



Additional Financing Appraisal Environmental and
Social Review Summary
Appraisal Stage
(AF ESRS Appraisal Stage)

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The World Bank

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

BASIC INFORMATION

A. Basic Project Data

Country	Region	Borrower(s)	Implementing Agency(ies)
Honduras	LATIN AMERICA AND CARIBBEAN		
Project ID	Project Name		
P181004	Additional Financing (AF) to the Innovation for Rural Competitiveness Project (COMRURAL III) - GAFSP Financing		
Parent Project ID (if any)	Parent Project Name		
P174328	Innovation for Rural Competitiveness Project - COMRURAL III		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Agriculture and Food	Investment Project Financing	4/28/2023	6/16/2023

Proposed Development Objective

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

Financing (in USD Million)	Amount
Current Financing	146.10
Proposed Additional Financing	12.30
Total Proposed Financing	158.40

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

Yes

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C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

Honduras has been experiencing broadly modest, volatile growth and facing a series of structural challenges towards achieving inclusive and sustainable economic development. This modest economic growth has been insufficient to reduce poverty and Honduras remains the third poorest country in Latin America and the Caribbean region. The rural poor rely largely on low-productivity agricultural activities for income, have limited access to basic services, and are highly vulnerable to natural and macroeconomic shocks. Around 70 percent of indigenous populations live in poverty and female labor force participation in Honduras (52 percent) is far lower than the male rate (86 percent).

The agri-food sector is one of the key pillars driving the Honduran economic performance. The agriculture sector accounted for 12 percent of the country’s Gross Domestic Product (GDP) in 2018, further expanded to around 23 percent when considering the backward and forward linkages with other sectors. The sector provides 30 percent of the country’s labor force. However, sectorial performance is undermined by low productivity and value addition, vulnerability to climate change, low technical and managerial capacity to start and develop agribusiness, limited access to financial services and to farm and organizational innovations, weak public sector institutional capacity to provide key services and improve the agribusiness enabling environment, insecurity over land ownership and food security issues. The sector is mostly composed of small-scale productive systems (92 percent), formed by family farmers, whose operations are characterized by low scale, productivity and competitiveness, low levels of organization and income generation, and high vulnerability to climate and internal market shocks.

The economic recession caused by the COVID-19 pandemic in 2020 and the tropical storms Eta and Iota that hit Honduras in November 2020 is expected to increase poverty and inequality rates, further deteriorate childhood malnutrition and food insecurity among the rural poor, and severely affect the national productive capacity of agri-food chains. Real GDP is expected to have contracted by 9 percent in 2020 (y/y) due to a sharp fall in trade, investment and consumption amid the global recession, extended lock-down, and damages caused by the tropical storms.

The proposed operation will contribute to economic recovery of smallholder family farmers by improving competitiveness, resilience and innovation in prioritized value chains, towards a more sustainable agri-food system. The design is based on turning the crises into an opportunity to build-back better the national agri-food system and prevent further nutritional and food security deteriorations. Competitiveness will be driven by environmentally friendly and inclusive investments in productive alliances to improve the ability of family farmers to increase productivity and value addition to successfully compete in the markets by meeting customers’ demands for price, quality, and quantity of products.

The project will focus on supporting smallholder family farmers and their organizations to: (i) identify and prepare agribusiness plans that rely on productive alliances with key technical, commercial, institutional, and financial partners; (ii) improve the human capital in rural producer organizations for leading the transformation of the agri-food system; and (iii) simplify and modernize the public services that are success factors for the productive alliances. The project will also help creating an immediate demand for jobs in the agribusiness sector as one of the key drivers for the country to restore and strengthen its economic dynamism, to mitigate the socioeconomic impacts of the crises.

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The direct beneficiaries will include primarily: (i) households lead by farmers or agri-food entrepreneurs who will participate in the project through the preparation of investment sub-projects, preferably as part of a producers' group, association or cooperative and (ii) public and private sector institutions and their staff that play a primary role in facilitating and improving the agri-food system's performance. The proposed project will also have indirect benefits for a much broader range of stakeholders in the agriculture sector through (i) enhancing the overall agriculture sector business environment by modernizing the public entities that provide services to those engaged in the agriculture sector (over 300 thousand families or nearly 1.5 million Hondurans); and (ii) helping improve rural productive infrastructure within the prioritized territories.

