

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC2615

Project Name	Corredor Seco Food Security Project (P148737)
Region	LATIN AMERICA AND CARIBBEAN
Country	Honduras
Sector(s)	General agriculture, fishing and forestry sector (60%), Agro-industry, marketing, and trade (10%), Irrigation and drainage (10%), Health (10%), Public administration- Agriculture, fishing and forestry (10%)
Theme(s)	Micro, Small and Medium Enterprise support (10%), Nutrition and food security (40%), Rural non-farm income generation (20%), Rural services and infrastructure (20%), Managing for development results (10%)
Lending Instrument	Investment Project Financing
Project ID	P148737
Borrower(s)	Government of Honduras
Implementing Agency	Ministry of the Presidential Office
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	21-Jan-2014
Date PID Approved/ Disclosed	22-Jan-2014
Estimated Date of Appraisal Completion	06-Jun-2014
Estimated Date of Board Approval	15-Aug-2014
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

In spite of its economic growth in past several years, 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 country, with 7.9 million inhabitants. Overall macroeconomic and fiscal situation in Honduras has remained satisfactory, after a smooth recovery from the 2009 economic and political crisis. However, the country faces fiscal constraints and several development challenges: while poverty rates declined over the years, 66 percent of Hondurans still live below the national poverty line, and 46 percent in extreme poverty. With one of the highest Gini coefficient of the region (57.4), achieving inclusive growth ranks high on the country's agenda. 17 percent of the GDP comes from remittances. At 82.4

homicides per 100,000 inhabitants, in 2010 Honduras had the highest homicide rate in the world. While crime and violence is mostly an urban phenomenon, high poverty rates in the countryside contribute to urban migration, fueling the ranks of the gangs and creating greater pressure on urban services and social safety systems.

Honduras is one of the most affected country in the planet by extreme weather events . Hurricane Mitch in 1998 set the country’s development back by years, with damages to infrastructure, agriculture and homes estimated at US\$3.8 billion. Climate change exacerbates high levels of poverty and food insecurity with deforestation and increasingly variable weather conditions, which make subsistence agriculture more challenging. Over the last 30 years, 50 natural disasters have cost US\$4.7 billion and killed 15,500 people, disproportionately affecting harvests and food prices.

Honduras is highly dependent on imports for its food needs, although the agricultural sector employs 36 percent of the total labor force. About half of the population of Honduras is rural, 80 percent of which live in hillside areas practicing subsistence agriculture. 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, much of which is called the Corredor Seco (Dry Corridor). Even with the high percentage of employment on agriculture, Honduras imports most of its food needs. The main staple, yellow maize, is 100 percent imported, while the country also imports 85 percent of its rice. Beans, produced locally, are the second most important food for consumption.

Sectoral and Institutional Context

Sectoral Context

Agriculture remains the primary source of income and food security, and in recent years its productivity has increased in some parts of the country. The sector is generating 38 percent of all employment and 60 percent of rural employment. In 2012, agriculture contributed 14 percent of the Gross Domestic Product (GDP) and 70 percent of total exports. Some progress has been made in improving productivity in lowland agriculture in recent years, notably through the expansion of non-traditional export crops such as fruits and horticultural products and the diversification of rural economic activities in areas such as tourism, crafts, fishing, sustainable timber harvest and wood processing, and environmental services.

However, small and medium producers are left behind in these developments due to sharp inequities within the rural sector, and the many challenges they are facing. Traditionally, the sector economy has been driven by exports of bananas and coffee, but the impoverished population sees little benefit from these. Most small and medium producers diversify to low-value crops for auto consumption and local markets. They suffer from low land and labor productivity and typically their plots are in hilly landscapes, with poor access to water for irrigation, roads, credit, modern production technology, improved seeds, tools, and basic inputs. Currently, abnormal weather conditions are contributing to the worst crop loss in records, and leaf rust—an airborne fungus—is ravaging the coffee industry affecting more than 100,000 small producers.

Past experience show that successful poverty reduction in rural areas is increasingly linked to the ability of the poor to diversify their livelihoods. Many of the poor are farming out of necessity, not desire. There are communities, mostly located in the Corredor Seco, where farming is not feasible due to dry weather and eroded soil condition. Successful poverty reduction in rural areas is

increasingly linked to the ability of the poor people to diversify and complement their traditional sources of on-farm income through off-farm livelihoods. This offers higher levels of income while the diversification of income reduces vulnerability to shocks due to weather and market conditions. Non-farm employment opportunities are often more accessible for rural women.

