP Decision please explain GAFSP program procedures			
Borrower: Republic of Honduras			
Responsible Agency: Honduras Strategic Investment Office (INVEST-H)			
Contact: Telephone No.:	Marco Bogran 504-9870-7730	Title: Email:	Executive Director mbogran@mcahonduras.hn

Project Financing Data(in US\$ Million)							
☐ Loan	☐ IDA Grant	☐ Guarantee					
☐ Credit	☒ Grant	☐ Other					
Total Project Cost:		37.80		Total Bank Financing:		30.00	
Financing Gap:		0.00					
Financing Source				Amount			
Borrower				5.80			
Global Agriculture and Food Security Program				30.00			
LOCAL BENEFICIARIES				2.00			
Total				37.80			
Expected Disbursements (in US\$ Million)							
Fiscal Year	2016	2017	2018	2019	2020	2021	2022
Annual	2.00	3.00	7.00	7.00	7.00	3.50	0.50
Cumulative	2.00	5.00	12.00	19.00	26.00	29.50	30.00
Institutional Data							
Practice Area / Cross Cutting Solution Area							
Agriculture							
Cross Cutting Areas							
☒ Climate Change							
☐ Fragile, Conflict & Violence							
☒ Gender							
☒ Jobs							
☐ Public Private Partnership							
Sectors / Climate Change							
Sector (Maximum 5 and total % must equal 100)							
Major Sector		Sector		%	Adaptation Co-benefits %	Mitigation Co-benefits %	
Agriculture, fishing, and forestry		General agriculture, fishing and forestry sector		50	18		
Industry and trade		Agro-industry, marketing, and trade		10			
Agriculture, fishing, and forestry		Irrigation and drainage		25	12		

Health and other social services	Health	15		
Total		100		
☐ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.				
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Financial and private sector development	Micro, Small and Medium Enterprise support	10		
Human development	Nutrition and food security	40		
Rural development	Rural non-farm income generation	30		
Rural development	Rural services and infrastructure	20		
Total		100		
Proposed Development Objective(s)				
The objective of the Project is to enhance food and nutritional security of vulnerable households in Selected Areas of the Corredor Seco.				
Components				
Component Name		Cost (US\$ Millions)		
Food production and rural household income generation		28.60		
Nutrition education and household hygiene		4.80		
Monitoring, evaluation and project management		4.40		
Systematic Operations Risk- Rating Tool (SORT)				
Risk Category			Rating	
1. Political and Governance			Substantial	
2. Macroeconomic			Substantial	
3. Sector Strategies and Policies			Low	
4. Technical Design of Project or Program			Substantial	
5. Institutional Capacity for Implementation and Sustainability			High	
6. Fiduciary			Substantial	
7. Environment and Social			Moderate	
8. Stakeholders			Moderate	
OVERALL			Substantial	

Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]	
Does the project require any waivers of Bank policies?	Yes []	No [X]	
Have these been approved by Bank management?	Yes []	No [X]	
Is approval for any policy waiver sought from the Board?	Yes []	No [X]	
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []	
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	
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Invest-H Operation (Schedule 2, Section I, A,1)	X		Continuous
Description of Covenant			
For purposes of carrying out the Project, the Recipient shall ensure that INVEST-H is operated and maintained with functions, staffing, and responsibilities satisfactory to the World Bank, as set forth in the Project Operational Manual.			
Name	Recurrent	Due Date	Frequency
Selection and Hiring of Operators (Schedule 2, Section I, B, 1, a)		29-Jan-2016	
Description of Covenant			
Prior to the carrying out of any activities under Parts 1 and 2 of the Project, the Recipient, through INVEST-H shall: Select and hire an Operator for each Selected Area in accordance with Section III of Schedule 2 of the Grant Agreement.			

Name	Recurrent	Due Date	Frequency
Operator Contracts (Schedule 2, Section I, B, 1, b)	X		Continuous
Description of Covenant Prior to the carrying out of any activities under Parts 1 and 2 of the Project in the Selected Areas, the Recipient through INVEST-H shall: make part of the proceeds of the Grant available to each Operator, under an agreement to be entered between the Recipient through INVEST-H and each Operator, under terms and conditions acceptable to the World Bank and as set forth in the Project Operational Manual.			
Name	Recurrent	Due Date	Frequency
Subproject Agreement (Schedule 2, Section I, C, 1)	X		Continuous
Description of Covenant To facilitate the carrying out of Subprojects, and prior to the carrying out of said Subproject in the relevant Selected Area assigned to each Operator, the Recipient, through INVEST-H, shall cause said Operator to enter into an agreement with each Beneficiary (<i>Subproject Agreement</i>), under terms and conditions acceptable to the World Bank, and as set forth in the Project Operational Manual.			
Name	Recurrent	Due Date	Frequency
Project Operational Manual (Schedule 2, Section I, D, 1)	X		Continuous
Description of Covenant The Recipient, through INVEST-H shall carry out, and cause the Operators to carry out the Project in accordance with the provisions of a manual (the Project Operational Manual), with terms and conditions acceptable to the World Bank.			
Name	Recurrent	Due Date	Frequency
Subproject Manual (Schedule 2, Section I, E, 1)	X		Continuous
Description of Covenant The Recipient, through INVEST-H shall adopt and cause the Operators to carry out the Subprojects in accordance with the provisions of a manual (the Subproject Manual) with terms and conditions acceptable to the World Bank.			
Name	Recurrent	Due Date	Frequency
ESMF and EMPs (Schedule 2, Section I, F, 1)	X		Continuous

Description of Covenant			
The Recipient shall cause the Operators to carry out Parts 1 and 2 of the Project, including the Subprojects; and cause the Beneficiaries to assist in the carrying out of the Subprojects, all in accordance with the ESMF and the pertinent EMPs.			
Name	Recurrent	Due Date	Frequency
Negative List (Schedule 2, Section I, F, 2)	X		Continuous
Description of Covenant			
The Recipient shall ensure, and shall cause the Operators to ensure that no investments involving Involuntary Resettlement or any other investment included in the negative list of investments included in the ESMF, shall be financed with the proceeds of the Grant.			
Name	Recurrent	Due Date	Frequency
TORs (Schedule 2, Section I, F, 3)	X		Continuous
Description of Covenant			
The Recipient shall ensure and cause the Operators to ensure that the terms of reference for any consultancy in respect of studies of the Project shall be satisfactory to the World Bank following its review and shall duly incorporate the requirements of the World Bank Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance.			
Name	Recurrent	Due Date	Frequency
Subproject Committee (Schedule 2, Section I, A, 2)	X		Continuous
Description of Covenant			
For purposes of carrying out the Subprojects, and before the carrying out of any Subproject, the Recipient shall establish, operate and maintain throughout the implementation a committee (the Subproject Committee) with functions, responsibilities and composition including representatives of INVEST-H, SAG and civil society representatives, all acceptable to the World Bank and as set forth in the Operational Manual.			
Name	Recurrent	Due Date	Frequency
Budget allocation (Schedule 2, Section V)	X		Continuous
Description of Covenant			
The Recipient, through SEFIN, shall ensure, until completion of the Project, that adequate budgetary resources are allocated and made available to INVEST-H for Project implementation.			

Conditions		
Source Of Fund	Name	Type
GAFFSP	Authorization/Ratification by the Recipient	Effectiveness
Description of Condition		
The execution and delivery of the Grant Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action.		
Source Of Fund	Name	Type
GAFFSP	Contract award	Effectiveness
Description of Condition		
At least one Operator has been selected in a manner satisfactory to the Bank (in accordance with Section 1.B (a) of Schedule 2 of the Grant Agreement).		
Source Of Fund	Name	Type
GAFFSP	Operator Contract for Cluster 1	Disbursement
Description of Condition		
No withdrawal shall be made for payments under Category (1)(a) unless the Recipient has entered into an Operator Contract with the Operator assigned to Cluster 1.		
Source Of Fund	Name	Type
GAFFSP	Operator Contract for Cluster 2	Disbursement
Description of Condition		
No withdrawal shall be made for payments under Category (1)(b) unless the Recipient has entered into an Operator Contract with the Operator assigned to Cluster 2.		
Source Of Fund	Name	Type
GAFFSP	Subprojects for Cluster 1	Disbursement
Description of Condition		
No withdrawal shall be made for payments under Category (2)(a) unless the Recipient has: (i) entered into an Operator Contract with the Operator assigned to Cluster 1; (ii) adopted the Subproject Manual; (iii) carried out the data collection for the baseline evaluation referred to in Part 3(iv)(A) of the Project and submitted to the World Bank evidence of the completion of said activity; and (iv) the Project monitoring and evaluation system has been designed and submitted to the World Bank evidence of the completion of said activity, all in a manner satisfactory to the World Bank.		
Source Of Fund	Name	Type
GAFFSP	Subprojects for Cluster 2	Disbursement

Description of Condition			
No withdrawal shall be made for payments under Category (2)(b) unless the Recipient has: (i) entered into an Operator Contract with the Operator assigned to Cluster 2; (ii) adopted the Subproject Manual; (iii) carried out the baseline evaluation referred to in Part 3(iv)(A) of the Project and submitted to the World Bank evidence of the completion of said activity; and (iv) the Project monitoring and evaluation system has been designed and submitted to the World Bank evidence of the completion of said activity, all in a manner satisfactory to the World Bank.			
Team Composition			
Bank Staff			
Name	Title	Specialization	Unit
Pamela Carolina Alvarez Zurita	Program Assistant	Program Assistant	GFADR
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Eli Weiss	Senior Rural Development Specialist	Task Team Leader (TTL)	GFADR

Non-Bank Staff

Name	Title	City
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Kathryn Johns-Swartz	Editor	Alaska
Juan Morelli	Economist	Montevideo
Pierre Werbrouck	Agribusiness Consultant	Albuquerque
Guzman P Garcia-Rivero	Operations Consultant	Washington DC

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Honduras	Francisco Morazán	Departamento de Francisco Morazán	X		Curarén, Lepaterique, Reitoca, Alubarén, San Miguelito, La Libertad
Honduras	El Paraiso	Departamento de El Paraiso	X		Liure, Soledad, Texiguat, Vado Ancho, San Antonio de Flores, San Lucas
Honduras	Choluteca	Departamento de Choluteca	X		Apacilagua, Morolica, San José, Concepción de María, El Corpus, Orocuina, Namasigüe, El Triunfo, Duyure, San Antonio de Flores, San Isidro, Pespire, San Marcos de Colón

I. STRATEGIC CONTEXT

A. Country Context

1. 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, due mainly to a lack of fiscal discipline characterized by higher current expenditures and rising debt costs, in a context of worsening terms of trade combined with economic and political uncertainty. The Central Government fiscal deficit increased from 2.8 percent of GDP in 2011 to 7.6 percent in 2013, slowing down GDP growth, and increasing public debt. Several fiscal and administrative measures that the Administration adopted early 2014 are paving the way for fiscal consolidation. The recent IMF Board Meeting of September 11, 2015 for the First Review of the Honduras Stand-by Arrangement/Credit Facility highlighted the positive outcomes from higher revenues, wage bill control, and progress on energy tariffs and subsidy adjustments. The IMF Board also highlighted the need to improve tax administration and institutional reforms pending, but and most important, maintaining fiscal discipline will be critical, taking into account that growth is relatively low and job opportunities are scarce. The fiscal deficit has decreased to 4.4% of GDP compared to 7.9% in 2013. 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.

B. Sector and Institutional Context

2. **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.

3. **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.

4. **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.

5. **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.

6. **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.

7. **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 to the number of smallholders in poverty and grow the agricultural sector.

8. **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.

9. **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 will complement the funding to the ACS with approved budgetary contributions of approximately US\$40 million from the Honduras Trust Fund for the Reactivation of the Agricultural Sector (FIRSA).

10. **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.

C. Higher Level Objectives to which the Project Contributes

11. **The proposed operation directly supports relevant objectives of the World Bank Group's Country Partnership Strategy (CPS) 2012-2014¹.** The CPS is designed to respond to the Honduras Country Vision (2010-2038) and National Plan (2010-2022). The World Bank's strategic engagement to support the goals in the CPS focuses on the following areas: i) citizen security, ii) expanding opportunities through reduced vulnerabilities, and iii) enhancing good governance. The proposed Project is not listed in the CPS, given that the GAFSP grant was only approved in September 2013. However, the Project is aligned with the second pillar and its second results area of improved investment climate and competitiveness via increased rural productivity with a focus on environmental sustainability and climatic resilience. The vast majority of the rural poor in Honduras work in the agriculture sector, and the CPS states that the Bank will continue supporting the development of agricultural value chains and rural productivity-enhancing initiatives. Moreover, this Project will foster partnerships (as stated in the CPS) with several development agencies.

12. **The proposed Project directly responds to the Bank's Twin Goals: eradicate extreme poverty, and promote shared prosperity.** The Project will target the extremely poor communities by focusing on municipalities based on a GOH Food and Nutrition Insecurity Index. The Project will target the bottom 40 percent and the beneficiaries will include people who are eligible to benefit from the *Bono Vida Mejor* Program, a conditional cash transfer program. The Project will promote shared prosperity by linking poor farmers to markets and involve them in a formal business environment. This will open a way to lift themselves out of poverty and be partners in a growing market for quality foods and niche products.

¹ World Bank Group's Country Partnership Strategy (CPS) for Honduras (FY2012-2104), discussed by Executive Directors on November 6, 2011 (Report No. 63370-HN).

II. PROJECT DEVELOPMENT OBJECTIVE

A. PDO

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

B. Project Beneficiaries

14. The proposed Project will assist approximately 12,000 households (HH) in 25 municipalities of three departments (Francisco Morazán, Choluteca and El Paraíso)². Some 10,000 HH will participate in the Food Production and Rural Household Income Generation component. About 6,000 HH will participate in the Nutrition Education and Household Hygiene component. The Project will seek the highest possible overlap, and it is estimated that around 4,000 HH will participate in both components, resulting in a total of 12,000 HH. GOH selected the municipalities based on food and nutrition insecurity criteria and the division of geographical areas with other ACS partners. The Project will focus mostly on: (i) poor and extreme poor HH, beneficiaries of the *Bono Vida Mejor* (conditional cash transfer) program and who pass an additional poverty verification test (many of these HH have difficulties meeting their responsibilities in health, education and nutrition); (ii) highly vulnerable HH that have low food stocks and have no stable means of income (including remittances, lack of employment); (iii) female-headed HH or HH with presence of pregnant women, nursing mothers and children under five years of age or other children with nutritional risks; (iv) people with access to land (owning, renting, sharecropping, communal land, etc.), possibly with potential for access to water resources (for agricultural subprojects only); (v) a limited number (less than 500) of recognized leaders of community-based organizations (SLS, water boards, community councils "trustees" among others), who can influence other members of the community to participate in the Project. Detailed characteristics of the beneficiaries are specified in the Project Operational Manual (POM).

C. PDO Level Results Indicators

15. The key outcome indicators are: (i) average food crop yields by participating HHs; (ii) incremental sales value by participating HH; (iii) dietary diversity score in participating HHs; and (iv) number of HH members (by gender and age) benefitting directly from the Project.

III. PROJECT DESCRIPTION

A. Project Components

Component 1: Food Production and Rural Household Income Generation (\$28.6 million; \$22.2 million GAFSP; \$4.8 million GOH; and \$1.6 million beneficiaries' co-financing).

16. 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.

17. Under this component the grant will finance: (i) technical assistance (TA), training and extension services and (ii) agriculture and business development subprojects (SPs), including

² A HH is an entity where people eat food from the same kitchen.

works, goods and services, to enhance agricultural (including livestock) production and marketing and to foster non-farm revenue generation.

Subcomponent 1.1. Agricultural production and marketing

18. The objective of this subcomponent is to increase the agricultural production, productivity and market efficiency of individual producers, producer groups and market intermediaries through:

- a) the provision of technical assistance, training and extension services for:
 - a) (1) the development of Business Plans for the introduction of high value crops and the development of marketing investments; and (2) the development of Food Security Plans for the production of subsistence crops and nutritious garden vegetables;
 - b) assisting Agricultural Beneficiaries for the implementation of Agricultural Subprojects based on Food Security Plans; and assisting Agricultural Beneficiaries for the implementation of Agricultural Subprojects based on Business Plans;
 - c) the introduction of new production technologies, good agricultural practices, environmental management techniques, climate-smart technologies;
 - d) the improvement of access to new markets through, *inter alia*: (1) adapting production to market demand and standards; (2) obtaining fair trade and organic farming certifications; (3) developing marketing alliances with buyers; (4) improving the negotiation skills of individual producer and producer groups and organizing business roundtables; (5) liaising with institutional buyers; and (6) organizing transport and other logistics;
 - e) the creation and management of rural organizations (producer cooperatives, producer groups, water user associations, SLS and women's groups), including *inter alia*, providing: (A) assistance for obtaining legal status; and (B) financial literacy training; and
 - f) the promotion and monitoring of Agricultural Subprojects, the facilitation of the evaluation process, and the assurance of citizen engagement.
- b) the implementation of Agricultural Subprojects for the benefit of Agricultural Beneficiaries. Annex 2 provides more details.

Subcomponent 1.2. Non-farm income generating activities

19. The objective of this subcomponent is to support non-farm revenue and employment generation of rural groups and rural businesses through:

- (i) the provision of technical assistance and training for:
 - a) assisting Business Development Beneficiaries for the development and implementation of Business Development Subprojects based on Business Development Plans;
 - b) the improvement of access to new markets through, *inter alia*: (1) adapting production to market demand and standards; (2) developing marketing alliances

- with buyers; and (3) improving the negotiation skills of Business Development Beneficiaries;
- c) strengthening enterprises to obtain legal status, and provide financial literacy training; facilitation of
- d) the promotion and monitoring of Business Development Subprojects, the facilitation of the evaluation process, and the assurance of citizen engagement; and
- i. the implementation of Business Development Subprojects for the Benefit of Business Development Beneficiaries. Annex 2 provides more details.

Component 2. Nutrition Education and Household Hygiene (\$4.8 million; \$4.1 million GAFSP; \$0.3 million GOH; and \$0.4 million beneficiaries' co-financing).

20. In addition to increasing food security through the production side, the proposed 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.

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

Subcomponent 2.1. Nutrition education and growth monitoring.

22. The objective of this subcomponent is to improve nutrition education and the ongoing Growth Monitoring Program through:

- (i) the development and production of communication materials to raise awareness on, *inter alia*, chronic malnutrition and its implications;
- (ii) the development and carrying out of nutrition education training, including the development and provision of teaching materials for stakeholders including, *inter alia*, agriculture extension agents, health workers, community leaders and Nutrition Volunteers, on *inter alia*, the recommended diet for pregnant mothers and children below five years and the need for consumption of locally produced nutritious foods;
- (iii) the provision of technical assistance and training for the carrying out and expansion of the AIN-C activities;
- (iv) the provision of training to health workers, health supervisors and Nutrition Volunteers;
- (v) the provision of technical assistance and training for the development and implementation of Community Nutrition Subprojects based on Community Nutrition Plans;
- (vi) the promotion and monitoring of Community Nutrition Subprojects, the facilitation of the evaluation process, and the assurance of citizen engagement; and

- (vii) the implementation of Community Nutrition Subprojects for the benefit of Community Nutrition Beneficiaries. Annex 2 provides more details.

Subcomponent 2.2. Household hygiene.

23. The benefits of increased food availability and improved dietary consumption will not be realized if children continue to suffer from diarrheal and respiratory diseases. Therefore, the objective of this subcomponent is to improve household hygiene through:

- a) assisting Household Hygiene Beneficiaries for the implementation of Household Hygiene Subprojects based on Household Hygiene Plans;
- b) the promotion and monitoring of Household Hygiene Subprojects, the facilitation of the evaluation process, and the assurance of citizen engagement; and
- c) the implementation of Household Hygiene Subprojects for the benefit of Household Hygiene Beneficiaries. Annex 2 provides more details.

Component 3: Monitoring, Evaluation and Project Management (\$4.4 million; \$3.7 million GAFSP; \$0.7 million GOH).

24. 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.

B. Project Financing

25. The total cost of the proposed Project is \$37.8 million, financed by a \$30.0 million GAFSP grant, \$2.0 million in beneficiary co-financing and \$5.8 million in GOH direct counterpart funding for the Project (for funding evaluations, water management works, TA and training). The implementation period of the Project is 5.5 years.