The project is organized in four components:

Component 1 will continue promoting the COMRURAL productive alliance model to improve the competitiveness, resilience, and inclusion of family farmers and their organizations within strategic value chains and to mobilize the co-financing of these investments by private financial institutions. The participatory design and implementation of the subprojects (business plans) will be supported with technical assistance for agribusiness development and a matching grant scheme to unlock the provision of co-financing from private financial institutions. Subprojects will be identified and selected through a demand-driven and transparent mechanism that will ensure the participation and inclusion of women, indigenous people and afro descendants, and the prioritization of climate-smart and nutrition-smart innovations, as well as farm and agrologistics innovations to boost productivity, value addition, food processing and bio-sanitary and safety procedures, food and nutrition security, and digitalization of agriculture.

Component 2 will help improve the enabling environment of agribusinesses by supporting the modernization and strengthening of selected public sector services that are key to improve the performance and competitiveness of agribusiness in agri-food system of Honduras. The component will support this type of improvements in the Ministry of Agriculture and Livestock (SAG), National Service for Agri-food Health and Safety (SENASA), the Sanitary Regulation Agency (ARSA), amongst others.

Component 3 will finance the overall project management including: (i) project management and coordination among different stakeholders; (ii) project monitoring, evaluation, and impact assessment; (iii) project fiduciary administration, internal controls, and audits; (iv) project environmental and social risk/safeguards management; (v) a citizen's engagement mechanism; and (vi) project-related studies.

Component 4 will be a Contingency Emergency Response Component (CERC) that will provide for an immediate response to eligible emergencies. In the event of such an emergency (the mechanism for declaration of an eligible emergency would be agreed between the World Bank and the Government of Honduras), this component will finance emergency activities and expenditures through the reallocation of funds from the project.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]



The Moskitia-Costa Atlántica region (located in the administrative department of Gracias a Dios) has been historically marginalized and faces a range of medium-to-long-term economic challenges. Geographically isolated, the region has historically been characterized by high vulnerability to disasters and its population, nearly 83 percent of whom are Indigenous and Afro-descendant, presents severe gaps in development indicators compared to the rest of the country. Its inhabitants live in chronic poverty and experience high environmental and food vulnerability. The incidence of multidimensional poverty in the Moskitia area amounts to 71.8 percent of households, much higher than the national average of 67.2 percent and poverty has been persistent. In 2018, approximately 80 percent of households in the Moskitia zone were considered food insecure, with 45.4 percent of the population in severely food insecure status very similar to recent IPC estimates noted above. In the same 2018 assessment, 30.7 percent of children under five years of age were found to suffer from chronic malnutrition and for 5 percent of children with this type of malnutrition, stunting was severe (similar to the nationwide average of 4.2 percent of children classified as severely stunted). Challenges are more acutely felt by vulnerable groups such as women, the youth, and the elderly. Youth are the group that suffers from the highest unemployment rates in Honduras. In 2019, workers ages 15–24 had an unemployment rate of 11.3 percent, a 36 percent increase from 2014. In rural communities, youth are vulnerable to joining gangs or organized criminal groups, and gang violence often results in forcible displacement, land abandonment, extortion, and control of limited resources. Examples for contrasting the involvement of youth in criminal. Barriers faced by persons with disabilities and their families in rural Honduras include poverty, lack of opportunities for training and access to credit, precariousness in the provision of essential basic services such as health and rehabilitation, lack of physical accessibility and transportation in the rural context, prevalence of prejudices and harmful stereotypes. These challenges for vulnerable groups are compounded by a low presence of state programs and weak public institutions in charge of service delivery including water and sanitation, electricity, communication, internet, and agriculture extension, among others. This has created a development context characterized by a lack of financial resources allocated by the central government often also managed with limited accountability, weak technical capacities within the regional administration, limited productive infrastructure, security risks, and physical isolation.