Chronic maternal and child malnutrition reduction remains a serious challenge in Honduras and constrains the country's social and economic development. The World Food Program estimates that 60 percent of Hondurans are food insecure. One in four children in Honduras is so undernourished that their development is stunted. In the Corredor Seco, where poverty is most acute, 58 percent of children under five suffer from chronic undernutrition. Contributing factors include severe poverty, limited access to clean water, a nutrient-deficient diet (largely corn and beans), poor sanitation, and insufficient breastfeeding. Infants are exclusively breastfed for only two months in the Corredor Seco; the national average is 2.5 months.

Institutional Context

Food security is among the highest priorities for the current Government of Honduras (GOH). Four inter-related government strategies address key drivers of food insecurity and establish objectives for reducing poverty. The two national-level plans are: the Country Vision (Visión de País) and the National Development Plan. In 2009, the National Congress launched a long-term initiative to eradicate extreme poverty that resulted in legislative approval in 2010 of the Country Vision (2010-2038). Two of its four objectives are related to poverty eradication. Concurrently, a 12-year National Development Plan (Plan de Nación 2010-2022) was prepared with the objectives identified in the Country Vision. The two implementation plans are: the National Food Security and Nutrition Strategy (ENSAN), and the Country Investment Plan (PIPSA). ENSAN addresses food availability for the extremely poor and includes nutrition investments. PIPSA is an integrated and broad strategy and a road map for greater food security and better nutrition. It sets out a plan for a market-driven and pro-poor agriculture industry. Its main goal is to reduce poverty and extreme poverty by 10 percent each by 2014. After the upcoming general elections of December 2, 2013, the team will be in a better position to assess the interest of this sector of the new administration.

The proposed operation is strongly aligned with current government priorities and fills an important financing gap of the PIPSA. The proposed Project is based on the government flagship program to support interventions for the vulnerable population of a series of contiguous municipalities (Dry Corridor – Corredor Seco) whose associated investment plan known as Alianza para el Corredor Seco (ACS) was submitted by the GOH to donors and agencies. The ACS intends to partly fill a financing gap of the PIPSA, increase the incomes and reduce malnutrition of poor and food insecure families, and lay the foundation for continued rural growth. The initial proposal comprises three co-investors – the U.S. Agency for International Development (USAID, US\$25M) the Central American Bank for Economic Integration (CABEI, US\$30M) and the Global Agriculture and Food Security Program (GAFSP). The financing request was approved by the GAFSP Steering Committee on September 7, 2013 and awarded a grant amount of US\$30 million to be managed by the World Bank as Supervising Entity. In addition, the European Union (EU) is currently negotiating with the Government for a possible program in the ACS for around US\$30 million, while Canadian International Development Agency (CIDA) already has food security interventions in the area for US\$42 million, with an expectation to soon join the ACS group of financiers.

Relationship to CAS

The proposed operation directly supports relevant objectives of the Country Partnership Strategy (CPS) 2012-2014. The CPS is designed to respond to the Honduras Country Vision and National Plan. 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 Project is not listed in the CPS, given that the grant was only approved in September 2013; however it is aligned with the second pillar, and mostly its second results area of improved investment climate and competitiveness via increased rural productivity. Given that the vast majority of the rural poor in Honduras work in the agriculture sector, the CPS states that the Bank will continue to support the development of agricultural value chains and productivity-enhancing initiatives for rural businesses. Moreover, the Project is also aligned with the third pillar and two of its results: improved accountability in public expenditures, through an improved results monitoring and evaluation capacity at the national level; and enhanced social accountability as part of demand-driven governance; through food security roundtables, including civil society represented by producer organizations. Finally, fostering partnerships as written in the CAS will be strongly promoted with this Project, given its close collaboration with other development partners, such as USAID, CABEL, CIDA or the EU.

Moreover, the Project directly responds to the Bank's Twin Goals: eradicate extreme poverty, and promote shared prosperity. The Bank has developed analytical tools to link the Twin Goals to projects. With Bank's support, the project will develop a strong methodology to ensure that it targets the bottom 40 percent and captures these impacts in the results framework. The project will also promote the Bank's Green Growth agenda, by promoting environmental sustainability across its activities.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The suggested Project Development Objective is to enhance food and nutritional security of vulnerable households in selected locations of the Corredor Seco in Honduras. Food security will be supported by improving and diversifying agricultural production, value addition, and accessibility to markets for small rural producers, with a particular focus on environmental sustainability and women. Nutritional status of rural households will be improved by more diversity in households' food consumption due to the combined effect of the change in behavior, induced by nutrition education (i.e. demand side) and the diversification in the agricultural production toward more micronutrients rich crops (supply side).