C. Lending Instrument

26. A US\$ 30 million grant from the Global Agricultural and Food Security Program Trust Fund will finance the Project. The GOH and the GAFSP Steering Committee have nominated the World Bank as the Supervising Entity for this Project.

D. Project Cost and Financing

Table 1: Project Cost and Financing

Project Components	Project cost (US\$ M)	GAFSP Financing (US\$ M)	Beneficiary Contribution (US\$ M)	Recipient Contribution (US\$ M)	% GAFSP Financing
1.Food production and rural household income generation	28.6	22.2	1.6	4.8	78%
2. Nutrition education and household hygiene	4.8	4.1	0.4	0.3	85%
3.Monitoring, evaluation and project management	4.4	3.7	0.0	0.7	85%
Total Costs	37.8	30.0	2.0	5.8	79%

27. The GAFSP grant will finance 100 percent of each disbursement category for all components including taxes (see grant disbursement table, Annex 3). GOHGOH contribution will finance: (a) part of the technical assistance of the operators in Component 1 and 2; (b) the total costs of the baseline, the mid-term external evaluation and the final evaluation in Component 3. There will be certain flexibility, so that the GOH contribution could also finance SPs, which would imply a reallocation of funds during implementation. The funding source will be defined on a yearly basis in the Annual Plan of Activities. The beneficiaries will contribute 15 percent towards the cost of the SPs.

E. Lessons Learned and Reflected in the Project Design

28. The design of the proposed Project incorporates lessons learned and evidence-based studies from ongoing Bank- and donor-funded projects in Honduras, particularly the USAID and CIDA projects, similar GAFSP-projects in Nepal and Bangladesh, and in the region more generally.

Lesson	Key Design Feature
Link agricultural development initiatives with nutrition. The promotion of a diverse diet ensures that increased income and food availability are translated into better nutrition for the whole household.	Component 2 will address child-feeding practices, women's control of economic resources, nutrition education, tailoring projects to the specific needs of each community.
Good agricultural practices (GAP). By using good agricultural practices (increased planting density, improved weed control, more efficient use of water and fertilizer), farmers participating in the USAID Feed the Future Project have more than doubled maize and bean yields at little additional cash cost.	Maize and beans will continue to be grown as the basic food crops for self-consumption, but with introduction of a few, but very effective technological changes in technology, including the incorporation of calcium to soils, improved and treated seeds, adequate density of plants, weed control and adequate fertilization.
Value Chain. Value-added agriculture is widely viewed as the best prospect for long term, broad-based economic growth, and poverty reduction. In view of the small and scattered farm holdings and a majority of farmers being resource-poor, strengthening of cooperatives, self-help groups, and contract farming assumes significance. The need for reduction in post-harvest losses is essential.	Component 1 will address the introduction of high value crops, post-harvest agro-processing, local storage and small-scale processing. It will strengthen small enterprises, foster business training and build market linkages and capacity.
Partnerships with the private sector. A market-based approach to eradicating extreme poverty will require a close partnership with the Honduran private sector.	Component 1 will strengthen the linkages between farmers and the commercial food processing and retail sector.
Capacity building. Farmers are becoming increasingly dependent on other entrepreneurs for services, inputs, implements, marketing and processing. The capacity of these to adjust to the rapid changes in the institutional, economic and political environments, and inter-collaborations is highly crucial for the success of agricultural development.	Capacity building and strengthening of organizations will be major elements in the Project. Capacity building applies to individual farmers, farmers' groups/organizations, and agrarian institutions and businesses, which support them.
Gender inclusion. Women make daily food production and consumption decisions for their families. Women are much more likely than men to spend additional income on food and healthcare, so increasing women's income is likely to have a proportionally greater impact on children's health and nutrition than comparable increases in men's income.	A complete gender strategy will be an essential ingredient for capacity building and program management. Given the significant time constraints on women, interventions that affect women's income and time allocation can help improve their own nutrition as well as that of their children.
Nutrition monitoring. Growth monitoring ensures that children's growth is monitored from birth to at least two years of age. Within food security, having the right	The Project will use the Growth Monitoring Program to change household dietary and hygiene behavior. Children under five are the target of these programs,

Lesson	Key Design Feature
quality and quantity of food available is necessary but insufficient to achieve nutrition security, which also requires improving dietary habits to consume adequate quality food.	while most attention will be given to those under two, the age before which malnutrition can still be reversed.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

29. **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 proposed 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.

30. **Implementation:** INVEST-H will implement Component 1 and 2 of the proposed 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.

31. 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.

32. **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.

33. 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 proposed Project. Its role is to advise CONASAN and monitor the performance of ACS activities and other related food and nutrition security projects and programs.

34. **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.

35. **Coordination with other programs.** The proposed 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.

36. **Rural organizations.** Honduras has a very strong network of rural organizations in production, marketing and credit, in sectors such as coffee and vegetable. 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.

37. **Project Operational Manual (POM).** 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.

B. Results Monitoring and Evaluation

38. The ACS M&E plan addresses the overall ACS performance monitoring and impact evaluation needs. Accordingly, each ACS development partner will have a tailored monitoring plan as primary basis for performance monitoring. The plan will include baseline data for outcome indicators, associated end-of-program targets, intermediary performance measures and means of verification, and data source and collection methods for each indicator.

39. INVEST-H and project operators will monitor the performance of activities financed by the Project. This includes the monitoring of the results framework indicators as well as the implementation of the annual project operation plans, the field results, including gender equality outcomes, the project's cost efficiency, the technical quality of the extension services, TA, training and the infrastructure investments, and contract compliance (see Annex 3). The geo-referenced and real time monitoring system, which will monitor all SPs, will have to be designed and approved by the Bank as a condition to start with the implementation of the SPs. The monitoring system of the operators will feed in real time the monitoring system in INVEST-H, which will be constantly accessible to UTSAN and the Bank.

40. **Baseline, mid-term and impact evaluation.** An independent firm will conduct the impact evaluation, including establishing a baseline at project start-up and designing the end-of-project evaluation to link the performance monitoring closely to the impact evaluation. The data collection of the baseline will have to be concluded by the selected firm as a condition for starting activities under the SPs. At mid-term, an independent firm will carry out a technical audit and a beneficiary assessment. GOH will finance the baseline, mid-term studies and end-of-project impact evaluation.

C. Sustainability

41. **The overall ACS program prioritizes post-project sustainability.** The monitoring system will assess the sustainability of project investments through a sustainability barometer with indicators and milestones currently being developed. Sustainability issues are addressed as below:

- (a) *Household and community resilience.* The Project incorporates important elements to increase HH and community absorptive capacity (ability to minimize exposure to shocks) and adaptive capacity (making informed choices about alternative livelihood strategies).
- (b) *Environmental sustainability.* Given the dependence of rural communities in the *Corredor Seco* on a limited natural resource base, environmental sustainability of the project-financed activities is critical to the longer-term maintenance of HH income and assets. Good environmental practices will form an integral part of the TA provided by Project.
- (c) *Project performance.* Performance in meeting project goals, timelines and budgets significantly affects post-project sustainability. Fostering participatory approaches and strengthening the capacity of stakeholders to plan and manage future actions can help ensure that interventions have a lasting impact on the vulnerable communities they serve.
- (d) *Economic/Financial viability and sustainability* of project-induced products and services. Project activities under Component 1 will be based on technically and financially viable BP or FSP. The Project will make a concerted effort to collaborate with input suppliers and SLSS to ensure market sustainability.

V. KEY RISKS AND MITIGATION MEASURES

A. Overall Risk Rating Explanation

42. The overall implementation risk for the proposed Project is Substantial due to substantial political and governance, macroeconomic, technical design of Project and fiduciary risks. Honduras still faces a high rate of crime and violence which impacts the country-wide environment and how activities are done. While Its fiscal position worsened significantly in 2013 with higher fiscal deficits and a weaker debt position, the administration has been setting the building blocks for sustained economic stability and the actions taken thus far represent important steps to contain spending by enhancing public investment, procurement, payroll controls, and embarking on an integral reform of state owned companies; at such the associated risks are less likely to impact the Project as it is Trust Funded and disbursement is tied to funds allocated directly by the Bank to the Project. Further, due to these fiscal constraints, the Government may have limited capacity to sign for new loans which may impact other loans originally envisioned to complement the GAFSP activities in the Corredor Seco under the ACS. Therefore, the Project was designed in a way that project results are to be achieved independently of other sources of funds.

43. While the proposed Project builds on prior experience acquired from projects financed by USAID and CIDA, the overall design has not yet been fully evaluated and some variables remain unknown until implementation. While impact evaluations are planned by the above mentioned donors, they have not yet been completed and can therefore not inform the design. These risks are managed by incorporating lessons learned acquired so far from these projects, but also from other evidence based global experiences acquainted by other World Bank funded projects. Moreover, the strong partnership approach to supporting the ACS as well as the strong ownership of the Government and its coordinating role, have facilitated the flow of knowledge and lessons learned.

44. As noted, INVEST-H has experience implementing projects with several donors, but there is a lack of experience in handling complex procurement processes required by the Project and the staffing is insufficient to administer the requirements of this Project. More significantly, most of the project activities will be outsourced to two operators. While this is a common practice in Honduras and it mirrors the implementation arrangements of the companion USAID projects in the *Corredor Seco*, the delegation of the implementation to a reduced number of operators increases the risk for procurement delays and poses a high risk of contractor performance. Similarly, from the FM standpoint, the project structure is complex as it will include SPs which rises the fiduciary risk. Nevertheless, INVEST-H's experience in implementing large projects financed by MCC, CABEI and the IDB make it one of the most experienced fiduciary institution in Honduras. Staff are being trained in the Bank's fiduciary and safeguard policies and procedures, and one procurement specialist will be hired, who will dedicate 100 percent of his/her time on the proposed Project. This is facilitated by Bank's presence in-country and downstream procurement strategy. The procurement of SPs by the operators will follow Bank Procurement and Consultant Guidelines, and the Bank will review the contract and follow implementation closely.

45. The moderate Environment and Social risk is due to the vulnerability of the PDO to drought and other natural disasters, as well as the high poverty and low capacity of the most of the beneficiaries. Inequality and potentially sensitive gender context for addressing household economy issues related to food production, purchase, nutrition, and health are further social risks that the project faces. The Environmental and Social Management Framework (ESMF) prepared for the project includes specific instruments designed to mitigate these risks.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

46. Project benefits would be derived mainly from: (i) producers adopting improved agricultural technologies and good agricultural practices (GAP); (ii) enhanced market linkages and alliances promoted by the proposed Project; (iii) non-farm income generation especially for women and young people; and (iv) reduced losses of human and economic capital from malnutrition.

47. In order to measure these benefits, crop and farm models have been prepared to show the costs, revenues and net income changes expected from the targeted crops and activities in the alternative scenarios: with and without the project. The Project will introduce high value crops (HVCs) in small areas (about 2,000 m² per farm) under irrigation. Moreover, the Project will support traditional crops (mainly maize and beans) to improve yields and net income with an increase in labor requirements, resulting in an increased use of idle family labor and income. Hence, benefits will accrue from homestead food production and diversification helping vulnerable households. Moreover, there are additional benefits from savings on future health expenditures, prevention of future under-nutrition and micronutrient malnutrition, and reversal of chronic malnutrition among children under two years of age.

48. **Economic analysis. The Project's Economic Rate of Return (ERR) is estimated at 17.8 percent with a Net Present Value (NPV) of US\$ 9.7 million at a 12 percent as discount rate.** The aggregation of the representative farm models adopting different production systems and land uses, and other livelihood off-farm activities, together with the non-agricultural income generation activities to be developed, and the expected enhanced nutritional status of the beneficiaries were used for estimating the overall project's economic results from the Honduras' overall economy perspective. The proposed project would allow increasing the annual production value (for the 68 percent of project participants who adopt the promoted technologies) by more than four times from an aggregate value of US\$3.1 million to US\$14.6 million in year 10. Total project cost of US\$37.8 million (including contingencies) were included in the analysis and no adjustment was made to market prices since prices reflect fairly well the opportunity costs of goods and services.

49. A sensitivity analysis to assess the project exposure to risks identified as significant for the achievement of the project objectives shows that if only 55 percent of project participants would adopt GAP and/or diversify to HVC under irrigation, the ERR would decrease to 16.6 percent. If the average agricultural prices would drop by 20 percent from their current levels, the ERR would descent to 11.8 percent. If the project investment costs would escalate by 20 percent above the budgeted amount, the ERR would decrease to 16.8 percent. If agricultural prices decline by 20 percent and investment costs increase by 20 percent, the ERR would drop to 11.1 percent. Based on this analysis, the proposed project is considered economically feasible.

50. **Financial analysis.** Project participants' net farm revenues are expected to increase by about 35 percent through new technologies in existing crops and up to 250 percent above their current levels as project participants adopt simple validated technologies and incorporate new crops and irrigation. Farm models show increases in volume and value of production, subsistence production and value of sales. They also describe on-farm project investments, net financing (including the amount required for the carrying out of SPs), operational costs, and resulting net family income and returns to family labor days. The development of marketing linkages through

strategic alliances with the private sector will open opportunities to introduce HVCs, livestock and complementary activities. Production and income increases will result from farm diversification and the use of the improved production technologies, together with enhanced post-harvest handling and marketing practices linked to buyer requirements. The promoted technologies will improve yields and net income of typical farmers. They will also augment labor requirements resulting in an increased use of idle family labor.

51. **Rationale for public sector provision/financing.** Providing agricultural and nutritional extension services is considered an important public sector role in the Latin America and Caribbean region. Because of limited budgetary resources and weaknesses in public sector managed-extension services, public and private development projects play an important role in financing extension services provided through private sector channels (including NGOs). The role of the government is to coordinate and align those efforts through coherent public sector policies.

52. **Value added of Bank's support.** The GOH requested the World Bank to serve as the Supervising Entity for the GAFSP Project to capitalize on the Bank's history of support for rural economic development programs in Honduras and in the region, which align with the objectives of the ACS. The Bank's involvement in the ACS and the GAFSP-financed portion adds value in several ways, including: (i) bringing international rural development and nutrition experience to the ACS program; (ii) participating in sector-related donor coordination; (iii) providing best practices in transparent public procurement; and (iv) helping the GOH manage the risk involved in a large-scale multi-donor activity. Transferring this expertise will be key to assisting the GOH to carry out large, integrated food security investments.

B. Technical

53. The proposed Project is designed to support several dimensions related to agriculture and rural institutions and services and enhance food and nutrition security of households in the drought-prone areas of the dry corridor. The experience of USAID in the *Corredor Seco* has produced several critical technical design features that have been incorporated: (i) open, user friendly and reliable information, communication and dissemination systems are necessary for proper program implementation; (ii) pre-defining accessible, feasible, and profitable market opportunities is an essential element; (iii) integrated intra-program coordination (production-marketing) is a crucial necessity; (iv) market intelligence services provide great benefits; (v) simple, people-friendly BPs, incremental FSPs and manuals improve implementation; (vi) well-defined roles for and interfaces between the state and decentralized entities is key; and (vii) pre-defining practical, economically-sound financing windows is a feasible shortcut towards poverty reduction.

54. The health and nutrition support will build on existing, evidence-based interventions in community child health and nutrition models that have been shown to prevent and adequately address under nutrition during the first 1,000 days of life, such as the Honduras Integrated Community Child Health Program (AIN-C). Nutritional education has become the preferred strategy to catalyze interventions in health, food security and community nutrition. The GAFSP Project will support a life-cycle approach to early childhood care and development, emphasizing the child's physical, cognitive, emotional and social development. In terms of programmatic thrust areas, the activities will focus on: (i) the 1,000-day window of opportunity from pregnancy through age two by giving priority attention to children under two; (ii) mothers during pregnancy and lactation and adolescent girls; (iii) child survival and growth through assured health care and

nutrition; (iv) balanced and nutritious diets; and (v) early childhood education and care, including mechanisms for early detection of delayed developmental milestones and early intervention for children with special needs.

C. Financial Management

55. A financial management capacity assessment for INVEST-H was carried out in accordance with OP/BP 10.00 and applicable guidelines with the following conclusions. INVEST-H has prior experience with managing fiduciary aspects of externally funded projects and has in place a basic administrative structure and systems (FM and internal control system), which puts it in a good position to manage the fiduciary aspects. The FM capacity assessment has identified project-specific actions in order to enable INVEST-H to monitor the financial activities of the Project and carry out the financial activities of the proposed Project effectively and to mitigate the identified fiduciary risks. Risk assessment and mitigating measures are detailed in Annex 3.

D. Procurement

56. The Procurement Division of INVEST-H will procure works, goods and services in accordance with the provisions of the Grant Agreement, the World Bank's procurement guidelines and the POM. An assessment of INVEST-H's capacity to implement procurement was carried out in March 2014 and it was found to be adequate to deliver fiduciary services for implementation. INVEST-H has successfully implemented several projects financed by multilateral organizations; however, this Project will be more demanding and INVEST-H will need to strengthen its procurement team. Annex 3 provides further details.

E. Social (including Safeguards)

57. INVEST-H contracted social and gender specialists to conduct a Social Impact Assessment (SIA) in the proposed project areas. The SIA conducted extensive interviews with a wide range of stakeholders throughout the area. The key finding of the SIA is that, despite the fact that government entities linked to the development process are generally perceived as having a political bias, limited technical capacity and being susceptible to corruption, the social risks associated with the Project are expected to be moderate due to the small-scale nature of the investments, and the demand-driven eligibility criteria of the interventions.

58. The SIA identified the potential risk that local elites could attempt to capture project benefits, thereby preventing the poorest stakeholders from participating in the design of the agricultural production activities and investments required to enhance their food and nutrition security. To manage this risk, the Project has been designed to be accessible to the poorest producers by requiring lower co-financing and private contributions, and by providing technical assistance to strengthen rural organizations such as producer cooperatives, producer groups, savings and loan societies and women's groups. This risk will be further reduced by two additional measures: (i) implementation of a communications plan to improve access to information for all potential beneficiaries, especially the poor and most vulnerable, and (ii) implementation of a participatory investment design process with opportunities for beneficiary inputs at key decision making phases.

59. The SIA also found that due the limited physical footprint of the proposed investments, no land acquisition or displacement of assets would be required. All infrastructure and equipment investments will be restricted to either lands privately owned by the participating beneficiaries and/or unoccupied municipal lands. The SIA also reports that access to the latter are often

particularly important for some of the poorest agricultural laborers. INVEST-H will advise the project operators on how to screen out any potential activities that could require land acquisition, including guidelines on how to document voluntary land donations, as relevant.

60. While there are a few towns in the project area with potential beneficiaries who consider themselves to be descendants of Lenca speaking indigenous peoples commonly found in the western departments of the Corredor Seco (Lempira, Santa Barbara, and Intibucá), the SIA found no evidence of their possessing collective attachments to geographically distinct habitats or ancestral territories within the project area; nor customary cultural, economic, social, or political institutions that are separate from those of the dominant society; nor an indigenous language. INVEST-H will advise the project operators on additional measures that may be required to provide all beneficiaries with a culturally appropriate approach.

61. INVEST-H also contracted gender specialists to complete a Gender Analysis (GA) in the *Corredor Seco*. The GA identifies socio-economic factors and cultural norms that determine men and women's roles within target communities, their access to resources (household income, water, and land), and participation in decision-making. A key finding of the GA is that female producers have lower access to land, credit, water, and productive inputs than men; and face administrative (land ownership) and time burdens that limit their participation in local agricultural and producer groups and community-based trainings. Female heads of households constitute roughly 1 in 5 households throughout the target area, and face additional barriers to participation due to lower income and time burdens resulting from their tripartite role as caretakers, household managers and income generators. The Project will contribute to empowering women and seek to improve gender equality through several actions: ensure women's access to and equal participation in local agricultural groups (ex: women's voices are heard at gatherings such as the food security roundtables); free up women's time by improving access to water and new technologies for agricultural and domestic use; provide training at venues that are sensitive to women; provide child care during training; encourage female membership in leadership roles among producer groups; and encourage non-farm income generation, etc.