The Moskitia-Costa Atlántica is a multi-ethnic, multi-linguistic, and multi-cultural zone, and the region is home to several Indigenous and Afro-Honduran groups (IPAHS) meeting the criteria of ESS7 (Miskito, Pech, Tawahkas, Garífuna) with distinctive cultures and cultural land uses, as well as other Afro-Honduran groups. Even though the IPAHS are rich in cultural, social and territorial patrimony, most of these communities live below the poverty level. Overall, according to the National Institute of Statistics, in 2013, poverty rates measured in terms of Unsatisfied Basic Needs exceeded 90 percent in four of the department’s six municipalities and remained above 70 percent in the remaining two.

The Moskitia-Costa Atlántica region is characterized by its high biological diversity. It contains a rich variety of terrestrial and coastal marine ecosystems (rainforests, coral reefs, mangrove forests, seagrass beds, estuaries, coastal lagoons, wetlands, tropical coastal fisheries, among others), plant and animal species, and genetic resources of regional and global importance. Because of their importance for biodiversity conservation, a number of these ecosystems have been declared Natural Protected Areas with the aim of conserving biological diversity, ensuring the functioning of essential ecological processes and guaranteeing the perpetuity of natural systems through sustainable management practices. Although specific site locations are not yet known, there is a likelihood that some activities under the proposed AF will take place within these protected areas.

D. 2. Borrower’s Institutional Capacity



The AF will use the same implementation arrangements as the parent project (COMRURAL III), which is not yet effective. Both parent project and AF will be implemented by SAG through its Project Administration Unit (UAP-SAG). The SAG will continue to serve as the lead agency for the Project. AF financing (under component 3) will be used to establish a new office in Puerto Lempira, the departmental capital, with field staff (a regional coordinator, environmental specialist, and social specialist); and to finance additional monitoring and evaluation activities. The COMRURAL model, which has been financed by the Bank through successive COMRURAL projects (COMRURAL and its AF, COMRURAL II, and COMRURAL III) has accumulated more than 10 years of experience in promoting the development of the country's agri-food sector, with the active participation of the private financial sector to co-finance and maximize the impact of investments. While INVEST-H was the original implementing agency for these projects, upon transferring to SAG, the implementing team has been retained, including the key environmental and social staff. By implementing COMRURAL and COMRURAL II, which were under the safeguards policies, and preparing the COMRURAL III parent project, which is under the ESF, as well as by receiving training from the Bank in various instances, this team has developed institutional capacity and procedures to satisfactorily undertake actions to ensure environmental and social compliance under ESF while strengthening the social inclusion approach. Furthermore, the team will be strengthened by new environmental and social specialists based in Puerto Lempira. The WB team will work closely with current and new PIU staff to develop a training plan during the early stages of the implementation process on: (i) E&S management instruments; (ii) the requirements of the ESCP; and (iii) the monitoring of the Project's environmental and social standards and requirements.

Given the multicultural and multiethnic focus of the new component 5, strong collaboration and coordination with Secretaría de Desarrollo Social (SEDESOL) would be required. In particular, the close collaboration with its decentralized entities Solidarity Action Program (PROASOL) and National Coordination of Original and Afro-Honduran Peoples (CONAPROAH) will be emphasized for the implementation of the organizational strengthening and food security investments, and for coordinating actions specifically related to IPAHs. To ensure the prompt implementation of the project and avoid delays due to the limited presence of many state programs in this territory, the AF will utilize implementation support of selected consulting firms and NGOs or international organizations with a strong presence on the ground, which will be selected competitively and following key transparency criteria that will be set forth in the Project Operational Manual (POM), including criteria related to capacity and experience working in La Moskitia with key IPAH stakeholders. The specific roles and number of implementing entities will be decided after AF approval. In collaboration with these organizations, the project can provide timely technical assistance and effectively communicate with beneficiaries. The Terms of Reference for hiring the implementing entity or entities will describe, at a minimum, their specific E&S management roles and responsibilities, including the need to implement the E&S instruments, the number of environmental and social specialists to be hired, and reporting arrangements with UAP-SAG. The TORS for the implementing entity or entities will also be informed by further consultations to take place with key IPAH stakeholders in La Moskitia. The implementation would also rely on the capacity of the Associations of Municipalities of Honduras (AMHON) and IPAH organizations.