Key Results (From PCN)

Outcome indicators

The key expected outcome indicators from the Project are:

- i) Productivity of land for agricultural activities, measured in terms of yields.
- ii) Level of diversification of agricultural production
- iii) Real income from off-farm activities
- iv) Average volume of sales of the product(s) involved in productive alliances
- v) Dietary diversity score

Direct beneficiaries

The project is expected to directly benefit 12,000 households or about 70,000 beneficiaries, including around 10,750 men, 11,500 women, and 48,000 children. These numbers will however be corroborated during preparation, as the project will provide assistance to individuals, groups, and at times more individuals within the same households.

Targeted area

The Project geographical target area will be within the Corredor Seco. The Corredo Seco is a large area defined by dry and variable climatic conditions, and it extends from the border of Guatemala to Nicaragua. The Corredor Seco includes many of the poorest municipalities in the country, with 91.7 percent of its population (650,000 people) with an income below the national extreme poverty line (US\$1.81 per person per day) and 55 percent suffering from stunting. Producers in the Corredor Seco face far lower productivity than national average, and are vulnerable to climate change.

The government's ACS proposal is broken down into geographical and thematic areas to allow each contributing entity to finance specific geographical or thematic areas of intervention while contributing to the overall "alliance" in a coordinated way. The different sources of funds, with GAFSP being one of them, will finance similar activities in different geographical areas. They will follow however similar approaches based on a wealth of lessons learned from previous interventions in the area, some of which extremely successful. USAID will focus its support on the departments of La Paz, Intibuca, and Lempira, where it has been traditionally investing in other similar initiatives. The Canadian Development Agency is supporting three food security projects implemented by FAO, CARE, and Oxfam in parts of Choluteca, Valle, Intibucá, Lempira, and La Paz. The GAFSP facility is expected to fund similar activities in parts of Comayagua, Francisco Morazán, and El Paraíso. CABEI will finance rural infrastructure, in particular secondary and tertiary roads, across the whole of the Corredor Seco, thereby complementing the above investments in food security and agriculture. The Project Appraisal Document will have an annex with the details about the different provinces, extension, population and a map.

Targeted municipalities

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

III. Preliminary Description

Concept Description

The Project will contribute to achieving the overall goals of the Alianza para el Corredor Seco (ACS) by enhancing food and nutritional security of vulnerable households in selected geographical

locations and by providing institutional capacity.

Overall design: The Project rests on four components: (i) Agriculture production and access to markets; (ii) Non-farm livelihoods; (iii) Nutrition and hygiene; and (iv) Institutional capacity building and project management.

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

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

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

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

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

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

The component will finance community mobilization and group formation, training and technical assistance, and seed funding to support common interest groups, women's groups, associations and productive alliances to leverage investment funding for income generating activities outside

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

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

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

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

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

The component aims at strengthening the national institutional capacity to monitor and evaluate the implementation of the country food and nutrition security strategy and to support the Project

Management Unit (PMU). Two main activities will be supported:

- i) Capacity building for Monitoring and evaluation at two levels: for the overall investment plan – the PIPSA – and for the Alianza para el Corredor Seco, therefore including the proposed project. The component will finance improvement of the monitoring and evaluation system for the PIPSA and the monitoring capacity in the Ministry of Agriculture (SAG) by providing training, software and equipment. The system will build on and further strengthen USAID investment in an M/E system based on recommendations from RUTA, and capitalize on IFPRI experience on impact evaluation in the area by establishing a system to monitor, measure, and share results. The strengthening of the food security and nutrition M&E capacity will mitigate implementation risks stemming from the need to articulate an array of GOH ministries and agencies, as well as development and private sector partners, NGOs, etc. The M&E system will be the Government’s data point for both GOH and donor funded food security programs and a centerpiece for the new updated PIPSA. Performance data for the ACS will feed into the PIPSA through an M&E system run by the project implementing agency, the MCA-H. Impact evaluation efforts will measure achievement of expected outcome level results, particularly reductions in poverty and malnutrition, including gender-differentiated impacts.
- ii) Project management will finance the incremental cost, equipment, and operational costs to establish and operate a Project Management Unit (PMU) at MCA-H. The PMU will manage the proposed project implementation by ensuring that (i) interventions are properly planned, coordinated and aligned with project design and development objectives; (ii) implementation and institutional arrangements and activities are in line with the relevant Bank’s fiduciary and safeguard policies, procedures and standards; and (iii) there is due monitoring, oversight and reporting of project implementation and the resulting outputs and outcomes as per a result framework to be agreed during the preparation.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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	

V. Financing (in USD Million)

Total Project Cost:	30.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount

Borrower	0.00
Global Agriculture and Food Security Program	30.00
Total	30.00

VI. Contact point

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