62. The results of this assessment have been reflected in the associated Environmental and Social Management Framework (ESMF) in the form of context- and activity-specific management tools and procedures to be applied throughout the project cycle to ensure compliance with relevant national legislation, international treaties and conventions and World Bank safeguard policies. The Project and ESMF were presented and discussed during a public consultation held on June 5, 2014 in the departmental capital of Choluteca. More than 120 people attended the event including a wide range of stakeholders: representatives of the 25 municipalities (mayors, rural banks, municipal offices of environmental, women, and health, etc.); members of the food security round table of the Gulf of Fonseca; representatives of local NGOs; potential project beneficiaries; and representatives from key central institutions such as the Ministry of Natural Resources and Environment (SERNA).

F. Environment (including Safeguards)

63. The Project is classified as Category B and requires a partial Environmental Assessment (EA). No large scale, significant and/or irreversible impacts are foreseen. The activities are expected to be mostly small-scale. Beyond agricultural inputs, the Project will finance minor productive investments and equipment that will require socio-environmental management. Compared with the general baseline situation, the Project is designed to promote an overall positive

environmental impact through application and promotion of more environmentally sustainable production methods and practices through capacity building and TA.

64. Taken the vulnerability of the project area to environmental degradation and related negative impacts of climate variability and change, environmental sustainability and climate resilience are key factors in determining the selection of the activities to be financed. The project triggers seven Safeguards Policies, of which six are Environmental Safeguard Policies: Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36), Pest Management (OP 4.09), Physical Cultural Resources (OP/BP 4.11), and Safety of Dams (OP/BP 4.37). Safety of Dams (OP/BP 4.37) is triggered as there is a major multipurpose dam within the project area that might provide water for project-funded irrigation systems. For small dams, potential adverse impacts are addressed through OP/BP 4.01, Environmental Assessment as recommended by OP/BP 4.37 Safety of Dams, and measures are included in the Environmental and Social Management Framework (ESMF). There are two protected areas within the project area: Yerba Buena Biological Reserve in Francisco Morazán and Cerro Guanacaure Multiple-Use Area in Choluteca.

65. The ESMF will guide implementation of these safeguards. As part of the ESMF preparation, the Government conducted a partial EA under supervision of INVEST-H and the Bank. The EA includes a description of the key environmental features of the Corredor Seco relevant to the project activities, identifies and assesses potential environmental impacts, and details instructions on applicable mitigation measures. The Government disclosed the original ESMF in-country on June 11, 2014 and the updated version on July 16, 2015, and the Bank in Info Shop on June 12, 2014 and the updated version on July 16, 2015. The ESMF will be subject to continuous improvement while project implementation advances and lessons learnt accumulate. It can also be applied within the wider ACS framework as pertinent/deemed useful.

G. Other Safeguards Policies Triggered

66. **Operational Policy 7.50 – Projects on International Waterways** was triggered as some of the Project activities may affect the riparian country of Nicaragua. In accordance with OP 7.50, Nicaragua was notified and a positive response was received by the Bank.

H. World Bank Grievance Redress

67. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB'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 WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

Annex 1: Results Framework and Monitoring
HONDURAS: Corredor Seco Food Security Project

The objective of the Project is to enhance food and nutritional security of vulnerable households in Selected Areas of the <i>Corredor Seco</i> .													
Level Results Indicators	Core *	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR 3	YR 4	YR 5	YR 6				
1. Average yield achieved in food crops by participating HH of component 1	A	Kg/Ha	To be defined by baseline	Baseline +0%	Baseline +0%	Baseline +0%	Baseline +10%	Baseline +10%	Baseline + +20%	Baseline Mid-term Final	Mid-term and final surveys	INVEST-H	Total number of kg of corn, sorghum and beans divided by the number of hectares of land cultivated by participating HH of component 1
2. Average of annual incremental sales of participating HH under Business Plans	A	US\$ per household	0	0	40	200	450	700	900	Annual	Business Plans (Baseline) Extension agents (Monitoring)	INVEST-H	Average of sales of cash crops and/or non-farm products of a household during the reporting year minus the total value of sales in the base year of component 1
3. Dietary diversity score in participating HHs of component 2		Percentage of the target population have a score of x	To be defined by baseline	To be defined by baseline	To be defined by baseline	40% have a score of at least 4	40% have a score of at least 4	40% have a score of at least 4	60% have a score of at least 4 25% have a score of at least 5	Baseline Mid-term Final	Measured at the HH or individual level through a questionnaire	INVEST-H	Number of individual food items or groups consumed daily by children under 5 and their mothers.
4. Households benefitting directly from the Project **	G A	# households	0	500	5,000	8,000	10,000	11,000	12,000	Quarterly	Registry of Beneficiaries	INVEST-H	Number of households benefitting from agricultural, business development and household hygiene SPs. For community nutrition SPs at least four trainings are needed. **

INTERMEDIATE RESULTS

Intermediate Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR 5	YR 6				
Component 1: Food Production and Rural Household Income Generation													
1.1. Client days of training provided (of which women’s client days)	B G	# of client days (cumulative)	0 (0)	0 (0)	8,000 (1,200)	16,000 (2,400)	24,000 (3,600)	30,000 (4,500)	30,000 (4,500)	Quarterly	Monitoring System	INVEST-H	# farmers who completed training multiplied by the duration of training, expressed in days (women #)
1.2. Area provided with irrigation and drainage services (under Business Plans)	B	# ha with new irrigation (cumulative)	0	0 (0)	115 (80)	430 (300)	1000 (700)	1000 (700)	1000 (700)	Quarterly	Monitoring System	INVEST-H	Area provided with new and improved irrigation (under Business Plans)
1.3. Agricultural subprojects implemented under Business Plans (number of benefiting HH)		# agricultural SPs (# of HH)	0	0 (0)	20 (500)	60 (1,500)	150 (3,500)	150 (3,500)	150 (3,500)	Quarterly	Monitoring System	INVEST -H	# Business plans implemented by groups of farmers (# of HH)
1.4. HH benefiting of an agricultural subproject implemented under a Food Security Plan		# HH	0	400	2000	4000	6,000	6,000	6,000	Quarterly	Monitoring System	INVEST -H	# HH benefiting of agricultural SP under a food security plan, as individual or as member of a group
1.5. Business development subprojects implemented (of which are led by women)		# business development SPs (cumulative)	0 (0)	0 (0)	10 (5)	50 (25)	100 (50)	100 (50)	100 (50)	Quarterly	Monitoring System	INVEST -H	# business plans implemented by groups (# led by women)

Intermediate Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR 5	YR 6				
1.6. Clients who adopted a Project promoted agricultural technology (of which by women)	B G A	# farmers who have adopted the promoted technology (#women), cumulative	0 (0)	0 (0)	0 (0)	1,500 (225)	3,200 (480)	6,400 (960)	7,000 (1,050)	Quarterly	Monitoring System	INVEST-H	# participants who have adopted during two years a promoted agricultural technology
1.7. Increasing the links with the market		% of business plans achieve agreements with market agents for 2 years for more	0%	0%	0%	0%	10%	20%	30%	Quarterly	Monitoring System	INVEST-H	Includes farm and non-farm business plans
1.8. Increasing subsistence consumption		% Increased subsistence consumption	0%	0%	0%	5%	10%	15%	20%	Annually	Monitoring System	INVEST-H	Increase in consumption by participating HH.
Component 2: Nutrition Education and Household Hygiene													
2.1. Client days of nutrition training provided		# of client days	0	500	2,000	4,000	6,000	9,000	12,000	Quarterly	Monitoring system	INVEST-H	# HH members followed training multiplied by the duration of training, expressed in days
2.2. Number of children under age of two attending the growth monitoring program		# number of children under age of two	0	0	600	1,200	1,800	2,400	3,000	Quarterly	Monitoring system	INVEST-H	
2.3. HH hygiene investments		Number of HH	0	100	500	1,500	2,000	4,000	4,000	Quarterly	Monitoring system	INVEST-H	HH receiving water filters, eco-stoves, slab floors, latrines
Component 3: Monitoring, Evaluation and Project Management													
3.1. Evaluations carried out		Number of Evaluations	0	1 Base-line	1	1	2 Midterm	2	3 Final evaluation	Years 1, 4 and 6	Baseline, midterm and final impact surveys	Independent Institution/firm	

Intermediate Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR 5	YR 6				
3.2. Timely semiannual monitoring reports		# monitoring reports produced	0	0	2	4	6	8	10	Semiannually	Monitoring system	INVEST-H	Reports derived from monitoring system

*Core indicators are identified for the (B) Bank, (G) GAFSP, and the (A) ACS

** Composition of Households benefitting directly from the Project:

Beneficiaries	Number
Component1:	10,000
Component2:	2,000
Component1 and component2	4,000

Annex 2: Detailed Project Description

HONDURAS: Corredor Seco Food Security Project

1. The proposed Project will provide flexible support and technical assistance and finance demand-driven investment sub-projects to 12,000 poor and extremely poor producer households (HH) in 25 municipalities of three Departments (Francisco Morazán, Choluteca and El Paraíso) in the *Corredor Seco*. Annex 3 presents the list of participating municipalities (see also map in Annex 7) and the targeting mechanism to select the project communities and households. The proposed Project will support four types of investment subprojects (SPs): (i) agricultural SPs; (ii) business development SPs; (iii) community nutrition SPs; and (iii) household hygiene SPs. The proposed Project will be implemented over a period of 5.5 years comprising the components described in the following paragraphs.

Component 1: Food Production and Rural Household Income Generation (\$28.6million; GAFSP \$22.2 million; beneficiaries \$1.6 million; GOH \$4.8 million parallel financing).

2. The objective of the component 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, reducing child stunting.

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

Sub-component 1.1: Agricultural Production and Marketing

4. The objective of this sub-component is to increase food and agriculture production, to improve marketing and extend the period of availability of food in the year to enhance food security. The proposed Project will focus on food crops including crop bio-fortification to enhance nutritional content, livestock and animal husbandry, and high-value cash crops (HVC) such as fruit/vegetables/coffee. Coordination of this component with nutrition volunteers and women's groups will be crucial to encourage nutrition-sensitive agriculture practices and address women's needs.

5. Where the Project finances investments under a BP (for commercial income-generating activities), the participation of several producers or HH will be required, and the Project will stimulate group cooperation to ensure group maintenance of the investments and group marketing, where feasible. However, the establishment of formal producer associations will not be a condition of access to project financing. Investment under a FSP will assist both groups and individual HH.

6. **Technical assistance, training and extension services.** Agricultural extension agents and marketing specialists will assist, train and build the capacities of individual producers, producer groups and market intermediaries (traders, transporters) to increase their production, productivity and marketing efficiency. The Project will build capacities of producers and market agents through TA and training in:

- a. developing: (i) BPs for high-value and marketable crops (HVC) and marketing investments aimed at increasing HH incomes to access food; and (ii) FSPs for subsistence crops aimed at increasing food availability for poor HH with insufficient assets or existing capacity to introduce HVC.

- b. Assisting and training producers in the technical implementation of the BPs and FSPs and corresponding SPs to ensure that they remain viable and that the producers get access to the materials and equipment needed to implement the SPs.
 - c. introducing new production technologies, good agricultural practices (GAP), food conservation techniques, environmental management, climate smart technologies, and access to rural finance;
 - d. accessing new markets, adapting production to market demand and standards, obtaining fair trade and organic farming certifications, forming marketing alliances with buyers, improving negotiation skills, liaising with institutional buyers and organizing transport and other logistics;
 - e. creating and managing rural organizations including producer cooperatives, producer groups, water users associations, savings and loan societies (SLS) and women's groups and assisting informal groups to obtain legal status as well as leadership training.
7. **Business plans (BPs).** The Project will help the producers with sufficient access to productive assets (land/water/labor) and capacity to handle improved technologies to reach a higher level of productivity, move away from subsistence farming and diversify into higher value products such as vegetables, fruit, coffee and livestock. The extension agents and marketing specialists will help producer groups to develop viable BPs to reach these goals and to implement the plans through investments SPs (see below).
8. Honduras has a large potential for developing the supply of fruit and vegetables in particular for supermarkets (such as Walmart, La Colonia) and for export to El Salvador, the USA and Europe. The Project will stimulate such fruit and vegetable production and marketing. In the coffee sector, the Project will help small producers to adopt agricultural techniques (pruning, shade-growing, soil fertilizing based on soil analysis, etc.), reducing the impact of the coffee rust fungus. In animal production, the Project will focus on poultry, cattle, small ruminants, and where possible some fish ponds that poor HH can manage and which can provide additional proteins. Dairy, cashews and honey may also be appropriate, depending on the market and agronomic conditions. Given the vulnerability to climate change, the Project will embed climate-smart practices for soil and water conservation in the GAP packages increasing resilience and sustainability.
9. To increase the links with the market, the proposed Project will assist producer groups and market intermediaries to establish marketing relationships. The proposed Project will finance activities within the following menu:
 - organization of business roundtables with producer groups, buyers and suppliers and direct contacts between producer groups and buyers;
 - TA and training of producer groups in collective marketing and the establishment of marketing alliances with market agents;
 - capacity building of groups and their representatives to negotiate, secure better market information on quality standards, and facilitate transportation and storage;
 - capacity building of market intermediaries interested in longer-term business relationships with producer groups;

- TA to transportation providers to increase their reaching isolated poor farmers more efficiently;
- assistance and liaison with institutional buyers like hospitals, schools and the World Food Program (one of the largest grain buyers in Honduras) to link with small producers groups;
- market identification studies for the benefit of producers and market intermediaries and TA to producers to assess and act on market opportunities in El Salvador and other export markets; and
- TA to producers and producer groups to obtain fair trade/organic farming certifications.

10. In addition to assisting farmer groups in production and marketing, the proposed Project will strengthen several types of rural organizations such as producer cooperatives, producer groups, water users associations, savings and loan societies (SLS) and women's groups. This will include TA and training for: (i) legalization of the status of informal groups; (ii) management; (iii) bookkeeping; and (iv) leadership (especially for women). Particularly, the Project will provide much-needed TA to the local SLS that are involved in the Project through the financing of participant SP contributions. INVEST-H will develop an organizational capacity scorecard to assess the impact and results of the training on the rural organizations' capacity to reach its objectives.

11. **Food Security Plans (FSP).** The proposed Project will help the extreme poor with little access to land or other productive assets to increase food security through simple technologies and post-harvesting processes that can enhance yields, production and food diversity. These technologies will increase food quantities as well as the duration of their availability. This will be done on the basis of FSPs which the extreme poor will develop with the assistance of Project staff. These FSPs will have to show that the technological improvements can be sustained over time by those extreme poor HH with very small and achievable annual cash injections. The technologies embedded in the FSPs will include intensive inter-planting, animal manure composting for fertilization, and water distribution systems with low maintenance costs, simple soil conservation techniques, biological pest and disease control. Where the extreme poor have no access to land or water, the Project will coordinate whenever feasible with the municipal governments, which could provide some communal land with access to water for community gardens.

12. The proposed Project will also support the local agricultural research committees (CIAL) that test the introduction of higher-value or more nutritive crops and animal production. This support may consist in TA, training and some agricultural inputs. The impact of these CIAL may be felt at the level of enhanced food crop productivity and the testing of local food crop varieties that are more resistant to drought or local pests and diseases.

13. **Agricultural SPs** The investments needed to increase agricultural and marketing productivity will be channeled to the producers groups and farmers' organizations in the form of agricultural SPs.

14. **Agricultural SPs under BPs.** Targeted only to producer groups, this type of SP will introduce HVC, post-harvest and marketing related investments and will need a financially viable BPs (to be developed with the assistance of project staff). The BP will be simple proposals, indicating the availability of resources (land, labor and capital) to implement the SP, the availability of the proposed technology, its financial viability (sales minus costs) and, where

possible, the identification of a buyer of the product. The POM will detail the applicable parameters to prepare the BPs and the SPs.

15. The Project will finance around 150 agricultural SP to be implemented collectively by producer groups or associations aiming to reach an estimated 3,500 HH. The maximum amount per HH for this type of SP will be US\$ 2,500 with a ceiling of US\$ 100,000 per group. These SPs will consist of investments in water harvesting and small irrigation infrastructure including works, equipment; agricultural inputs, labor and post-harvesting equipment. Appraisal estimates are that the Project could finance about 700 ha of irrigation (mostly for drip irrigation), including water harvesting, distribution and on-farm irrigation. One SP could not irrigate more than 15 ha, serving on average 0.2 ha per HH. Post-harvest and storage equipment, as well as agricultural inputs will be financed up to US\$ 500 per participant HH in the SP. This type of SP can also finance marketing linkages investments such as small works and equipment for produce packing units, associative produce storage and similar marketing related investments, as justified by the BP. In any case, these numbers are indicative and will be adapted to the reality on the ground during implementation. SPs of higher amounts can be granted with the no objection of INVEST-H.

16. **Agricultural SP under FSPs.** Targeted to extreme poor individuals and groups this type of SP will increase yields and production of food crops, such as corn, sorghum and beans, and promote food diversity (family gardens) and be based on FSPs (to be developed with the assistance of project staff). It will finance inputs, tools, and goods for post-harvesting processes and simple technologies, including simple water capturing and distribution systems with low maintenance costs. Appraisal estimates that under FSPs, the Project could finance small water harvesting/collection infrastructure to be able to irrigate around 500 square meter (0.05 ha) per HH, for a total of 300 ha, benefitting around 6,000 HH.

Sub-component 1.2: Non-Farm Income Generating Activities

17. The objective of the sub-component is to create non-farm employment opportunities in rural areas and to provide beneficiaries with options to generate additional revenue. Similar to subcomponent 1.1 the Project will support non-farm revenue generation by providing TA and training to groups (minimum three HH), who want to set up rural businesses and by financing business development SPs, including small works, equipment and tools, mostly for business start-ups and in particular for women and young people.

18. **Technical assistance and training.** As part of the TA and training the Project will also finance a participatory analysis of the income and employment options in the communities; As under component 1.1, the Project's small business development specialists will provide TA and training to (i) develop the BPs and to implement the SPs resulting from these plans; (ii) accessing new markets, adapting production to market demand and standards, forming marketing alliances with buyers, improving negotiation skills, and organizing transport and other logistics; and (ii) strengthen the enterprises to obtain legal status as well as leadership and financial literacy training.

19. **Business Development SPs.** Appraisal estimates that 100 business development SPs can be financed under this Project benefiting around 500 HH. A SP will include at least three HH with a maximum of US\$ 1,000 per HH up to a maximum of US\$ 15,000. The SP that will be based on financially viable BPs, will finance among others: (i) small scale agro-processing and food processing units increasing produce shelf life and adding value including nutritive elements to be

sold in local markets (such as dried fruit, juice, maize meal); (ii) business start-ups producing tools and equipment the Project will promote: the installation of energy-saving kitchen ovens, water filters, metallic family storage units, slab for kitchen floors and latrines; and (iii) artisanal production of items to be sold in local markets or in neighboring countries. As in the case of agricultural and marketing SPs the participants will need to contribute at least 15 percent of the SP costs in labor, materials, credit, cash and other sources as defined in the POM.

Linkages between component 1 and 2

20. It is expected that producers will diversify their agricultural production in nutritious high value crops, which opens the possibility to diversify the family diet to include vegetables, fruit, nuts, root crops, and tubers. All agriculture practices will be reviewed from an environmental sustainability and a nutrition-sensitive standpoint to ensure that potential for household level dietary diversity is increased. As mentioned above, the Project will disseminate post-harvest and processing best practices that preserve food and increase food safety and nutritional properties and are environment friendly. The Project aims to install capacity at the local level to train and strengthen the producers and processors in best practices for handling food, from production to post-harvest handling, storage and processing. The involvement of women will be critical because of their role in food handling and preparation, and it will be supported through continuous evaluation, training and TA.

Component 2: Nutrition Education and Household Hygiene (\$4.8 million; GAFSP \$4.1 million; beneficiaries \$0.4 million; GOH \$0.3 million parallel financing)

21. In addition to enhancing food security through productivity increases, the proposed Project aims to improve the nutrition status of pregnant and lactating women and children under five years of age in the poor communities of the 25 municipalities through behavior change to improve consumption of a nutritious diet. This component targets under-fives, however emphasis and interventions that are more intensive will be focused on under-twos because of the often irreversible damage to physical and cognitive growth and development from under-nutrition during pregnancy and the first two years of age.