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II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Moderate



The environmental risk classification is moderate because the scope and scale of the AF’s environmental impacts will be small and highly localized. From an environmental perspective, AF related risks will stem from small investments under the AF on institutional strengthening, human capital, and business climate-enhancing activities as well as technical assistance to improve production techniques. Overall AF investments are expected to contribute to many positive environmental benefits. For example, subprojects under subcomponent 5.1. will be required, as a criterion for the grant award, to incorporate climate-smart agriculture practices and/or technologies which will respond to the particular nutrition, environmental, and/or climate challenges faced by each particular producer organization. Examples of such practices and technologies are: activities directly linked to conservation of local and natural practices such as improved poultry and small livestock management (health, genetics, feeding); soil and water conservation and management practices; farmer-led irrigation and small-scale collective irrigation schemes; improved water harvesting and storage in small, excavated ponds; on-farm drip and sprinkler irrigation technologies; low-cost, energy-efficient water pumping systems (including solar panels); biodigesters (with livestock manure) for renewable energy; facilities for composting crop residues; activities to prevent forest fires such as maintaining natural fire breaks. The technological innovations promoted in the framework of the AF will be accessible to a wide range of users. Therefore, works associated with both these types of activities will be small in scope and scale, and readily mitigated through standard mitigation measures. During the preparation of the parent project’s ESF instruments, the previous implementing agency, INVEST-H, was able to identify the necessity of distinguishing between Modified, Natural and Critical Habitat as well as legally protected areas when soliciting and reviewing business plan proposals. Areas with significant biodiversity values can be found in each of these categories. To avoid the additional requirement of preparing Biodiversity Management Plans for what are expected to be mostly small and medium scale business plans, the AF will prioritize support for business plans in Modified habitats that do not have significant biodiversity values. A key step in the business plan selection process will be the ability to identify whether the proposed location of the activity has significant biodiversity values while minimizing or avoiding a need for a biodiversity specialist to visit each location prior to selection. A proxy for this determination will be whether the location is within a legally protected area or one designated for protection or regionally or internationally recognized such as a KBA or a RAMSAR site and if so, ensure consistency with the area’s legal protection status. Potential use of chemical inputs represents an environmental and OHS risk. Pesticide Management Plans will be required for subprojects that propose to use them and will be limited to yellow and green label products. Fertilizers will be limited to locations that have deficiencies demonstrated by a prior soil test. Other potential risk identified are a potential water balance issues associated with irrigation works, phytosanitary aspects of livestock and fishery production supported under AF, potential use of chemical inputs for crop production, waste management in seafood processing and vulnerability to climate-associated drought and flooding.

Social Risk Rating

Substantial

The Social risk of the overall project is considered SUBSTANTIAL. Social Risks in both the parent project and the AF include: (i) the difficulties of implementing business and social risk management plans with multiple and diverse indigenous groups with different degrees of vulnerability dispersed nationally, particularly under window 1, which targets poor and extremely poor producers; (ii) national context characterized by high levels of crime and violence, and the challenges caused by recent emergencies (COVID-19 and hurricanes Eta and Iota) that hinders PIU monitoring, WB supervision capacity and access to the Project’s GRM; (iii) business plans may generate impacts related to community health and safety and labor conditions from agricultural activities or small scale civil works, including potential child labor in the supply chains, may exacerbate social tensions related to land tenure and other potential risks and impacts covered under the ESF, which is a new framework for SAG; and (iv) difficulties associated

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with tracking social risks across a wider geographical area than previous versions of the COMRURAL program, and in particular in the geographically isolated region of La Moskitia. The Bank’s investment portfolio has been recently transferred to SAG following the liquidation of Invest-H. While SAG has no previous experience implementing the ESF, a substantial part of the original COMRURAL team, including its environmental and social specialists have transitioned to SAG, retaining institutional knowledge in the implementation of the Bank’s safeguards. Work in La Moskitia, where the large majority of beneficiaries are IPAHs, will introduce additional complexities in terms of geographical access and consultation requirements with IPAH stakeholders, which will require close coordination within SAG and with other entities such as SEDESOL.

Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) Risk Rating

Low

The SEA/SH risk rating of the project is low. Project activities involve participatory design and implementation of subprojects (business plans) by local Organizations of Rural Producers (OPRs), which may include some minor construction or rehabilitation of facilities. Such activities are unlikely to involve more than very minor labor influx. The project includes mechanisms to ensure subproject E&S instruments incorporate measures to prevent and procedures to respond to SEA/SH, including, among other measures, a workers' code of conduct. The project also includes specific mechanisms within the GRM to respond to SEA/SH complaints. Training on SEA/SH will be provided to the PIU, PSDE and OPRs.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

Preparation of the parent project involved the development and consultation of key E&S documents, including an Environmental and Social Management Framework (ESMF) in line with the Environmental and Social Framework (ESF) and the World Bank Group (WBG) Environment, Health and Safety (EHS) Guidelines. The ESMF includes: (i) identification of applicable national legislation; (ii) an environmental and social characterization of the parent project area (including GBV, crime and violence, vulnerable groups); (iii) an identification and evaluation of positive and negative, direct and indirect environmental and social impacts; (iv) appropriate generic Environmental and Social (E&S) mitigation and management measures in accordance to the mitigation hierarchy; (v) implementation arrangements (including monitoring, supervision, and reporting); and (vi) budgeting for ESHS activities and measures.

The ESMF provides guidance on E&S screening and classification of subprojects and procedures for the development of site-specific Environmental and Social Management Plans (ESMPs), including OHS plans, small dams safety procedures, security procedures linked to project staff and equipment, community health and safety actions (including actions linked to COVID-19), and site-specific risk assessment and mitigation measures for the participation of vulnerable groups, intergenerational focus, gender strategy, GRM and code of conduct. Likewise, the ESMPs will include measures to ensure working conditions in a manner consistent with the provisions for business plans as defined in the Labor Management Procedures. Given the type of investments to be financed, the ESMF also includes a Chance Finds screening procedure. Furthermore, the project’s ESMF includes a negative list of activities to exclude those that may result in long term, permanent or irreversible negative environmental and/or social impacts and impacts on highly sensitive areas in terms of their biodiversity and cultural heritage value.



These arrangements remain relevant for the AF as well.

As part of the revised parent project and AF ESCP commitments, the UAP-SAG will update the ESMF within 90 days of the parent project effective date, to provide more detail on environmental and social risks and impacts as well as characteristics and barriers faced by vulnerable groups (e.g., IPAHs, women, youth, persons with disabilities) and to inform the consultation, determination of areas of intervention and implementation of parent project activities, including specific measures for the inclusion of vulnerable groups. This update to the ESMF will be expanded to include the new activities and areas of intervention in the department of Gracias a Dios under the AF.

During preparation and through feedback from key project stakeholders the need for proactive inclusion of vulnerable groups such as women, youth, and persons with disabilities was identified and AF design includes a specific focus on these groups. This focus will be measured through minimum percentages of subprojects both led by and/or with an overall participation of women, youth, people with disabilities, IPAHs across subcomponent 5.1. The results of the updated environmental and social assessment will provide further measures to be implemented across the project to ensure the inclusion of vulnerable groups, considering also the intersectionality and heightened challenges faced by persons who pertain to more than one vulnerable group, such as women with disabilities. In relation to peoples with disabilities, the updated ESMF will incorporate lessons learned from the study on the barriers faced by persons with disabilities in the agrobusiness sector in Honduras and concrete actions to overcome those barriers, which was undertaken by the Bank in collaboration with the International Fund for Agricultural Development (IFAD).