Sub-component 2.1: Nutrition Education and Growth Monitoring

22. This subcomponent will be aimed improving nutrition education and the ongoing Growth Monitoring Program at communities and will create awareness among all stakeholders about: (i) the impacts of malnutrition on pregnant and lactating women and the cognitive development and future productivity of infants and young children; and (ii) the importance of nutritious food consumption and production. It will also promote child development monitoring and the establishment of community / school gardens. The elaboration of Community Nutrition Plans will be the base for the financing of Community Nutrition SPs, including minor works, goods and services, and having an integrated approach of nutrition at the community level, mostly for pregnant and lactating women and children below five years of age.

23. **Nutrition Education.** The objective is to create awareness among all stakeholders about the impacts of malnutrition on pregnant and lactating women and the cognitive development and future productivity of infants and young children. Child chronic malnutrition, or low height for

age, is often not recognized as children simply appear younger than they are. In addition to recognition, knowledge creation about preventing and reversing malnutrition and the role of agriculture production in improving the family diet is the goal of this sub-component. The majority of the activities will support, complement and most importantly take advantage of the results of Component 1. Nutrition volunteers and/or their supervisors will participate in the food security roundtables to present and discuss the nutritional status and determinants of malnutrition in the district.

24. **Child Growth Monitoring.** The objective is to prevent and detect early malnutrition among children under two years of age. The Growth Monitoring Program (GMP) activities build on a former Bank-supported approach (*Atención Integral a la Niñez en la Comunidad, AIN-C*) that has shown successful implementation resulting in reductions of up to 6 percentage points in childhood stunting, among participating children under 2 years of age after two years of participation (ICR2896, 2013). The AIN-C program is implemented by a network of nutrition volunteers supervised by rural health center staff and local NGOs. A number of the targeted communities already have trained nutrition volunteers and some a continuing AIN-C intervention. The Project will build on these existing activities and strengthen the capacity of the nutrition volunteers. At the same time, the supervision, counseling and linkages with the agriculture and water and sanitation activities in the *Corredor Seco* will be revised to add the agriculture and water and sanitation links more prominently. In those communities where the AIN-C is not yet ongoing or has stopped functioning, the Project would explore starting up the program in collaboration with SESAL.

25. The GMP ensures that children's growth is monitored from birth to at least two years of age, although children under five also continue to be monitored but at a less intensive schedule (twice a year instead of every month). The first two years represents the most important growth period during which the basis is set for a healthy and productive life (after two years of age, growth retardation is irreversible with negative consequences, including reduced cognitive ability and later life productivity). Within food security, having the right quality and quantity of food available is necessary but not enough to achieve full nutrition security, which also requires improving dietary habits to consume adequate quality food. Consumption patterns in the *Corredor Seco* show that HH consume mainly staple foods (corn, sorghum and beans) even when improved homegrown high-nutrient foods (fruits, vegetables, small livestock) are available. The GMP will support efforts to change household dietary and hygiene behavior and promote feeding practices, including breastfeeding and complementary feeding practices for infants. The GMP consists of monthly monitoring of infants and children under two's growth (weight and height) and is accompanied by counseling for parents regarding improved breastfeeding and maternal nutrition, infant and young child (6 to 18 months) feeding practices, continued dietary counseling for under-fives, household dietary intake, using local and fortified foods and hygiene, especially for those families whose children are not gaining enough weight and or height for their age. The health sector provides additional services during a GMP visit, such as micronutrient supplementation, referral of acutely malnourished children.

26. **Technical assistance, training, and development of dissemination material.** The Project's nutrition specialists will provide TA and training to develop Community Nutrition Plans and to implement the community nutrition SPs resulting from these plans. Additionally, the subcomponent will finance TA and training to: (i) improve the ongoing Growth Monitoring Program by strengthening the ongoing Integrated Community Child Health Program (AIN-C)

activities in communities and rural health centers; (ii) enhancing the nutrition knowledge of agriculture extension agents, health workers, community leaders and nutrition volunteers; and (iii) increase the knowhow of members of community and school gardens on food production and nutrition education.

27. Agriculture extension agents and nutrition volunteers will receive joint nutrition education as part of the overall TA package. Training and advocacy activities will also be directed to health staff in rural Health Units that will have a large potential impact on the improvement of the rural population's health, food and nutrition status. The project will finance nutrition education sessions for all stakeholders (agriculture extension agents, health workers, community leaders, community nutrition volunteers) and education teaching materials on the consumption of a high quality and adequate diet by pregnant mothers and children below five years as well as on the need for consumption of locally produced nutritious foods promoted under Component 1. Communication materials for awareness raising about chronic malnutrition and its implications among all stakeholders will also be elaborated by the operators. Finally, to further enhance the diversity and quality of the family diet, the Project will provide TA and training to members of community and school gardens as didactic spaces for food production and nutrition education.

28. **Community Nutrition SPs.** The investments needed to enhance nutrition education and growth monitoring, will be channeled to the community and rural health centers, health volunteers and members of community and school gardens under the form of community nutrition SP. These SPs will finance minor works, small equipment, goods and materials for: (i) strengthening the ongoing Integrated Community Child Health Program (AIN-C) activities in 250 communities and rural health centers; (ii) (non-monetary) incentives for nutrition volunteers; and (iii) the establishment of around 550 community/school gardens, as didactic spaces for food production and nutrition education. It will also provide the teaching materials for stakeholders including among others, agriculture extension agents, health workers, community leaders and nutrition volunteers, elaborated as mentioned above.

Sub-component 2.2: Household Hygiene

29. The objective of this sub-component is to improve household hygiene. The benefits of increased food availability and improved dietary consumption will not be realized if children continue to suffer from diarrheal and respiratory diseases. Up to half of stunting levels can be attributed to reduced absorption of nutrition due to 'tropical enteropathy (chronic infection of the small intestine that reduces severely the nutrient absorption capacity). Lack of potable water and poor hygiene increases risk and exposure.

30. **Technical assistance and training.** The project will finance TA, training and extension services on HH healthy behaviors. This training will be particularly relevant to educate families on food distribution in families, which often can disadvantage women and young girls. The TA will also finance the elaboration of simple Household Hygiene Plans, as a base for the Household Hygiene SPs.

31. **Household Hygiene SPs.** These SPs will consist of minor works, goods, equipment for water filters, improved household stoves, latrines, hand-washing basins (with soap), as well as low-tech improvement of floors at the HH level, with the objective of avoiding water borne and respiratory diseases. The POM will stipulate the beneficiary contributions in the form of cash,

materials and labor. This sub-component will increase the access to clean water by introducing water filtration at the household level, support the construction of latrines (with hand-washing basins, including soap) as well as more energy efficient stoves that release less indoor pollution, and smoothing of floors and walls. These household hygiene SP will be implemented with partner institutions (NGOs) and other organizations.

32. **Gender.** Women are key for promoting good nutrition and household food security. This Project will contribute to empowering women and improve gender equality through several actions: (i) ensure women's access to and equal participation in local agricultural groups (ex: women's voices are heard at gatherings such as the food security roundtables); (ii) free up women's time by improving access to water and new technologies for agricultural and domestic use; (iii) provide training at venues that are sensitive to women; (iv) provide child care during training; (v) encourage female membership in leadership roles among producer groups; and (vi) encourage non-farm income generation, etc. In addition, health staff will be sensitized on gender issues to understand the differentiated and specific needs of these vulnerable groups. To carry out these activities in a more effective way, the Project will strengthen its alliances with the National Women's Institute (INAM), the Municipal Women Offices and other health units operating within the selected municipalities.

Promotion, Monitoring, Evaluation and Citizen Engagement Mechanisms for Activities under Component 1 and 2

33. Although INVEST-H will have overall M&E responsibility of the Project (Component 3), the two operators that implement Component 1 and 2, will directly promote and monitor the activities that they are undertaking and facilitate the evaluation process. This will be financed through the TA and training under these components and will also include the development of a citizen engagement mechanisms, through which citizens can post their opinions, perception and/or complains in relation to the operations financed through the project. The geo-referenced and real time monitoring system, which will monitor all SPs, will have to be designed and approved by the Bank as a condition to start with the implementation of the SPs. The monitoring system of the operators will feed in real time the monitoring system in INVEST-H, which will be accessible to UTSAN and the Bank. These mechanisms will be promoted as part of the design activities of the subprojects (SPs). The design of the Citizen Engagement System (CES) can include but not be restricted to (i) the procedure for addressing and resolving complaints considering the type of beneficiary and their capacity to access these mechanisms, (ii) indicators to monitor citizens concerns and how these are addressed through the project, and (iii) organizational structure that defines roles and responsibilities as well as staff and equipment investments required to implement the CES.

Component 3: Monitoring, Evaluation and Project Management (\$4.4 million; GAFSP \$3.7 million; GOH 0.7 million in parallel financing)

34. **Monitoring.** INVEST-H will have the primary responsibility for monitoring and reporting and will present well-equipped and suitably trained personnel to ensure timely and relevant reports are submitted to the ACS-TC and the Bank, and supply specific on-demand information to stakeholders. INVEST-H will require a robust, day-to-day management information system in order to monitor GAFSP, USAID and CABEI sector investments.

35. To comply with these reporting requirements in a timely manner, INVEST-H will use the following monitoring tools: (i) the ACS Results Framework; (ii) the GAFSP, USAID, GOH and CABEI-financed project results frameworks (for GAFSP see Annex 1); and (iii) monitoring sub-indicators showing outputs, performance, efficiency and intermediary outcomes of the Project, which will be important instruments to improve implementation. In addition to the indicators of the results framework, INVEST-H will collect data on specific indicators not mentioned in the results framework such as HH income levels and child stunting.

36. At the day-to-day operational level, INVEST H will monitor: (i) the operators' annual implementation plans including the timely achievement of the agreed outputs; (ii) the costs of TA/extension per participant and per ha; (iii) the sustainability barometer; (iv) the organizational capacity scorecard to measure the progress of the project's rural organization strengthening program; (v) the women's empowerment in agriculture index (as developed by USAID-Feed the Future program, see Annex 3); and (vi) other indicators measuring the quality of the training and agricultural and nutrition extension services.

37. To facilitate more informed monitoring of service delivery, INVEST-H will employ context specific service delivery verification, grievance redress, and citizen engagement techniques and tools. These approaches will complement and enhance more traditional forms of monitoring with a participatory style of real-time M&E. The geo-referenced and real time monitoring system, which will monitor all SPs, will have to be in place as a condition to start with the implementation of the SPs. The monitoring system of the operators will feed in real time the monitoring system in INVEST-H, which will be constantly accessible to the Bank.

38. **Evaluation.** During the first year, GOH will finance a baseline study survey to determine the value of the baseline results indicators for the Project and the entire ACS. The data collection of the baseline will have to be concluded by the selected firm as a condition for starting activities under the SPs. At mid-term, the Project will finance a technical performance audit of the Project (including the project management) and a beneficiary assessment, while the GOH will finance a mid-term evaluation for the Project and the entire ACS. The end-of-project evaluation will cover the Project and ACS impact based on the indicators from the results framework, but also on the sub-indicators mentioned in the above paragraph and will be financed by the GOH. The GOH has requested additional funds from GAFSP to complement Government funding for the evaluation of the Project and the ACS. For these evaluations, INVEST-H will hire a firm, taking into account GAFSP recommendations, with rural survey and data collection and processing experience that in addition to collecting information, has the capacity to measure and analyze the results (including from a gender perspective), and propose corrective actions to increase the probability of achieving the Project's objectives.

39. **Project Management.** The Project will finance a share of the operation of the INVEST-H management team. This team will be responsible for: (i) the (field) supervision of the Project's activities and implementation by the contractor(s); (ii) financial management, procurement and administration; (iii) the implementation of the monitoring of the performance of the activities of the Project; (iv) the organization of the mid-term evaluation and end-of-project impact evaluation; (v) the preparation of quarterly and annual progress reports; (vi) the presentation of the audit reports; and (vii) the coordination with the members of the ACS. The extension, nutrition, marketing and monitoring specialists will spend at least one third of their working time on field supervision and will report on the field supervision findings.

40. The GAFSP Project will finance: (i) the setting up of a regional office, including the salary cost of a coordinator, a M&E agribusiness specialist, a M&E nutrition specialist and a procurement specialist; ii) up to a maximum of 50 percent of the salary costs of: a program director and a transaction team, including specialists in M&E, agricultural extension, food security, nutrition, marketing, accounting, social/gender, environment, information technology and short-term consulting assignments agreed upon with the Bank; (ii) up to a maximum of 20 percent of the overhead costs of INVEST-H (which only includes indirect staff costs of INVEST-H); (iii) vehicles for field supervision; (iv) computer and office equipment; and (v) operating costs. The total of the project management costs financed by GAFSP is estimated not to exceed US\$ 3 million. The remaining will be dedicated to project audits and the setting up of the monitoring system.

Sub-project financing

41. The participants have to contribute a minimum of 15 percent of the project financial support (percentages are defined in the POM and will be adjusted as needed during implementation) in the form of incremental labor, materials, credit from input suppliers, cash; or obtain a loan covering a minimum percentage of the cost of the proposed investment. The Project will complement this personal or group contribution for the remaining 85 percent.

42. Table 1 presents some indicative parameters included in the POM and that can change during Project implementation. SP of higher amounts can be granted with the “no objection” of INVEST-H.

Table 1: SP amounts and contributions

	Maximum amount per SP	Maximum amount per participating HH	Participant contribution
Agricultural SPs			
- Under a BPs (only for groups)	US\$ 100,000	US\$ 2,500	15%
- Under a FSPs (either for individuals or groups)	US\$ 10,000	US\$ 1,000	15%
Business Development SPs – Under a BPs (minimum 3 HH)	US\$ 15,000	US\$ 1,000	15%
Community Nutrition SPs – Under a Community Nutrition Plan (only for groups)	US\$ 1,200	N/A	N/A
Household Hygiene SPs – Under a Household Hygiene Plan	N/A	US\$ 700	15%

43. The available sources of finance for the participating individuals/groups are:

- a. Formal financing, either from banks, local savings and loans societies (SLS or *cajas rurales*), or any other source of private financing. The SLS are rural organizations providing savings services, small loans, storage, input supplies, bulk purchasing of necessities and other services. Because of their small size and limited geographic

coverage, they are not under the financial sector laws and regulations. The Project aims to involve the SLSs and, wherever possible, stimulate their provision of local production and business credit. As such, the project financing mechanisms will provide SLSs with productive lending experience and training (see below). Formal banks could also be a type of financing, although this is not expected to be significant;

- b. producer cooperatives that already supply credit to their members; these larger cooperatives have extensive experience in short term seasonal credit;
- c. input suppliers with payment options for inputs and equipment providing producers with access to finance in a sustainable manner; and
- d. remittances could play a role (it is estimated that 17 percent of the GDP comes from remittances). As out-migration is high in some of the *Corredor Seco*, remittances represent a major source of family income. The Project will stimulate co-financing from remittances for community and enterprise development.

Sequence of Activities for Implementation of Sub-projects

44. **Selection of Intervention Areas.** The target area includes 25 municipalities in three departments: Francisco Morazán, 6 municipalities; Choluteca, 13 municipalities; and El Paraíso, 6 municipalities (see Table 3.1 in Annex 3). Within these areas, the operators will be in charge of the selection process of the communities to be targeted for implementation of project activities, which will be approved by INVEST-H. This will be a participatory process involving the Operators, the municipalities involved, the *Mesa Regional de Seguridad Alimentaria*, other partners and stakeholders present in the municipalities and organizations of civil society. The first step will be the definition of the final set of criteria (adjusting and validating the basic criteria included in the POM), followed by the collection of data to prepare quantitative indicators to support the selection.

45. **Promotion.** Given that the Project will be implemented in direct coordination with potential beneficiaries, activities will begin with regional meetings with the participation of representatives of communities, producer associations and representatives of local governments, as well as the *Mesas Regionales de Seguridad Alimentaria y de Nutrición*, seeking to disseminate detailed information about the Project objectives, scope, activities and methodologies, as well as the mechanisms to be established for the resolution of potential complaints.

46. **Selection of Targeted Households.** The Project intends to directly benefit a total of around 12,000 households through components 1 and 2. Once the communities are selected, the Operator (each one for its sub-area) will proceed to collect the households' socioeconomic and demographic data. Subsequently the Operators will select households (and submit to INEST-H for validation) under poverty conditions, giving priority to (i) recipients of *Bono Vida Mejor* and who pass an additional poverty certification process; (ii) vulnerable households that do not have stable means of income, repeatedly low food stocks, and that do not meet the nutritional needs of the family; (iii) households headed by women, (iv) households with pregnant women and children under 5 years; and (v) households headed by local leaders (a maximum of 500 households).

47. **Preparation of SPs and respective BP or FSP.** The Operators will work directly with the targeted beneficiaries to complete the assessment of the current limitations and possibilities of each community and its households, and will analyze the potential demands to be supported under

the Project. Based on a strict selection, the Operators will prioritize the alternative SP ideas and proceed to prepare, together with representatives of the beneficiaries, the SP, together with the business and FSPs (each when applicable). These SPs and plans will have to be endorsed by the Operator to ensure their quality and adherence to the principles of the Project before their submission to Invest-H for final clearance.

48. **Review and Approval of SPs.** Invest-H will be responsible for technical/financial review of the first 50 sub-projects, comprising agricultural SP under FSPs, community nutrition SP, and household hygiene SP presented by each Operator to approve them (or to send them back for revision). The remainder will be implemented without INVEST-H ex-ante approval unless the individual estimated cost is higher than 150,000 Lempiras. All the agricultural and business development SPs under BPs have to be submitted to INVEST-H for approval. After review by the technical team of INVEST-H, a Sub-Project Committee conformed by the ACS Director of INVEST-H, a representative from SAG and representatives from the Civil Society will ratify the SPs. A clear set of criteria will be included in the POM for guiding this process and to ensure its transparency. Once the SP is approved by Invest-H, a SP Agreement will be signed between the Operator and the beneficiary (individual or organization/association) specifying the duties and responsibilities of each party for a successful implementation of the SPs. All SPs are expected to be prepared and approved by end of the third year of project implementation, allowing the rest of the project life to complete their implementation.

49. **Implementation of SPs.** Once approved, the corresponding Operator will be responsible to enter each SP into the real-time and geo-referenced monitoring system to be established and maintained by the Operators, which will feed directly the monitoring system in INVEST-H to which the World Bank will have constant access. The corresponding Operator will proceed with the implementation phase, including the procurement of civil works, goods and services and the technical assistance and guidance to the beneficiaries. Therefore, the Operators will be responsible for providing training to the beneficiaries to ensure they are fully empowered and technically/administratively capable for managing the SP and maintain the investments.

50. **Supervision of Implementation.** Invest-H, with the assistance of its Technical Committee, will supervise periodically the progress in the implementation of sub-projects to be able to identify constraints and limitations and to contribute to possible adjustments during the implementation process.

51. **Completion of SPs and Transfer of Investments.** Once the works are completed and the sub-project is established and operating normally, there will be a formal transfer of the investments to the beneficiaries, with the participation of representatives of the participants, municipalities, and other implementing partners. The reception of the investments will be formalized with the signing of an acceptance certificate, which would mean the transfer of full responsibilities in relation to a long-term operation and maintenance of the investments.

52. **Assistance during Early Phases of Operation.** The Operator will continue to support the beneficiaries in the operation of the sub-project ensuring its proper operation and the full realization of intended benefits. All SPs will include a minimum of three years of technical assistance and training.

53. **Assessment of Benefits and Impacts.** During the life of the Project, Invest-H will be conducting periodic visits to the sub-projects to collect data on the results of their implementation and operation, and to be able to assess the long term impacts of the operation.

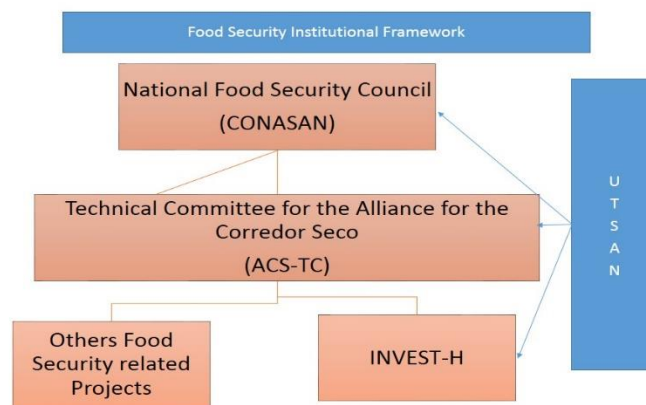
Annex 3: Project Institutional and Implementation Arrangements

HONDURAS: Corredor Seco Food Security Project

I. Institutional Framework

1. As per the policies established by the National Food Security Council (CONASAN - see below) strategic decision under ACS Projects are overseen by the ACS Technical Committee (ACS-TC), and preferably implemented by INVEST-H and will be continuously assisted by the Food and Nutrition Technical Unit (UTSAN).