The parent Project also developed, consulted, and disclosed: (a) a SEP; (b) Labor Management Procedures (LMP); (c) a Resettlement/Process Framework (RF/PF); and (d) an Indigenous Peoples Planning Framework (IPPF). All E&S instruments will be updated to include the AF areas of intervention and activities, consulted with key stakeholders, and disclosed no later than 90 days after parent project effectiveness. In addition to these E&S instruments, the Borrower and the Bank prepared and will disclose by AF appraisal a draft revised Environmental and Social Commitment Plan (ESCP) including all the measures and actions to cover the AF and ensure its risks will be managed in accordance with the ESF and the project's E&S instruments, as well as related implementation details, including monitoring and reporting activities.

ESS10 Stakeholder Engagement and Information Disclosure

The AF introduces new challenges related to consultation processes and information disclosure due to the presence of new groups of IPAHs who still maintain their languages, customs and traditions. An additional risk is the access to the territory because of the lack of infrastructure and connection to the rest of the Honduran territory. The parent project's SEP will be updated to incorporate the new project areas and stakeholders, as well as the particular participation arrangements involving IPAHs in La Moskitia.

A draft version of the updated Stakeholder Engagement Plan (SEP) has been prepared by SAG and will be disclosed prior to appraisal. The draft updated SEP includes feedback obtained from a round of consultations carried out in November 2022, with prioritized stakeholders in the territory, government, and civil society organizations. Participation in these consultations included representatives from the Miskitos, Tawahkas, Pech, Garifunas,



governmental institutions, civil organizations, productive development service providers, commercial allies, donors and multilateral cooperation.

The consultation with civil society organizations had the following conclusions: i) to increase the opportunities for inclusion of the large number of people with disabilities in the department of Gracias a Dios, whose needs must be considered, ii) to evaluate the possibilities of incorporating hygiene and sanitation services in the proposal, iii) to address issues related to migration and its impact on the community, and the need to provide job opportunities to young people at risk (due to violence and lack of employment), iv) to include a gender approach, to recognize the important role of women in productive value chains, and v) to integrate ancestral knowledge and practices into the project in such a way that it is consistent with the beliefs and worldview of the Garifunas, Miskitos, and other indigenous groups regarding their interaction with nature.

Through the different consultations, the Honduran Government, through SAG and SEDESOL agreed upon the importance of the project and the need to involve local authorities and ensure this way the sustainability of the initiative. Also, representatives from IPAHs and civil society organizations noted that the project presented an opportunity for the inclusion of the large number of people with disabilities, for the empowerment of women and youth through new practices, knowledge and skills, resulting in the co-creation of better opportunities and in positive impacts on their livelihoods. These considerations were taken into account for the project's design and results framework to measure the participation of vulnerable groups as well as in a proposal of participatory mechanisms to identify specific needs to be financed in each community and in the strengthening of local institutions and community structures.

Recommendations from government consultations to improve the design of the project included the need for close coordination between SAG and SEDESOL and taking advantage of existing programs and their lessons learned, emphasizing the importance of involving local authorities to ensure the sustainability of the initiative, and taking advantage of the willingness to create a knowledge exchange group with donor institutions.

Based on feedback from these consultations and lessons learned from previous Bank involvement in the region, the proposed participatory mechanisms proposed for the identification, design, implementation, monitoring, and evaluation of the specific activities of component 5 will be based on consultation processes with government actors and key IPAH organizations in the territory and joint development of project activities with the beneficiary communities and organizations. The AF has been designed in a manner consistent with ESS7 as most of the beneficiaries in la Moskitia will be Indigenous Peoples. Therefore, the principles for stakeholder engagement across component 5 will be similar to those developed in the project's IPPF for working with Indigenous producer's associations but will be adapted to the specific characteristics of La Moskitia in terms of geographical accessibility and cultural diversity, as well as for activities that are new for component 5 such as the school feeding programs and community nutrition and hygiene plans. Therefore, component 5 will ensure cultural adaptation of the participatory process through, among others: (i) identification of key actors and representatives of the territory, both IPAH authorities and government entities including, among others, organizations of the territory such as MASTA (Moskitia Asla Takanka), Federation of Pech Tribes of Honduras, FITH Tawahka Indigenous Federation of Honduras, ODECO, the Territorial Councils, as well as government institutions such as SEDESOL, DIGIPESCA and the municipalities and associations present in La Moskitia- and the Atlantic Coast of the department of Gracias a Dios, ii) gender equity and diversity, iii) Strengthening of capacities for participation, through specific training activities in soft skills and techniques for efficient dialogue between IPAH representatives and the different government entities, iv)