Figure 3.1: Food Security Institutional Framework



2. **The National Food and Nutritional Security Council (CONASAN).** The Honduran Food and Nutrition Security Law has established CONASAN to serve as the national apex body for managing all food and nutrition security policies and strategic interventions. CONASAN establishes overall policies and provides guidance regarding the GOH's high priority goals. The GOH's General Coordinator chairs the CONASAN and the ACS-TC Director is its Member-Secretary. UTSAN is an advisor to CONASAN. As mandated by Law, ACS-TC will meet twice a year in a retreat mode to monitor the ACS progress and to provide guidance to the ACS-TC Director. CONASAN will serve as the primary mechanism to coordinate with all relevant GOH agencies engaging with the ACS and the G-16 Donor Group (see paragraph 13).

3. **Overall Supervision - ACS Technical Committee.** ACS-TC will oversee the effective and efficient implementation of the entire ACS investment, resource allocation and use, and will be the primary recipient of 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 (if any). The Secretariat of Economic Development, Investment and Competitiveness chairs the ACS-TC and the UTSAN is its Member-Secretary. The ACS-TC will have member representation by all investing stakeholders.

4. **The Technical Unit for Food Security and Nutrition (UTSAN)** promotes coordination among all GOH entities and donors. UTSAN operates under the responsibility of Social Inclusion and Development Cabinet. It has played the leading role in preparing the GAFSP funding request and the proposed Project. Its role under the Project is to provide inputs and advice to CONASAN

and INVEST-H, as well as to monitor and evaluate the overall performance of the ACS activities and related projects and programs.

5. **The Honduran Strategic Investment Office** (formerly known as the Millennium Challenge Account, and now *Inversion Estratégica de Honduras* or **INVEST-H**), under the General Coordination of Presidency, will be the Project's implementing agency. Under the terms of the GAFSP agreement, the Project will be prepared and 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. INVEST-H 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.

6. INVEST-Honduras (INVEST-H) was created by Law on September 21, 2005 (*Ley de la Cuenta del Desafío del Milenio*) as an entity under the Presidency to manage the US\$215 million Millennium Account Compact between the USA and Honduras. INVEST-H, as stipulated in the Law, is composed of two entities: (i) the Board of Directors and (ii) the Management Unit. The Board of Directors is composed of the heads of three Government entities (the Secretary of the Presidency, the Secretary of Finance, the Secretary of Industry and Commerce) and two representatives of civil society. The Board has also nine observers without voting rights including representatives of SAG, the Road Infrastructure Secretariat, Social Investment Fund, the Environment Secretariat and several civil society organizations.

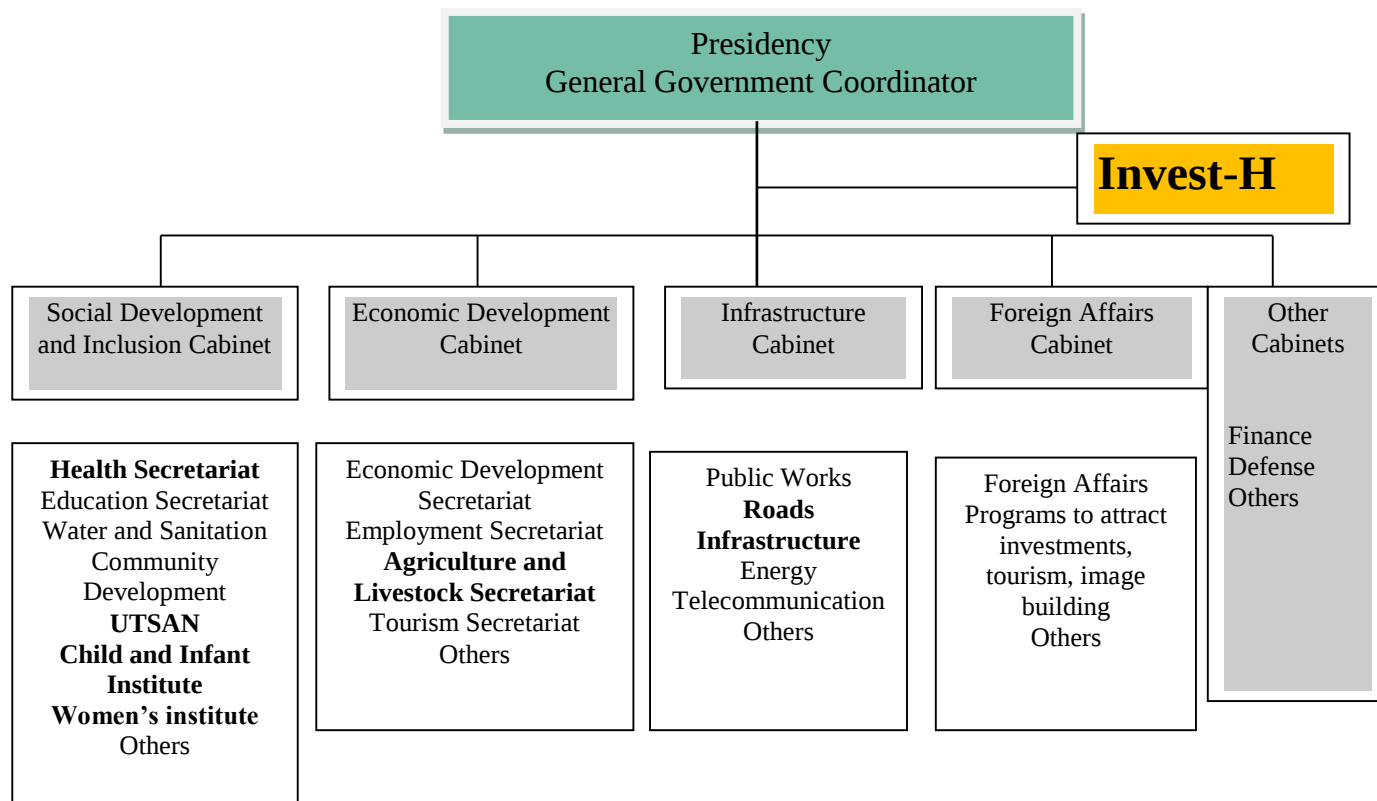
7. The Project is part of the National Food Security and Nutrition Strategy (ENSAN) and the Country Investment Plan (PIPSA), which are the two main instruments to implement the Government's overall vision and the national development plan. As part of ENSAN and PIPSA, the Project will work with the following agencies:

- (a) **The Secretariat of Agriculture and Livestock (SAG)** is in charge of PIPSA monitoring and evaluation, sanitary and phytosanitary verification, agricultural technology promotion, agricultural export and rural competitiveness. SAG participates in the meetings of the INVEST-H Board of Directors and will provide inputs into the project's oversight as well as selective technical guidance on agriculture and rural development issues.
- (b) **The Health Secretariat (SESAL)** relates to the Project through Component 2. SESAL has a wide ranging and effective community health volunteer program and supports decentralized health services in rural areas. It implements nutrition, grain fortification and child monitoring programs. SESAL and SAG have started to coordinate on nutrition-related programs.
- (c) The Project will liaise closely with the field offices of the **Women's Institute** and the **Institute for Children and Infants** to coordinate local food production and nutrition-related activities.

8. **Food Security Roundtables (Mesas)** support dialogue and coordination between stakeholders under the leadership by SAG. Their role under the Project will be to ensure local coordination of food security initiatives and programs.

9. The organization chart below shows the relationship between the main institutions at the Government level.

Figure 3.2: Government Organization Chart



Private Sector Organizations

10. **Civil Society/NGOs.** Local and international NGOs represent the interests of their members; some NGOs participate in policy formulation; others implement programs. NGOs will play a key role in the proposed Project and implement sub-components as subcontractors. Some NGO will also exercise a complementary function to the Project's activities as independent organizations promoting their own agenda in rural development and nutrition. The project staff will actively participate in the food security round tables to ensure that the policies promoted by the Project and local NGOs run parallel, do not overlap, are not contradictory and do not create unhealthy competition for clients.

11. **Rural organizations.** Honduras has a very strong network of rural organizations. The farmer organizations are particularly strong in the coffee marketing sector and in produce assembly and marketing. These organizations facilitate farmer access to inputs, credit and markets, and provide bargaining power. Another widespread rural organization is the *caja rural* (formal and informal savings and loans societies - SLS) at the village level. These SLSs will play a role in the Project by providing small loans to producers, for business start-ups and even for the landless producer program. Women's clubs (*Clubes de Mujeres*) are very active in rural areas at the

municipal level and they will be instrumental in Components 1 and 2. The Project will strengthen the capacities of the rural organizations (including the farmer organizations, SLS and women's clubs) in the project area through training, TA and other material support.

12. **The Agro-forestry Working Group of the G16** serves as the focal point of donor coordination for food security matters, including donor alignment with the host country strategy. The objective is to harmonize the approaches regarding agriculture and rural development.

II. Project Management

13. **INVEST-H Board of Directors.** The GAFSP funded Project is one of several projects under the ACS, and INVEST-H intends to manage each project similarly based on the implementation arrangements of the Millennium Compact. The INVEST-H Board of Directors will oversee all ACS projects implemented by INVEST-H. The Board appoints the INVEST-H manager, oversees the annual plans and budgets, contracts the financial audits and is responsible for the overall oversight of the management unit.

14. **The INVEST-H management team** will be responsible for: (i) the procurement of the project operators, (field) supervision of the project activities and their implementation by the operators; (ii) financial management, procurement and administration; (iii) the performance monitoring of the project activities, including implementation of the ESMF; (iv) the organization of the baseline evaluation, mid-term evaluation studies and the end-of-project impact evaluation; (v) the preparation of the semi-annual and annual progress reports; (vi) the presentation of the audit reports and; (vii) the coordination with the members of the ACS.

15. INVEST-H will hire the following key personnel to implement the ACS program: an ACS coordinator and a transaction team including specialists in agricultural extension, nutrition, food security, agricultural marketing, procurement, accounting, social/gender, environment, monitoring, information technology and short-term consultants. The GAFSP and USAID grants will finance the ACS staff costs in equal shares while the GAFSP will finance maximum 20 percent of the INVEST-H overhead costs. The Project will have one procurement specialist for its own. In addition, INVEST-H will open a regional office (to be located in Choluteca) and staff it with one coordinator and an M&E specialist in agribusiness and an M&E specialist in nutrition, which will be financed by the Project. Further details of the various responsibilities of the regional office and the various positions are described in the POM.

16. INVEST-H will contract two national or international management firms (Operators) to implement Component 1 and 2 of the Project in different geographical areas following a quality and cost-based procurement procedure. In case the Operators want to subcontract some of the services, INVEST-H will be responsible for providing no objection to the terms of reference, selection processes and sub-contracting contracts. INVEST-H will monitor contract implementation through the ACS staff.

17. 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 agricultural, marketing, business development, home garden and household hygiene SPs; (v)

hiring subcontractors and making payments to suppliers for the implementation of the SPs; and (vi) preparing quarterly and annual implementation reports.

18. Operators and subcontractors will be paid based on field results to ensure (sub) contract compliance. The expected field results will be stipulated in the contracts and the operators will be held accountable for providing the inputs and obtaining the estimated results. Each operator will have a certain degree of freedom in its implementation methodology that agreed upon during contract negotiations. This will enable INVEST-H to draw lessons from diverging methodologies.

III. Targeting Mechanism

19. **Municipalities.** The GOH, through UTSAN, developed a Prioritization Model for Food and Nutrition Security Investment. This model correlates official municipality data to categorize municipalities in five groups according to their food and nutrition insecurity. Nevertheless, GOH recognizes that focusing at this macro level may exclude municipalities in lower food insecurity groups, influencing the effectiveness of overall investment, and therefore mixed food insecurity municipality clusters are targeted so as to avoid “investment-free” zones.

20. Following the GOH’s targeting guidelines, 25 municipalities have been selected to receive GAFSP-funded ACS interventions. These municipalities are from three departments: Francisco Morazán (6), El Paraiso (6) and Choluteca (13). To enhance in-field efficiency, only neighboring municipalities were selected. This proximity also facilitates future cost benefit analysis for rural infrastructure investments.

Table 3.1. List of Municipalities in Project Area

Department	Level of food insecurity and malnutrition	Municipality	Stunting rate (<5years)
Francisco Morazán	CRITICAL	Curarén	61.68
	CRITICAL	Lepaterique	62.44
	ALTO	Reitoca	37.16
	MID-HIGH	Alubarén	40.85
	MID-HIGH	San Miguelito	35.45
	MID-HIGH	La Libertad	36.36
Choluteca	HIGH	Apacilagua	42.45
	HIGH	Morolica	39.13
	HIGH	San José	32.72
	HIGH	Concepción de María	42.2
	HIGH	El Corpus	38.3
	MID-HIGH	Orocuina	34.29
	MID-HIGH	Namasigüe	35.55
	MID-HIGH	El Triunfo	35.39
	MID-HIGH	Duyure	29.2
	MID-HIGH	San Antonio de Flores	28.7
	MID-HIGH	San Isidro	28.7
	MID-HIGH	Pespire	32.22

Department	Level of food insecurity and malnutrition	Municipality	Stunting rate (<5years)
	MID-HIGH	San Marcos de Colón	37.59
El Paraíso	CRITICAL	Liure	50.73
	CRITICAL	Vado Ancho	46.88
	HIGH	Texíguat	40.79
	HIGH	San Lucas	53.55
	MID-HIGH	San Antonio de Flores	42.47
	MID-HIGH	Soledad	33.07

Note: Investments in some geographical locations of the municipalities of Lepaterique and Curarén (belonging to the watershed of the River Coascorán), will be financed by other development partners of the ACS, as further defined in the POM.

21. **Prioritization within municipalities.** Within the selected municipalities, the operators will be in charge of the selection process of the communities to be targeted for implementation of project activities, which will be approved by INVEST-H. The operators will prioritize through a participatory methodology some 120 to 160 communities within the municipalities that meet the following criteria: (i) communities within 10 kilometers from secondary roads; (ii) existence of a micro watershed; (iii) population greater than 400; and (iv) land use is viable for agriculture. The communities covered by Component 1 will also be covered under Component 2.

22. **Selection of the target population.** The target participant households are

- i. poor and extreme poor HH, beneficiaries of the Bono Vida Mejor (conditional cash transfer) program and who pass an additional poverty verification test. Many of these HH have difficulties meeting their responsibilities in health, education and nutrition;
- ii. highly vulnerable HH that have low food stocks and have no stable means of income (including remittances, lack of employment);
- iii. female headed HH with presence of pregnant women, nursing mothers and children under five years of age or other children with nutritional risks;
- iv. have access to land (owning, renting, sharecropping, communal land, etc.), possibly with potential for access to water resources (for agricultural SPs only);
- v. a limited number (less than 500) of recognized leaders of community-based organizations (SLS, water boards, community councils "trustees" among others) who can influence other members of the community to participate in the Project.

The selection criteria of the participants will be refined in the POM and during implementation.

23. The Project preparation team estimates the number of participants as follows: 10,000 eligible HH will participate in component 1 and 6,000 HH in component 2. The Project will seek the highest possible overlap, and it is estimated that around 4,000 HH will participate in both components, resulting in a total of 12,000 HH.

Figure 3.3. Estimated target population per component.



IV. Implementation Approach

24. Each operator will have a certain degree of freedom in its implementation methodology that would be agreed upon during contract negotiations, to learn lessons from diverging methodologies. INVEST-H will advise and carry out quality control of the extension services to ensure that the operators apply the most appropriate methodologies and technologies. The extension agents will help provide the link between Components 1 and 2. As Component 2 deals primarily with women, often on gender-sensitive issues, the operators will engage local female promoters to work with women's groups on production and nutrition.

25. **TA, training and extension.** The operators will employ professional extension agents specialized in agricultural production, marketing, strengthening of rural organizations, non-farm business development and nutrition education, environment, gender and management. These extension agents will receive additional training from the operators' senior staff in geographically-specific water management, production techniques, market linkages, rural organization strengthening, good nutrition, good storage and food preservation as well as good hygiene and food handling practices. The provision of TA, training and extension to participating HH will be provided via the following mechanisms.

- a) Rural extension agents will provide these services. The operator (or a subcontractor) will recruit the extension agents based on the required qualifications. Preference will be given to (i) extension agents living in the participating municipalities and familiar with the local conditions and (ii) women extension agents who can accompany female participants. Each extension agent will receive an extension "kit" including electronic data transmission equipment to update the monitoring system.
- b) The operators will engage local promoters to assist in reaching out to the poorest families of the municipalities.
- c) Specialized institutions will provide specific training such as business development, management of rural organizations, marketing, and SLS financial management.
- d) Nutrition extension specialists will provide the delivery of the proposed nutrition education and promote close coordination with all programs promoting nutrition-related issues.

26. **Nutrition Support.** In each targeted community, the operators will conduct a situation analysis as a first step to determine (i) the size of the target population (all families with pregnant or lactating women and or a child under the age of five); (ii) the availability and scope of health and nutrition services, i.e. an ongoing child growth promotion (AIN-C program) and/or regular growth monitoring services provided through either the local health center or a contracted (by MOH) NGO; and (iii) the availability and scope of ongoing water and sanitation programs and activities. The operators will carry out a situation analysis in collaboration with the NGO-promoters, extension agents, and community leaders. A baseline, as part of overall baseline study, will be conducted to determine the current nutrition situation/stunting prevalence at the municipal level as well as basic consumption patterns to help measure the dietary diversity score measurements during the Project.

27. The operators will develop the education materials, building on existing materials from the nutrition GMP and adding agriculture relevant parts as well adapting the materials to the various target groups.

28. At the local level, the existing GMP programs are implemented through a MOH contracting arrangement with NGOs who manage the selection, training and supervision of community-level monitors who serve as volunteers for implementing the nutrition activities. The NGOs use their staff and promoters to conduct the training and supervision. There are on average three monitors per community that are responsible for an estimated target population of about 20 children under 5 and all pregnant and lactating women in the community. Promoters work with the community leaders and train selected monitors and provide them with the equipment and materials. Promoters help monitors to plan their activities and assist them in reporting.

29. Each *monitora* (monitoring woman, in Spanish) will be supplied with basic materials and equipment (kits) to manage the nutrition interventions (weighing scale for infants and children under two, growth monitoring charts and training materials). *Monitoras* ensure that all children under five are registered, monitored, their caretakers counseled and those who falter in growth, referred to health centers. *Monitoras* also help promoters organize parent sessions on nutrition education, parenting and the links to agriculture and they report on participation. Finally, they carry out home-visits to children that fail to participate. Monitors are volunteers who are rewarded for their services through non-monetary incentives, such as for example a mobile phone, a bike and participation in organized events.

30. In addition to these services, the Project adds additional activities to the ongoing GMP (AIN-C) for promoters and monitors to promote the link with the agriculture and water and sanitation components of the Project. These linkages include joint nutrition education sessions with agriculture extension agents and coordination meetings and sessions between those responsible for agriculture, health and water and sanitation at the local level. Details are provided in the POM.

31. **Participant co-financing.** Almost all productive investments supported under the Project will need co-financing by the participants, which could come from personal savings, remittances, SLS, agricultural cooperatives, input suppliers or other sources. The participant contribution can be in labor, materials or cash, depending on the type of activity. Because of the small size and management weaknesses of the SLS, the Project may hire a consultant to evaluate the financial balance sheet of each participating SLS and to carry out audits of the participating SLS to ensure that the SLS stay financially healthy and are not overburdened by project commitments.

32. **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, including technical audits; (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.

V. Gender Strategy

33. The Project has a Gender Strategy to promote social sustainability and equity of benefits. A complete gender strategy (as presented by INVEST-H) is an essential ingredient for capacity building and program management. This plan is reflected in the ACS and GAFSP Project monitoring system with gender-disaggregated data collection for monitoring and evaluation.

34. The main goals of the strategy are:

- a. Improvement of the situation of food and nutritional security, poverty and extreme poverty of women, their families and their communities;
- b. Enabling and improving access to and control over productive resources. It is essential that women can equal access to land, water, credit and technology, fundamental conditions for greater equity participation and benefits;
- c. Empowerment of women. This implies that the project activities should facilitate women's control over their decisions and generate productive alternatives that allow access to more income, and control over its use and expenditure; and that Project activities engage both men and women on gender norms that restrict women's mobility, and economic and social empowerment;
- d. To contribute to building a practical knowledge of working with women in rural development projects, especially within agricultural groups; and
- e. Strengthening the technical capabilities of the ACS implementers and INVEST-Honduras in working with women.

35. The Project will monitor the implementation and impact of the strategy through the Women's Empowerment in Agriculture Index (WEAI). The WEAI is an innovative new tool composed of two sub-indexes: one measures the five domains of empowerment for women, and the other measures gender parity in empowerment within the household. It is an aggregate index reported at the regional level that is based on individual-level data on men and women within the same households.

36. Five domains of empowerment. This sub-index assesses whether women are empowered across five domains: (i) production such as input in production decisions, autonomy in production decisions; (ii) resources such as ownership of assets, purchase-sale-transfer of assets, access to and decisions on credit; (iii) income: control over use of income; (iv) leadership: group member, speaking in public; and (v) time: workload and leisure.

37. Gender Parity Index (GPI): This sub-index reflects the percentage of women who are as empowered as the men in their HH. For those HH that have not achieved gender parity, the GPI sub-index shows the gap that needs to be closed for women to reach the same level of empowerment as men. Using a survey method going beyond the traditional practice of

interviewing only a HH “head” (often a male) to interview both a principal male and a principal female, the GPI allows for comparison of the agricultural empowerment of men and women living in the same HH.

38. Based on both sub-indexes, the WEAI is thus an aggregate index that shows the degree to which women are empowered in their households and communities and the degree of inequality between women and men within the household. Therefore, progress toward empowering women in agriculture will be achieved by empowering them in the five domains (for more information, see IFPRI – Women’s Empowerment in Agriculture Index, 2011 – Feed the Future publication). Given the significant time constraints on women, interventions that affect women’s time allocation can help improve their own nutrition as well as that of their children. The Project will contribute to empowering women and seek to improve gender equality through several actions: ensure women’s access to and equal participation in local agricultural groups (ex: women’s voices are heard at gatherings such as the food security roundtables); free up women’s time by improving access to water and new technologies for agricultural and domestic use; provide training at venues that are sensitive to women; provide child care during training; encourage female membership in leadership roles among producer groups; and encourage non-farm income generation, etc.

VI. Financial Management

A. Summary Conclusion of Financial Management Assessment

39. The Project will use INVEST-H existing capacity currently handling the FM arrangements for projects financed by other donors.

40. A financial management capacity assessment for INVEST-H was carried out in accordance with OP/BP 10.00 and applicable guidelines with the following conclusions. INVEST-H has prior experience with managing fiduciary aspects of externally funded projects (IDB 1123/BL-HO, 1907/BL-HO, 1565/SF-HO, 1910/BL-HO, 1910/BL-HO 1, 2017/SF-HO and 2055/BL-HO; CABEI 1957, 2071, 2116 and USAID) and has in place a basic administrative structure and systems (FM and internal control system). This puts it in a good position to manage the fiduciary aspects of the Project. The FM capacity assessment (FMA) has identified project-specific actions in order to enable INVEST-H to monitor the financial activities of the Project and carry out the financial activities effectively and to mitigate identified fiduciary risks.

41. The Project will use country systems (SIAFI and UEPEX -*Unidad Ejecutora de Proyectos con Financiamiento Externo* - Spanish acronym to describe the module of SIAFI developed specifically for project reporting) for accounting and reporting purposes, as these systems will provide adequate information for monitoring specific project expenditures. No additional system is required for FM purposes. In addition to the use of SIAFI, the Project will also use the single treasury account to make payments. The UEPEX module will allow the accounting system to interact with the finance and budget system, so the system’s coding of hierarchical accounts reflects cash and bank balances, fund transfers, investment categories, expense categories, and the origin of the funds. Using the UEPEX module, the required reports can be generated for closing program accounts periodically, to be reviewed and approved by each administrative unit. As per current shortcomings in the UEPEX functionalities, it was agreed that project transactions will be also recorded in INVEST-H MIS system until these temporary issues are solved.

B. Organizational Arrangements and Staffing

42. INVEST-H will be in charge of financial management (FM) tasks. These will include: (i) budget formulation and monitoring; (ii) cash flow management (including processing payments and submitting withdrawal applications); (iii) maintenance of accounting records, including the maintenance of an inventory of fixed assets, (iv) administration of underlying information systems, (v) preparation of in-year and year-end financial reports, and (vi) arrangements for the external audit.

43. Therefore, INVEST-H has the capacity necessary to administer the financial aspects, including a basic administrative structure and FM systems in place. Under this arrangement, INVEST-H will be responsible for the flow of funds, making payments, financial reporting, and other related fiduciary activities. INVEST-H will carry out FM functions with its existing staff and will be required to maintain professional staff in numbers and with qualifications and experience acceptable to the Bank as described in the POM. Since INVEST-H will continue to administer other projects financed by other funding agencies, it is expected that only an accountant (to be shared with USAID) will be necessary to carry out the increased workload.

C. Budget Planning

44. Between April and May of each year, INVEST-H will prepare its tentative investment program for the next year (including the investment program for the Project) and submit it to the Secretariat of Finance (SEFIN) for review and approval. The program will be consistent with the SEFIN budget preparation policies, and be incorporated into the national budget for submission to Congress in September each year. Based on the approved budget, INVEST-H will adjust (as needed) the annual operations plan and procurement plan, to be reviewed by the Bank. INVEST-H will have a specific line in the National Budget for this project that will be used for recording budget execution in SIAFI and thereafter, to report project execution with the UEPEX module.

D. Accounting and Financial Reporting

45. Accounting Policies and Procedures. The main FM regulatory framework for the Project will consist of Honduras' laws governing budget management and the INVEST-H regulations. These documents will be complemented by project-specific FM arrangements documented in the POM. Specific reference will be made to: (i) appropriate internal controls; (ii) the format of project financial reports, and (iii) auditing arrangements.

46. Information Systems. The Project will utilize country systems for budgeting, budget execution, treasury operations and financial reporting. The financial activities will be recorded in SIAFI. In addition, the Project will use the UEPEX, a module of SIAFI specifically designed for the accounting and reporting of externally-financed projects. As regards the current shortcomings in the UEPEX functionalities, it was agreed that project transactions will be also recorded in INVEST-H MIS system until these temporary issues are solved.

47. Treasury System. The use of country systems (SIAFI) comes the use of the single treasury account, which is operated by the National Treasury (TGR) in the Ministry of Finance (SEFIN). As expenditures/commitments arise, they will be recorded by INVEST-H in SIAFI, and once payments are approved, funds will be converted from US\$ into local currency and channeled through the Operational Accounts (*Libretas Pagadoras*) - which are sub-accounts in the single treasury account- to make payments to suppliers, contractors or consultants.

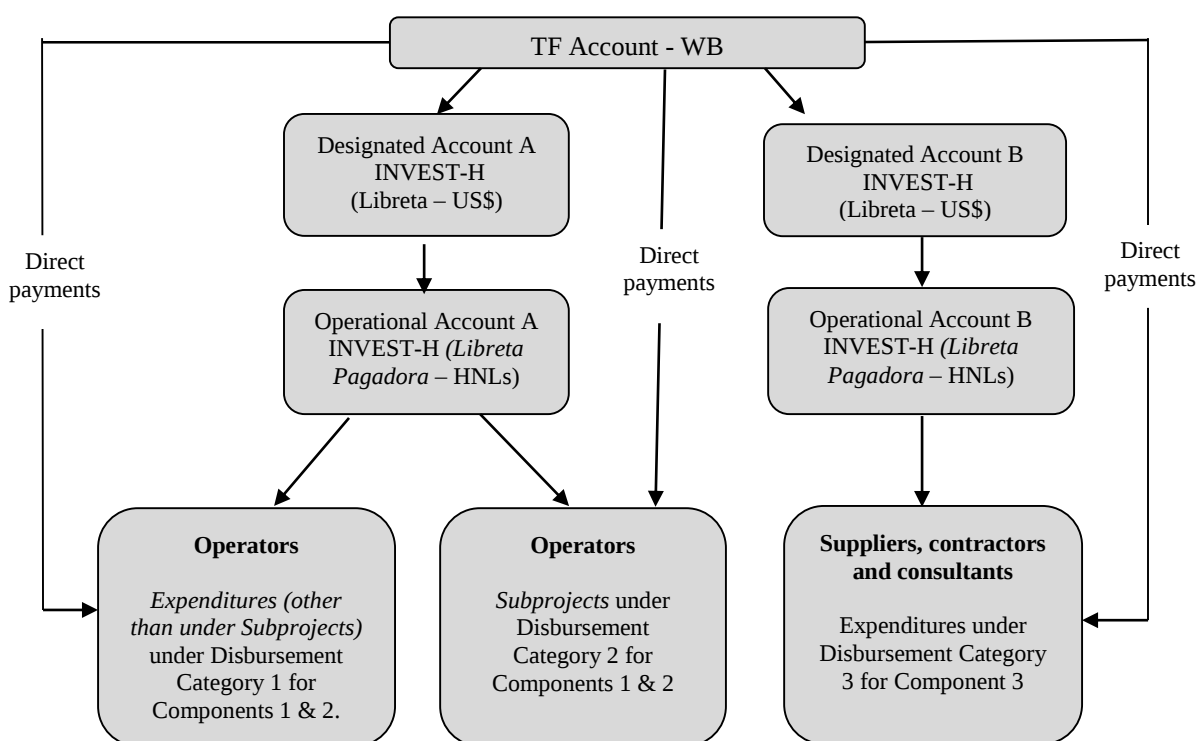
48. **Financial Reports.** On a semester basis, the INVEST-H will prepare and submit to the Bank an unaudited interim financial report (IFR) containing at least: (i) a statement of sources and uses of funds and cash balances (with expenditures classified by component); (ii) a statement of budget execution per component (with expenditures classified by the major budgetary accounts) and (iii) a Sub-project statement which shows amount disbursed, documented and outstanding balances, classified by age, to allow for timely monitoring. The interim reports will be submitted not later than 45 days after the end of each semester. In this case, the IFRs are not expected to be utilized for disbursement purposes.

49. On an annual basis, INVEST-H will prepare Project financial statements including cumulative figures for each fiscal year of the financial statements cited in the previous paragraph. The financial statements will also include explanatory notes in accordance with the Cash Basis International Public Sector Accounting Standard, and INVEST-H's assertion that grant funds were used in accordance with the intended purposes as specified in the Grant Agreement. These financial statements, once audited, will be submitted to the Bank not later than six months after the end of the calendar year.

50. The supporting documentation of the semester and annual financial statements will be maintained in INVEST-H's premises, and made easily accessible to the Bank supervision missions and to external auditors.

E. Flow of Funds

Overall funds flow of the project is diagrammed below.



51. **Disbursement Methods.** Considering the results of the assessment, the following disbursement methods may be used by INVEST-H to withdraw funds from the credit: (a) reimbursement, (b) advance, and (c) direct payment.

52. **Designated Accounts.** For this project, it is envisaged that two Designated Accounts (DAs) will be used. DA-A will be used for expenditures under Components 1 and 2 which are related with the SPs and associated costs from the Operators and are financed under Categories 1 and 2. DA-B will be used for expenditures under Component 3 which are related with M&E and Project Management by INVEST-H and are financed under Category 3. Under the advance method and to facilitate project implementation, INVEST-H will have access to both Designated Accounts in US dollars that will be maintained in *Banco Central de Honduras* in the name of the project. Funds deposited into the DAs as advances, would follow Association's disbursement policies and procedures, as described in the Disbursement Letter and Disbursement Guidelines.

53. To make payments to the Operators, providers of goods or services and consultants provided under this project, INVEST-H will use SIAFI and make payments through the SIAFI system (as explained in the treasury systems section above). Payments to Operators will be made on the basis the negotiated contracts with the operators acceptable to the Bank.

54. **SPs.** Under this project, no cash transfers to beneficiaries will be allowed. The contracts with the Operators will include an adequate control framework, which will be subject to Bank's approval. To allow proper monitoring of the SPs, the operators will be required to report periodically on the status of each SP, showing, at a minimum, the amounts disbursed, documented and outstanding balances, classified by age. Moreover, the operators will be responsible for preparing the documentation related with sub-project expenditures, which will then be reviewed and validated by INVEST-H.

55. The ceiling for advances to be made into the DA-A will be established based on a forecast estimated to be sufficient to cover SP expenditures for the following 4 months. The ceiling for advances to be made into DA-B will be US\$ 700,000 estimated to be sufficient for project execution for a period of 4 months. The reporting period to document eligible expenditures paid out of both the DAs is expected to be on a quarterly basis.

56. The supporting documentation for documenting project expenditures under advances to DA- B and reimbursement methods will be Statements of Expenditures (SOEs). INVEST-H will maintain all consolidated SOEs documentation for post-review and audit purposes for up to one year after the final withdrawal from the grant account. Direct payments supporting documentation will consist of records (e.g. copies of receipts, supplier/contractors invoices). The minimum value for applications for direct payments and reimbursements will be US\$ 600,000.

57. **Disbursement Deadline Date:** four months after the closing date specified in the Grant Agreement.

F. Audit Arrangements

58. **Internal Audit.** INVEST-H has an internal audit unit that is responsible for assisting its management to ensure the continuing adequacy of the entity's internal control environment. The FMA concluded that the unit has sufficient capacity, and its findings are adequately addressed. In the course of the unit's regular activities, internal auditors for INVEST-H may include project activities in their annual work plans using a risk-based approach. It is also expected that the Unit

will conduct inspections of the activities of the SPs as is deemed necessary. If such audits occur, INVEST-H will provide the Bank with copies of the internal audit reports covering project activities and financial transactions.

59. **External Audit.** Annual audit reports on project financial statements, including management letter should be submitted to the Bank, within six months of the end of the Borrower's fiscal year³ (December 31). The audit should be conducted by an independent audit firm acceptable to the Bank and under terms of reference approved by the Bank. Audit cost would be financed out of credit proceeds and selection would follow standard Bank procedures. The scope of the audit would be defined by INVEST-H in agreement with the Bank based on project specific requirements and responding, as appropriate to identified risks, including review of compliance with agreed processes and procedures; as well as a sample of sub-projects. Audit requirements would include the following:

Audit type	Due date
Project financial statements	June 30
Special Opinions - SOE	June 30

60. INVEST-H will contract the first external audit within three months after Project Effectiveness. Each audit contract is expected to cover at least two years. The audit work might be carried out jointly with the audit of other projects, provided that the report is furnished separately and the costs of the audit be assigned proportionally to each source of financing.

61. In addition, memoranda on internal controls ("management letters") for the fiduciary activities of the INVEST-H will be produced on a semi-annual basis, covering (i) weaknesses noted by the auditors in the internal control systems of the Project, (ii) cases of application of inappropriate accounting policies and practices, (iii) issues regarding general compliance with broad covenants, and (iv) any other matters that the auditors consider should be brought to the attention of the borrower.

Disbursement Schedule is as follows:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) (a) Consultants' services under Parts 1 and 2 of the Project (other than under Subprojects) in Cluster 1	6,625,000	100%
(1) (b) Consultants' services under Parts 1 and 2 of the Project (other than under Subprojects) in Cluster 2	6,625,000	100%
(2) (a) Subprojects in Cluster 1	6,500,000	100% of the amount disbursed by the Recipient under each Subproject

³ In accordance with Bank's Guidelines, the first and last audits may cover a period of up to 18 months.

(2) (b) Subprojects in Cluster 2	6,500,000	100% of the amount disbursed by the Recipient under each Subproject
(3) Goods, Non-Consulting Services, consultants' services (including Project audits) and Operating Costs under Part 3 of the Project (excluding Part 3(iv) of the Project)	3,750,000	100% of the invoice for the respective Eligible Expenditure.
TOTAL AMOUNT	30,000,000	

G. Risk Assessment Summary

62. The FM risk for this Project has been assessed as Substantial. During implementation, the level of FM risk for this Project will be re-assessed and revised accordingly if needed. The following table presents the risk assessment, as well as the risk mitigating measures incorporated into the design of the Project and the financial management implementation arrangements.

Table 3.2. FM Risks

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design
Inherent Risk		
Country Level	M	The Bank is supporting the reform of the public finance management system (SIAFI). Furthermore, an intense dialogue with civil society has been ongoing—GAC initiative, open government initiative, social auditing methodologies and experiences— and the Bank is helping foster an intense south-south dialogue on best practices in good governance, and anti-fraud and anti-corruption policies and practices. Close Bank supervision of project financial management will address the risk of possible corruption in the use of Bank project funds.
Entity Level	S	INVEST-H has prior experience in managing externally financed projects with satisfactory FM performance. However, SPs will be carried out by Operators which will be selected during project implementation and will require increased monitoring from INVEST-H.
Project Level	S	The FM aspects of the project will be concentrated in INVEST-H, staffed with personnel possessing adequate qualifications. The project's structure is complex and includes SPs. The Trust Fund Agreement will include a covenant that INVEST-H will be required to maintain adequate implementation arrangements at all times.
Control risk		
Budgeting, Accounting, Internal Control	M	Project budget and accounting will be registered in the national system (SIAFI) and INVEST-H will utilize UEPEX. The project will operate under an operational manual approved by the Bank.
Funds Flow	M	The Project will use the single treasury account to make payment to suppliers, contractors and consultants.
Financial Reporting, Auditing	S	The project will utilize country systems (SIAFI and UEPEX) for accounting and financial reporting. However, as per current shortcomings in UEPEX functionalities, INVEST-H will also record project transactions in their MIS

		system. An annual audit to be carried out by an eligible audit firm and under ToRs, both acceptable to the Bank, and which will include a sample of SPs, will be required.
FM Risk	S	

Financial Management Action Plan

63. The FM Action Plan is proposed as follows.

Table 3.3. FM Action Plan

Action	Responsible Entity	Completion Date
1. Finalize the FM sections of the POM.	INVEST-H	Completed on 3/24/2015
2. Finalize the proposal in relation to the chart of account and incorporation of the Project into SIAFI's structure and the utilization of UEPEX.	INVEST-H	Completed on 3/24/2015
3. Finalize draft audit TORs and short list.	INVEST-H	Completed on 3/24/2015
4. Include Project in the national budget.	INVEST-H	After Project Approval.
5. Receive an Operational Training in Financial Management and Disbursements.	INVEST-H	Completed 5/6/2014
6. Contract external auditors, based on short list satisfactory to the Bank.	INVEST-H	3 months after Effectiveness.

VII. Procurement

64. The INVEST-H Procurement Division and the Operators hired by INVEST-H will procure works, goods, consultant and non-consulting services in accordance with the provisions of the Grant Agreement, the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services Under IBRD Loans and Bank Credits & Grants" and "Guidelines: Selection and Employment of Consultants Under IBRD Loans and Bank Credits & Grants by World Bank Borrowers", both dated January 2011, and revised July 2014, the POM dated July 17, 2015, and the Procurement Plan dated December 11, 2014. The table in the "Procurement Plan" Section below establishes the basis for the procurement plan.

65. Most of the inputs needed for project implementation will be procured by the project Operators, and delivered by their sub-consultants, sub-contractors or sub-suppliers. Procurement by the Operators will be prior or post reviewed by INVEST-H, according to criteria to be established in the Operational Manual and further developed under each Operator's Procurement Plan, to be approved by INVEST-H and the Bank. There will be two competitively selected private sector firms or institutions as project operators, each with its staff allocated to a specific geographic area, further defined in the Operations Manual.

66. **Selection of Consultants.** The Project will finance the hiring of project Operators, auditors, INVEST-H staff and consultant firms for monitoring and evaluation. The Operators will hire agricultural and nutrition extension agents and capacity building NGOs.

67. **Works.** Works financed under the Grant will include irrigation systems and other minor works. The operators will contract these works following NCB or Shopping procedures.

68. **Procurement of Goods.** : Goods procured under this Project will include vehicles. The Project will also finance inputs and equipment to improve nutrition, farm and non-farm activities, which will be procured by the operators. The operators will procure those inputs following NCB

or Shopping procures. Should the need to follow ICB arise, the procurement will be conducted by INVEST-H.

69. **Procurement of non-consulting services.** Non-consultant services financed by the grant include dissemination campaigns and other services, which will be contracted by the operators following NCB or Shopping procedures.

70. **Operating Costs.** The Project will finance operating costs such as electricity, internet services, water, phone services, vehicle and equipment maintenance, per diems for local and international staff, among other operational expenses.

Assessment of the agency's capacity to implement procurement

71. Three procurement specialists staff the INVEST-H Procurement Division. INVEST-H has prior experience with managing procurement aspects of externally funded projects (IDB 1123/BL-HO, 1907/BL-HO, 1565/SF-HO, 1910/BL-HO, 1910/BL-HO 1, 2017/SF-HO and 2055/BL-HO; CABEI 1957, 2071, 2116 and USAID). It has in place a basic staffing structure and systems, which puts it in a good position to manage the procurement aspects for this grant. INVEST-H organizational structure was assessed in March 2014, which was found to be adequate to deliver the fiduciary services. Procurement staff was generally found knowledgeable of procurement processes and the operation of the Procurement Plan Execution System (SEPA) and Honducompras. However, there is a lack of experience in handling complex procurement processes required by the Project and the staffing is insufficient to administer the requirements of this Project. The assessment identified the need to purchase an electronic system to store digitalized procurement files. This system will ensure a proper filing system and due backup. Additionally, INVEST-H can use this system for any other project.

72. The Bank reviewed the applicable legal framework for procurement and found it not completely consistent with Bank procurement Guidelines. The table below highlights the inconsistencies between the INVEST-H Procurement Guidelines and the Bank Guidelines.

Table 3.4: Inconsistencies between the INVEST-H Procurement Guidelines and the Bank Guidelines

Criteria	World Bank	INVEST-H
Partner relationship	Multilateral	Bilateral
Financing Eligibility	All borrowing member countries in good standing	Countries meet eligibility criteria
Financing Type	Loans and Grants	Grants only
Eligible Source countries for the provision of goods, works and services	All member countries in good standing & not on debarred/negative lists of WB and UN.	All countries except those on the debarred/negative lists of the World Bank, UN, USA & Compact country
Eligible suppliers, contractors or consultants	Any firm or consultant not on the World Bank debarred list or otherwise barred by the beneficiary nation	Any firm or consultant not on any of the seven (7) lists identified by INVEST-H. This requires active confirmation of eligibility by using www.sam.gov .
Objectives includes development of local industry	Yes	No
Procurement Implementation Plan	No	Yes
Domestic Preference	Yes	No

Criteria	World Bank	INVEST-H
National & International Competitive Bidding	Yes	Only Competitive Bidding – no National Bidding
Official language	Allows a number of national languages.	Only English and the main language of the INVEST country
Use of multiple currencies in bids and contracts	Yes	No. All proposals, bids, & contracts must be in US\$ or the currency of the INVEST country/beneficiary.
Technical Evaluation Panel	No involvement	MCC may opt-in to approve Panel membership
Advance payment	Allowed, with bank guarantee	Not encouraged, but allowed in certain cases for works
Advertising procurement opportunities and contracts awarded.	Yes	Yes, encourage greater advertising, some mandatory
Contractor Performance Reporting	No	Required
Government Owned Companies	No restriction	Not allowed to participate in competitive procurement processes
Table of Approvals	None	Consists of three level of approvals and detailed in Annex of MCC PPG

73. In sum, the Bank identified the key issues and risks concerning procurement for project implementation. They include: (i) the implementation strategy agreed with GOH, which consists of outsourcing project implementation to consultant firms (operators) that would hire staff or contract all the necessary resources to implement the Project, (ii) the high country procurement risk and (iii) the application of several articles of the INVEST-H Procurement Guidelines, which are not entirely consistent with Bank Guidelines.

74. The mitigation measures are: (i) all the subcontracting (downstream procurement) by the operators will follow Bank Procurement and Consultant Guidelines; INVEST-H (and the Bank where needed) will carry out a prior review of such procurement (ii) procurement supervision would be the responsibility of INVEST-H, strengthened by additional procurement specialists and (iii) a procurement section of the POM will be developed to guide project procurement.

Procurement Plan

75. INVEST-H developed a procurement plan for project implementation. This plan has been agreed between the grant recipient and the Bank on October 20, 2014. An updated version was received on December 11, 2014 and is part of the Minutes of Negotiations. It will be published at SEPA within 30 days of Grant Effectiveness. The Procurement Plan will be updated annually in agreement with the Bank or as required to reflect the actual implementation needs and improvements in institutional capacity.

76. Frequency of Procurement Supervision: once per year. One out of five subcontracts procured by the operators will be subject to post review by the Bank.

A. Details of the Procurement Arrangements Involving International Competition

77. **Goods, Works, and Non-Consulting Services.** List of contract packages of works, non-consulting services and goods to be procured following ICB and direct contracting:

Table 3.5. List of contract packages for works, goods and non-consulting services

Contract (description)	Estimated costs (US\$)	Procurement method ⁴	Pre-qualification	Domestic Preference (yes/no)	Review by Bank (prior/post)	Expected bid-opening date
Vehicles and motorcycles	US\$500,000	ICB	no	no	yes	March 30, 2016

78. **Consulting Services.** List of consulting assignments with short-list of international firms:

Table 3.6. List of contract packages for consulting services

Contract (description)	Estimated costs (US\$)	Selection method ⁵	Review by Bank (prior/post)	Expected proposals submission date
Project implementation contracts – Contract #1	US\$15.7 million (from which 13.1 are financed from the GAFSP)	Selection based on quality and costs (QCBS)	Prior	October 31, 2015
Project implementation contracts – Contract #2	US\$15.7 million (from which 13.1 are financed from the GAFSP)	Selection based on quality and costs (QCBS)	Prior	October 31, 2015

79. **Basis for the formulation of the Procurement Plan**

Table 3.7. Procurement methods, thresholds and review

Category	Threshold based on estimated contract value (US\$ thousands)	Procurement method ⁶	World Bank prior review (US\$ thousands)
WORKS	>=US\$5,000	ICB	All
	From US\$1,500 up to US\$5,000	NCB Full	The first NCB process regardless of the estimated amount.
	From US\$50 to US\$1,500	NCB Shortened	The first NCB process regardless of the estimated amount.
	From US\$0 up to US\$50	Shopping	None.

⁴ ICB= International Competitive Bidding; NCB= National Competitive Bidding; DC= Direct Contracting

⁵ QCBS= Quality-and Cost-Based Selection; QBS= Quality-Based Selection; LCS=Least-Cost Selection; FBS= Selection under a Fixed Budget; CQS= Selection based on Consultants' Qualifications; SSS= Single-Source Selection

⁶ ICB= International Competitive Bidding; NCB= National Competitive Bidding; QCBS= Quality-and Cost-Based Selection; LCS=Least-Cost Selection; CQS= Selection based on Consultants' Qualifications

	N/A	Direct contracting	All direct contracts estimated to cost above US\$50 will be subject to prior review by the Bank. ⁷
NON-CONSULTING SERVICES/ GOODS	>=US\$500	ICB	All
	From US\$100 up to US\$500	NCB Full	The first NCB process regardless of the estimated amount.
	From US\$30 up to \$100	NCB Shortened	The first NCB process regardless of the estimated amount.
	From US\$0 up to US\$30	Shopping	None.
	N/A	Direct contracting	All direct contracts estimated to cost above US\$10 will be subject to prior review by the Bank.
CONSULTING (firms)	N/A	QCBS, LCS,	Each process above US\$200. Short lists of consultants for services estimated to cost less than US\$300 equivalent per contract may be composed on entirely national consultants.
	From US\$0 up to US\$300	CQS	None
	N/A	Single source selection	All single source selection estimated to cost above US\$200 will be subject to prior review by the Bank.
CONSULTING (individual)	--	3 CVs	All cases above US\$100
	N/A	Single source selection	All single source selection estimated to cost above US\$100 will be subject to prior review by the Bank.

VIII. Environmental and Social Issues (including Safeguards)

Environment

80. The Project is classified as environmental Category B and requires a partial Environmental Assessment (EA). As reflected in the project description, the eligible investments are small-scale and of dispersed nature, including e.g. minor infrastructure works on irrigation systems and storage facilities that will be financed based on demand. Consequently, the Project is not expected to cause negative large-scale or irreversible environmental impacts. Instead, it has a remarkable potential for environmental value added. Almost 90 percent of the project area has been intervened by agricultural land uses, and compared with the general baseline situation; the Project is expected to promote an overall positive environmental impact. This will be pursued through capacity building and TA on environmentally friendly and climate-smart agricultural practices regarding plant and animal production, forest management, and fish farming. To promote continuity and additional market value for the same, producers and producer groups can receive assistance to obtain related certification.

81. Taken the vulnerability of the project area to environmental degradation and related negative impacts of climate variability and change, environmental sustainability and climate resilience are key factors in determining the selection of the activities to be financed. The Project triggers six environmental safeguard policies:

⁷ For all Direct Contracting and Single Source Selection, a justification shall be clearly documented based on exceptions stated on Bank's Procurement or Consultant Guidelines, as the case may be, including reasonableness of price.

82. **Environmental Assessment** (OP/BP 4.01). The partial EA was conducted by a consultant with support and under supervision of INVEST-H and the Bank. It describes the key environmental characteristics of the project area, such as the soil characteristics in *Corredor Seco* and the hydrological capacity of the existing soil types. Regarding the first, the most area represents the agrological classes VI and VII that is not favorable for cultivation of annual crops. The latter has such severe limitations that it only allows management of primary or secondary natural forest. Consequently, the EA emphasizes importance of promoting non-agricultural production and related market assessments. Regarding permanent crops, fruit trees such as plums, cashews, mango, and avocado are adapted to the soil and climate characteristics of the area and valued by consumers. Further, the EA recommends that the Project should identify potential for forestry-based livelihood options that would involve both environmentally and financially sustainable management practices.

83. Regarding the hydrological capacity of the soil types present in the project area, the predominant types are C and D that represent moderately high and high potential for runoff. In such soil types, opportunities to cultivate with traditional types of water harvesting, such as ditches, collector ditches or recharge wells is severely limited or compromised. The EA deems important that the Project conducts detailed analysis prior to implementing works to capture and store water for crop irrigation. However, the scale of this assessment is small (1:250,000), so it is impossible to define areas which agrological conditions could present better characteristics for annual crops. Consequently, this assessment will need to be completed in the field by competent agricultural/soil professionals while assessing the feasibility of the project investments.

84. **Natural Habitats** (OP/BP 4.04): The project area includes two protected areas: Yerbabuena Biological Reserve in Francisco Morazán and Cerro Guanacaure Multiple-Use Area in Choluteca. The Project can fund activities that would have positive impact on said areas or other natural habitats and/or engage in sustainable use of their resources.

85. **Forests** (OP/BP 4.36): Based on the project's EA, sustainable, longer-term forestry-related livelihood options would be a preferable option compared with agricultural activities in many places within the project area. Potential for said livelihood options will need to be assessed during project implementation, based on market analysis and beneficiary/stakeholder demand. Further, project activities aim at reducing pressure to deforest for agriculture and/or livestock purposes and promoting agro-forestry.

86. **Pest Management** (OP 4.09): 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, and the ESMF will provide the necessary initial guidance for the same. During implementation, concrete cases will need to be assessed in detail and supported by specialized guidance by a consultant/SENASA, the national authority for agricultural health services on an as needed-basis.

87. **Physical Cultural Resources (PCR)** (OP/BP 4.11): 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 even potential preference for non-farm rural livelihoods, the latter might address potential PCR/tourism-related investments/activities. 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.

88. Safety of Dams (OP/BP 4.37): There is a major multipurpose dam called Jose Cecilio del Valle within the project area in the department of Choluteca. If said dam is to provide water for project funded irrigation systems, the project will follow the applicable OP/BP procedures. For small dams, potential adverse impacts are addressed through OP/BP 4.01, Environmental Assessment as recommended by OP/BP 4.37, and measures are included in the Environmental and Social Management Framework (ESMF).

89. Besides the six environmental safeguards, the proposed Project also triggered the legal safeguard on International Waterways (OP 7.50), as some of the Project activities may affect the riparian country of Nicaragua. In accordance with OP 7.50, Nicaragua was notified and a positive response was received by the Bank.

90. The INVEST-H management team will be responsible for the coordination, monitoring and overall supervision of the compliance with the ESMF, which is going to be directly implemented by the operators across the components and activities under the proposed project. For this purpose INVEST-H will hire social and environmental specialist who will have the responsibility of monitoring the compliance of the ESMF.

91. To guide implementation of these safeguards and relevant social aspects, an ESMF was prepared for the project based on the EA and the below described Social Impact Assessment (SIA). Beyond including description of the key environmental and social features of the *Corredor Seco* as relevant to the project activities, the ESMF guides identification and assessment of potential environmental impacts of eligible investments and provides detailed instructions on applicable mitigation measures.

92. In further detail, the ESMF

- a. ensures timely integration of socio-environmental considerations in the overall project implementation and spells out related responsibilities and resource needs;
- b. includes a negative list to prevent e.g. any activity that could lead to conversion or degradation of natural habitats or PCR, and deforestation related to expansion of croplands or pastures;
- c. standardizes mitigation measures in terms of type, design, and cost to prepare a catalog of measures for the main environmental impacts identified per different eligible investments;
- d. guides and facilitates monitoring of integrated crop and pest management and climate-smart agricultural practices;
- e. sets initial guidelines for provision of environmental training to project beneficiaries and those in charge of their TA/extension services; and
- f. integrates environmental aspects in the Project's overall evaluation and monitoring system not only to present results, but also to identify needs for further training and/or corrective actions.

The original ESMF was disclosed in-country on June 11, 2014 at the INVEST-H website and the updated ESMF on July 16, 2015 and by the Bank InfoShop on June 12, 2014 and the updated version on July 16, 2015. The ESMF will be subject to continuous improvement while project implementation advances and lessons learnt accumulate. It can also be applied within the wider ACS framework as pertinent/deemed useful.

Social

93. The population of the extended *Corredor Seco* region is overwhelmingly of mixed Spanish and indigenous ancestry, although some indigenous peoples (primarily Lenca) live in the western and central regions. A number of factors contribute to the severe social vulnerability across the region: environmental shocks, resource mismanagement and depletion, extreme poverty, limited access to public infrastructure and services, a nutrient-deficient diet (largely corn, sorghum and beans), high out migration, among others. The proposed project activities are expected to generate many positive social impacts. In addition to expected outcomes related to the enhanced food and nutrition security of vulnerable households, the Project will: (i) create direct and indirect employment opportunities; (ii) build valuable technical and organizational skills among local residents, including youth and women, that will be essential for their productive participation in the new social and economic opportunities created through increased market access and income generation; and (iii) reduce regional disparities and promote the social and economic integration of beneficiaries within the Project areas.

94. INVEST-H staff from the environment and communications departments has considerable prior experience with projects funded by multilateral agencies and bilateral donors. Much of this experience involved working with indigenous peoples and rural producers and some involuntary resettlement resulting from road sector investments. INVEST-H contracted environmental, social and gender specialists to conduct a Social Impact Assessment (SIA) in the proposed project areas. The SIA conducted extensive interviews with a wide range of stakeholders throughout the area. The key finding of the SIA is that, despite the fact that government entities linked to the development process are generally perceived as having a political bias, limited technical capacity and being susceptible to corruption, the social risks associated with the Project are expected to be moderate due to the small-scale nature of the proposed investments and the demand-driven eligibility criteria of the interventions.

95. The SIA identified the potential risk that local elites could attempt to capture project benefits thereby preventing the poorest stakeholders from participating in the design of the agricultural production activities and investments required to enhance their food and nutrition security. To manage this risk, the Project has been designed to be accessible to the poorest producers by requiring lower co-financing and private contributions, and also by providing technical assistance to strengthen rural organizations such as producer cooperatives, producer groups, savings and loan societies and women's groups. This risk will be further reduced by two additional measures: i) implementation of a communications plan to improve access to information for all potential beneficiaries, especially the poor and most vulnerable, and ii) implementation of a participatory investment design process with opportunities for beneficiary inputs at key decision making phases.

96. The SIA also assessed the risks that expanding market opportunities for cash crops and non-farm income opportunities could pose to traditional economic activities. These risks are considered minor given the prevalence of multiple livelihood strategies among potential beneficiaries. For example, vegetable or milk producers are unlikely to give up traditional corn, sorghum and beans production in response to increased market opportunities as these traditional crops provide valuable subsistence resources that supplement cash income earnings.

97. The SIA also found that due the limited physical footprint of the proposed investments, no land acquisition or displacement of assets would be required. All infrastructure and equipment investments will be restricted to either lands privately owned, rented, under sharecropping agreements, or unoccupied municipal lands with permission. The SIA also reports that access to the latter are often particularly important for some of the poorest agricultural laborers. INVEST-H will advise the project operators on how to screen out any potential activities that could require land acquisition, including guidelines on how to document voluntary land donations, as relevant.

98. While there are a few towns in the project area with potential beneficiaries who consider themselves to be descendants of Lenca speaking indigenous peoples commonly found in the western departments of the *Corredor Seco* (Lempira, Santa Barbara, and Intibucá), the SIA found no evidence of their possessing collective attachments to geographically distinct habitats or ancestral territories within the project area; nor customary cultural, economic, social, or political institutions that are separate from those of the dominant society; nor an indigenous language. INVEST-H will advise the project operators on additional measures that may be required to provide all beneficiaries with culturally appropriate benefits.

99. The SIA also included a gender assessment and produced a Gender Strategy. The main source of income among women living in the dry corridor is agriculture (63 percent), followed by wage labor (29 percent) and trade (8 percent). The assessment found that female-headed households constitute roughly 1 in 5 households throughout the project area, with a slightly higher percentage residing in urban areas. Given the significant time constraints on women, interventions that affect women's time allocation can help improve their own nutrition as well as that of their children. The Project will contribute to empowering women and improve gender equality through several actions: ensure women's voices are heard at gatherings; free up women's time by improving access to water and new technologies; provide training at venues that are sensitive to women; provide child care during training; encourage female membership in leadership roles among producer groups; and encourage non-farm income generation, etc.

100. The results of this assessment have been reflected in the associated ESMF in the form of context- and activity-specific management tools and procedures to be applied throughout the project cycle to ensure compliance with relevant national legislation, international treaties and conventions and World Bank safeguard policies OP 4.10 (Indigenous Peoples) and OP 4.12 (Involuntary Resettlement). The Project and ESMF were presented and discussed during a public consultation held on June 5, 2014 in the departmental capital of Choluteca. A wide range of stakeholders, including representatives of the 25 municipalities (mayors, rural banks, environmental units, units of women, office of health, etc.); members of the Sectorial Food Security Roundtable of Gulf of Fonseca; representatives of related NGOs from the area; potential beneficiaries; and representatives from key centralized institutions like the Ministry of Natural Resources and Environment (SERNA).

IX. Monitoring and Evaluation

101. **Monitoring.** INVEST-H will have the primary responsibility for monitoring and reporting and will present well-equipped and suitably trained personnel to assure timely and relevant reports to the ACS-TC and the Bank, and supply specific on-demand information to investing stakeholders. INVEST-H will require a robust, day-to-day management information system in order to monitor GAFSP, USAID and CABEI sector investments.

102. To comply with reporting requirements in a timely manner, INVEST-H will use the following monitoring tools: (i) the ACS Results Framework; (ii) the GAFSP, USAID, GOH and CABEI-financed project results frameworks (for GAFSP see Annex 1); and (iii) monitoring sub-indicators showing outputs, performance, efficiency and intermediary outcomes of the Project and are important instruments to improve implementation.

103. In addition to the indicators of the results framework, INVEST-H will monitor the following: (i) the operators' annual implementation plans including the timely achievement of the agreed outputs; (ii) the costs of TA/extension per participant and per ha; (iii) the sustainability barometer (iv) the organizational capacity scorecard to measure the progress of the Project's rural organization strengthening program; (v) the women's empowerment in agriculture index (as developed by USAID-Feed the Future program); and (vi) other indicators measuring the quality of the training and agricultural and nutrition extension services. Wherever possible, INVEST-H will monitor project impact on rural incomes and child stunting levels.

104. **Evaluation.** During the first year, the Government will finance a baseline study to determine the value of the baseline results indicators for the entire ACS territory. At mid-term the Government will finance a technical performance audit of the entire ACS (including the project management) and a beneficiary assessment. The Project will finance the end-of-project/program evaluation, which will cover the Project and ACS impact based on the indicators from the results framework but also on the sub-indicators mentioned in the above paragraph. For these evaluations, INVEST-H will hire a firm with rural survey and data collection and processing experience that in addition to collecting information, has the capacity to measure and analyze the results and propose corrective actions to increase the probability of achieving the Project's objectives.

X. Role of Partners

105. In addition to the GAFSP, the ACS program consists of four established development partners and GOH.

Table 3.8: ACS Program Partners

Donor	Activities
USAID	This investment will be consistent with the current Feed the Future program run by USAID "ACCESO." Municipalities, communities and beneficiaries in the ACS-USAID will be targeted based on their current location within the geographic area of concentration: Intibucá, Lempira and La Paz. The ACS-USAID is planned to last five years (2014-2018) and builds on ACCESO experience and data. In comparison to ACCESO, ACS-USAID will channel its funds through the government (INVEST-H) for an amount of \$54.0 million).
CABEI	Concessional loan (amount not finalized, but may be up to \$90 million in project funds for rural infrastructure, in particular secondary and tertiary roads, across entire Corredor Seco).
GOH	Investments in irrigation and monitoring (US\$40 million)
CIDA	CIDA has currently three similar projects worth \$42.0 million in the Corredor Seco, implemented by CARE, Oxfam and FAO. CIDA has pledged \$16.5 million for the Ministry of Health Information System Improvement and \$35.0 million towards rural economic development.
EU	Pledged € 30.0 million towards ACS goal achievement. This investment has been defined as EUROSAN and is currently under concept design.

Annex 4: Implementation Support Plan

HONDURAS: Corredor Seco Food Security Project

1. The strategy for project Implementation Support (IS) by the Bank reflects the nature of the Project and its risk profile. The strategy seeks to make IS more efficient while remaining focused on implementation of the risk mitigation measures. The strategy is also an indicative and flexible instrument that will be revisited during implementation and as part of the Implementation Status and Results Report (ISR) reviews and adjusted based on emerging challenges and field conditions.
2. **Overall project management.** Project supervision will support the following areas: (a) fiduciary capacity to promote the establishment of adequate internal control systems and overall governance; (b) agriculture, nutrition/health, M&E, and marketing; (c) mitigation of potential political interference to maintain strong technical capacity, alignment with project objectives, and due diligence; (d) monitoring of project implementation, including results indicators.
3. **Fiduciary aspects.** The Bank will: (a) provide implementation support and training as necessary; (b) follow up on the Project's financial management system and its adherence to the POM, including but not limited to accounting, reporting and internal controls; (c) provide guidance on the Bank's Procurement Guidelines to INVEST-H; (b) review procurement documents and provide timely feedback; and (c) help monitor procurement progress against the Procurement Plan.
4. **Environmental and Social Aspects.** The Bank will emphasize opportunities for social development and environmental sustainability provided by the Project, as well as adequate attention to gender equity issues. Within this framework, the Bank will support and carry out close monitoring of the ESMF implementation. Bank social and environmental specialists will be available to provide timely guidance to INVEST-H and will participate in field visits on a regular basis to maintain a good and ongoing understanding of the situation on the ground.
5. **Information and Communication.** A Communication Strategy will support the implementation of the Project in its different areas of intervention. The strategy will also seek to support implementation of consultative and accountability processes, including a grievance redress mechanism.

Implementation Support Plan

6. Task team leadership, as well as safeguards, procurement, financial management, and technical aspects will be managed from the Bank's office in Washington. International and national consultants will be hired to provide advisory services in specialized issues. Formal supervision and field visits will be carried out semi-annually or as needed to help promote satisfactory project implementation. A mid-term review will determine needs for restructuring and other changes in the project design and/or implementation arrangements. The focus of implementation support is summarized below.

Table 5.1. Detailed Implementation Support required

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate</i>	<i>Partner Role</i>
<i>First twelve months</i>	Establishment of implementation capacity	Procurement and FM	4 SWs	
	Agri-business support	Rural Development Spec.	4 SWs	
	Nutrition/health specialist	Health Spec.	4 SWs	
	Project Management and Communication	Task Team Leader Co-TTL Operations Analyst Communication Specialist	12 SWs 8 SWs 16 SWs 2 SWs	
	Monitoring and Evaluation	M&E Specialist	6 SWs	
	Social and Env. Specialists	Social Scientist Env. Specialist	2 SW 2 SW	
<i>12-48 months</i>	Procurement Implementation support	Procurement specialist	8 SWs	
	FM implementation support	FM specialist	8 SWs	
	Environmental sustainability and safeguards supervision	Environmental Specialist	8 SWs	
	Social Development and community engagement/gender	Social Development Specialist/Gender Spec.	8 SWs	
	Agri-business	Rural Development Spec.	3 SWs	
	Marketing aspects	Marketing-value chain specialist	3 SWs	
	Health/nutrition specialist	Health Spec.	8 SWs	
	Project Management, M&E	Task Team Leader Co-TTL Operations Analyst M&E Specialist	36 SWs 18 SWs 42 SWs 12 SWs	

Annex 5: Summary of Economic and Financial Analysis

HONDURAS: Corredor Seco Food Security Project

BENEFITS AND COSTS

1. Project benefits are derived mainly from: (i) producers adopting GAP and agricultural technologies; (ii) producers increased market access; (iii) off-farm income generation; and (iv) reduced losses of human and economic capital from malnutrition. To measure these benefits, farm models were prepared to show the costs, revenues and net income changes *with* (WP) and *without* (WOP) the project. Benefits from the improved nutrition were also estimated.

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Agricultural Production

2. Table 6.1 shows the net income by the typical subsistence farmers with traditional crops (mainly maize and beans). Applying simple technologies yields and net income can significantly improve while changes in labor requirements result in an increased use of idle family labor.

Table 6.1. Expected Results for Main Crops (per ha)

Crop	Average Yields (kg/ha or liters/cow)		Gross Revenue (Lps/ha)		Input & Labor Costs (Lps/ha)		Net Income after family labor (Lps)	
	Without	With	Without	With	Without	With	Without	With
Maize	1,500	2,250	8,775	13,163	8,248	10,060	528	3,103
Beans	500	700	8,200	11,480	7,000	8,950	1,125	2,530
Plantain	6,000	18,000	45,072	104,960	38,919	87,390	6,153	17,570
Coffee Existing	600	900	26,454	39,681	24,229	33,480	2,225	6,201
Coffee New	-	1,800	-	79,362	-	62,090	-	27,272
Potatoes	6,000	18,000	39,600	118,800	37,440	100,080	2,160	18,720
Carrots	8,000	20,000	32,240	84,840	27,820	74,890	4,420	9,950
Tomatoes	15,000	33,000	78,750	173,250	75,600	166,200	3,150	7,050
Lettuces	16,000	32,000	64,000	128,000	60,700	118,900	3,300	9,100
Eggplant	4,000	7,000	35,280	61,740	25,900	46,680	9,380	15,060
Broccoli	8,000	15,000	44,080	82,650	39,850	75,080	4,230	7,570
Cauliflower	20,000	35,000	59,360	107,300	55,450	93,500	3,910	13,800
Cucumber	16,000	32,000	57,300	127,860	54,810	117,650	2,490	10,210
Chile	13,500	27,000	119,070	238,140	108,120	203,140	10,950	35,000
New Milking Cow	-	1,470	-	26,582	-	11,480	-	15,102
Pigs	-	-	-	19,440	-	14,150	-	5,290

3. Ten farm models were prepared to show the possible changes that the project could induce. Priority will be given to areas where water-harvesting structures could be developed to provide farmers with irrigation (2,000 m² of land per farm). Where water is insufficient, the Project will finance small rainwater harvesting tanks for family irrigated plots of about 500 m² where fruits and vegetables for self-consumption could be produced.

4. Table 6.2 shows the typical farms models in the project area having an average size of about 0.7 ha or one *manzana* (mz). Most of these farmers have off-farm employment during the harvesting season producing only food crops for self-consumption. With the Project, areas under maize and beans are expected to be reduced from 0.7 ha to 0.5 ha per farm to make room for vegetables, banana or plantain and/or coffee on about 0.2 ha

Table 6.2. Project Financial Impact at the level of Typical Farms

Farm Model Indicators		Farm Model 1: Lowlands w/ Irrigated Vegetables	Farm Model 2: Highlands w/ irrigated potatoes/veg	Farm Model 3:Highlands adding new coffee	Farm Model 4:Highlands adding coffee and plantain	Farm Model 5:Lowlands adding irr plantains
Labor (day/yr requirements)	Before	42	42	42	74	66
	After	180	122	87	150	160
Farm gross income (Lps/year)	Before	12,000	12,000	12,000	25,522	21,541
	After	93,585	69,177	29,042	60,530	81,160
Farm net income (Lps/year)	Before	16,284	16,284	16,284	22,989	21,038
	After	46,453	43,680	32,112	46,989	41,514
Return/day family labor (Lps)	Before	388	388	388	309	318
	After	259	357	269	313	260

Farm Model Indicators		Farm Model 6: Lowlands w/ Irrigated Vegetables	Farm Model 7: Highlands w/ irrigated coffee & pigs	Farm Model 8:Traditional w/microirrig. & garden	Farm Model 9:Highlands with coffee garden/veg	Farm Model 10:Improvin g traditional food crops
Labor (day/yr requirements)	Before	76	46	44	46	46
	After	134	122	81	87	69
Farm gross income (Lps/year)	Before	25,853	18,176	12,000	18,614	18,614
	After	73,420	51,872	42,912	48,081	23,675
Farm net income (Lps/year)	Before	21,831	18,272	19,351	18,746	18,746
	After	36,848	40,621	48,153	48,938	25,382
Return/day family labor (Lps)	Before	288	395	445	407	407
	After	276	334	598	565	370

5. Tables 6.1 and 6.2 show that beneficiaries' net farm revenues can increase by about 35 percent in the case of improving technology in existing crops (farm model 10) to up to 250 percent above their current levels as simple validated technologies are adopted and new crops are incorporated, together with access to irrigation.

Non-Agricultural Activities

6. The project will also finance activities to improve non-farm rural livelihoods including: (i) income and employment options in the communities; (ii) business start-ups producing tools and equipment; (iii) agro-processing of food and adding value including nutritive elements to be sold in local markets; (iv) artisanal production; and (v) business technical assistance and training for people who have or want to start small businesses in particular for women and young people. A summary of results are presented in Table 6.3.

Table 6.3 Non-Agricultural Activities

Activity	Investment	Income Generation and/or Cost Savings (Lps)	Internal Rate of Return (%)	Net Present Value (Lps)
Grain Reserves	69,250	21,953	57.2	104,479
Energy Saving Oven	12,000	16,200	> 100	106,212
Vermicomposting	6,000	2,700	49.3	11,816
Bocashi	6,000	13,050	54.5	28,470

Improved Nutrition

7. Improving physical work capacity, cognitive development, school performance, and health by reducing disease and mortality will result in significant medium and long-term benefits. Based on results of a longitudinal study in Guatemala (Hoddinott et al. 2008), male children receiving fortified complementary food before they were three years of age grew up to have wages that were 46 percent higher than the control group. Assuming an average cost of US\$380 per each under five years old that could benefit from the improved nutrition, and that 8,000 children will grow up perceiving wages at least 10 percent over what they would make based on prevailing wages in rural areas of Honduras (Lps 165 per day instead of Lps 150). The Economic Rate of Return of investing Lps 88 million under component 2 would yield 43.5 percent (Table 32 in project files). This conservative estimation does not take into account indirect benefits such as the reduction of health costs for treatment of diarrhea and other diseases, or the foregone output for the reduction of lost workdays due to disease treatments.

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8. The total project cost of US\$37.8 million is shared by the food production and rural household income generation component (75%), nutritional status enhancement (13%) and 12% for project management and M&E. No adjustment was made to market prices since these prices in Honduras reflect fairly well the opportunity costs of goods and services. The analysis assumes that only 68 percent of the 10,000 targeted farmers would adopt the proposed agricultural production improvements, and that about 7,500 children under 5 years of age would improve their nutritional status.

9. Table 6.4 shows the project results in Table 6.4. The proposed project could increase the annual production value from an aggregate value of Lps 63 million to Lps 300 million in year 10. The Project has an estimated Economic Rate of Return (ERR) of about 17.8 percent and a Net Present Value of Lps 198 million with 12 percent as discount rate (US\$9.7 million equivalent).

10. The project would significantly increase the annual use of the labor available from about 614,000 person days to about 760,000 person days, and consequently beneficiaries would increase their income, as most of the required labor would come from their own family members. In addition, since HVCs will be introduced, the value of production and productivity of land and labor would also increase substantially. In addition, the project will assist about 7,500 under-five years of age that will reduce their probability of suffering from diseases.

11. A sensitivity analysis to determine the project exposure to risks identified as significant for the achievement of the project objectives was conducted:

- (i) if instead of 68 percent of the assisted farmers responding to the project and adopting the recommended production system improvements, only 54.4 percent would succeed in adopting GAP and/or diversify to HVC under irrigation, reducing by 20 percent the expected adoption rate, the ERR would drop to 16.6 percent;
- (ii) if the average agricultural prices considered for the analysis would drop by 20 percent their current levels, the ERR would drop to 11.8 percent;
- (iii) if the project investment costs would escalate being 20 percent above the budgeted amount, the ERR would then drop to 16.8 percent; and
- (iv) if both agricultural prices 20 percent reduction and investment costs increase by 20 percent would occur together, the ERR would then drop to 11.1 percent.

Table 6.4. Economic results

ECONOMIC BUDGET (AGGREGATED) (In Lempiras Million)	Without Project	With Project											
	1 to 20	1	2	3	4	5	6	7	8	9	10	15 to 20	
Main Production													
Frijol	15.2	15.2	15.2	16.5	19.0	21.6	24.1	25.4	25.4	25.4	25.4	25.4	
Maíz	26.0	26.0	26.0	28.2	31.5	34.8	38.1	39.2	39.2	39.2	39.2	39.2	
Maíz Fuera de Estacion Cosecha	-	-	-	0.9	2.7	4.5	6.3	8.0	9.8	10.7	10.7	10.7	
Café oro	13.0	13.0	13.0	13.8	16.0	19.1	23.4	27.4	30.4	32.5	33.5	33.8	
Platano (1a.)	3.0	3.0	3.0	3.0	3.7	5.2	6.7	8.2	8.9	8.9	8.9	8.9	
Platano (2da.)	1.3	1.3	1.3	1.3	1.2	1.1	1.1	1.0	0.9	0.9	0.9	0.9	
Hortalizas y Tuberculos	-	-	3.9	20.0	44.0	68.7	89.4	98.1	98.8	98.8	98.8	98.8	
Productos de Huerto	4.4	4.4	7.8	15.3	24.9	35.0	42.0	46.1	49.9	55.4	62.9	76.2	
Lechones	-	-	-	2.3	4.9	7.5	10.1	10.4	10.4	10.4	10.4	10.4	
Bocashi	-	-	-	1.0	2.4	3.8	5.3	6.7	8.2	8.6	8.6	8.6	
Lombricompost	-	-	-	0.0	0.1	0.3	0.4	0.5	0.7	0.8	0.8	0.8	
Energia para Preparacion de Alimentos	129.6	129.6	129.6	129.6	129.6	129.6	129.6	129.6	129.6	129.6	129.6	129.6	
Sub-total Main Production	192.4	192.4	199.8	231.8	280.0	331.1	376.3	400.5	412.0	421.1	429.6	443.3	
On-Farm Consumption													
Frijol	14.9	14.9	14.9	16.1	18.5	20.9	23.4	24.6	24.6	24.6	24.6	24.6	
Maíz	25.5	25.5	25.5	27.1	29.5	31.9	34.2	35.0	35.0	35.0	35.0	35.0	
Sub-Total On-Farm Consumption	40.3	40.3	40.3	43.2	48.0	52.8	57.6	59.6	59.6	59.6	59.6	59.6	
Net Value Of Production	152.1	152.1	159.5	188.6	232.0	278.3	318.7	340.9	352.4	361.5	370.0	383.7	
Purchased Consumption	-	-	-	0.1	0.4	0.7	0.9	1.1	1.1	1.1	1.1	1.1	
INFLOWS	152.1	152.1	159.5	188.5	231.6	277.6	317.7	339.8	351.3	360.4	368.9	382.6	
Production Cost													
Investment													
Riego	-	-	27.5	27.5	27.5	27.5	-	-	-	-	-	-	
Kit Micro-Riego	-	-	3.5	3.5	3.5	3.5	-	-	-	-	-	-	
Maíz	-	-	1.3	1.3	1.3	1.3	1.3	1.3	-	-	-	-	
Equipos y Herramientas	-	-	14.4	14.4	14.4	14.4	6.5	6.4	-	-	-	-	
Semillas	-	-	0.5	0.9	1.2	1.2	0.7	0.3	0.0	-	-	-	
Fertilizantes	-	-	0.1	0.2	0.5	0.6	0.6	0.5	0.2	0.1	-	-	
Insumos Pecuarios	-	-	1.6	1.6	1.6	1.6	-	-	-	-	-	-	
Servicios a la produccion	-	20.0	20.0	20.0	20.0	20.0	-	-	-	-	-	-	
Inversiones Seguridad Alimentaria y N	-	-	8.0	8.0	8.0	8.0	8.0	8.0	-	-	-	-	
Motocicletas	-	-	1.6	1.6	1.6	1.6	-	-	-	-	-	-	
Actividades de Capacitación	-	-	3.2	4.4	5.6	5.6	2.4	1.2	-	-	-	-	
Sub-Total Purchased Inputs	-	20.0	81.7	83.4	85.2	85.4	19.5	17.8	0.3	0.1	-	-	
Mano de Obra	-	-	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	
Sub-total Investment Costs	-	20.0	81.7	83.4	85.2	85.4	19.5	17.8	0.3	0.1	-	-	
Operating													
Sub-Total Purchased Inputs	105.2	105.2	110.6	118.6	133.7	150.6	162.2	160.8	152.9	152.1	150.5	150.6	
Labor													
Administracion y Gestion	-	-	1.1	2.2	3.2	4.3	4.3	3.2	2.2	1.1	-	-	
Extensionistas	-	-	9.0	18.0	27.0	36.0	36.0	27.0	18.0	9.0	-	-	
Mano de Obra	69.2	69.2	72.5	75.2	80.0	85.4	87.8	87.3	84.5	85.2	85.5	85.6	
Sub-Total Hired Labor	69.2	69.2	82.6	95.3	110.3	125.7	128.2	117.5	104.6	95.2	85.5	85.6	
Sub-total Operating Costs	174.3	174.3	193.2	213.9	244.0	276.2	290.3	278.3	257.6	247.4	236.0	236.2	
Sub-Total Production Cost	174.3	194.3	274.9	297.4	329.2	361.6	309.9	296.1	257.8	247.4	236.0	236.2	
Other Costs													
Extension Investments and Coordination	-	20.0	20.0	20.0	20.0	20.0	20.0	-	-	-	-	-	
Project Administration	-	24.3	6.1	10.5	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	
Sub-Total Other Costs	-	44.3	26.1	30.5	26.1	26.1	26.1	6.1	6.1	6.1	6.1	6.1	
OUTFLOWS	174.3	238.7	301.0	327.9	355.4	387.8	336.0	302.3	264.0	253.6	242.1	242.4	
Cash Flow	-22.2	-86.5	-141.6	-139.4	-123.7	-110.2	-18.2	37.6	87.3	106.8	126.8	140.2	
Net Economic Benefits	18.1	-46.2	-101.3	-96.2	-75.7	-57.3	39.4	97.2	146.9	166.4	186.4	199.8	
IRR = 17.8%, NPV = 197.80													

Annex 7: Map

HONDURAS: Corredor Seco Food Security Project