transparency in information and decision-making and accountability to strengthen relationships of trust between the different stakeholders at the local level, v) ongoing participation in the different stages and activities of the project. Given the highly participatory nature of the project, the specific process for each stage will be developed in further consultations with key stakeholders, which will inform the updated SEP.

The specific adaptations of the GRM to be able to serve the beneficiary population in the Moskitia with cultural relevance will be developed based on the participatory processes to be carried out with key actors in the territory for the development of key elements of the project. The SEP will be updated to incorporate those elements. Among others, they could include language adaptations in the dissemination and management tools of the system, consideration of the instances of dialogue and conflict resolution of IPAHs, involvement of the IPAH authorities of the territory for the transmission and resolution of complaints, among others.

The final updated version of the SEP incorporating feedback from stakeholders to be obtained in ongoing consultations will be disclosed no later than 90 days after the parent project's effective date.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The Project and AF expects the following type of workers: (i) direct workers (including project coordinator, procurement specialist, environment and social specialists, and technical, administrative, and support staff according to the project's demand); and (ii) contracted workers of the implementing entity for the AF, as well as those hired by consultancy firms to provide technical assistance to OPRs during business plans' development and other technical services to the Project, as well as potentially contractor workers for small civil works. Neither community workers nor primary suppliers are expected to be involved in the project.

The project developed Labor Management Procedures (LMP) in a stand-alone document that includes: (i) applicable legal framework; (ii) main types of contract considered under national law; (iii) types of workers for COMRURAL III; (iv) assessment of labor risks and mitigation measures, including occupational health and safety (OHS), and measures to prevent child labor, community risks and code of conduct; (v) responsibilities of LMP implementation and monitoring; and (vi) a dedicated GRM for workers. Measures related to OHS, child labor, community risk and code of conduct of the LMP will also be applicable to the working conditions of the OPRs. This LMP will apply to the AF as well as to the Parent Project.

SAG will implement and require consulting firms to implement a workers' code of conduct which shall include provisions to manage risks posed by Sexual Exploitation and Abuse and Sexual Harassment SEA/SH and COVID-19 transmission, among other risks.

Given that 14 percent of children under 17 years old is active in the Honduran labor market and 60 percent of them are in the agriculture sector, child labor is a potential risk for the Project. The LMP identifies this risk, provides a general overview and identifies some actions to be implemented under the Project to prevent the presence of child



labor in the Project. The minimum age for work under the project is 18 years old as reflected in the LMP. Forced labor will be prohibited.

The LMP will be updated to include the AF and finalized within 90 days of the parent Project's effective date.

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS3 is relevant as there are potential sources of pollution from AF activities. Generic mitigation measures for all activities under the AF will be included in the updated ESMF following the mitigation hierarchy. All business plans will include these mitigation measures with more specificity as applicable depending on the results of environmental assessments required within. Benchmark standards for pollution prevention and control will follow the World Bank's General EHS Guidelines as well as sectoral EHS Guidelines for Perennial Crop Production and Annual Crop Production, as well as national standards, whichever are more stringent in any specific context. Some mitigation measures include:

Water: Regarding water efficiency, under subcomponent 5.1, AF investments will incorporate climate-smart agriculture practices and/or technologies to enhance natural resource-use efficiency of key agri-food value chains (soil and water conservation and management practices that reduce erosion and limit evapotranspiration, etc.; improved water harvesting and storage in small, excavated ponds; on-farm drip and sprinkler irrigation technologies that increase water productivity and water savings).

Waste Management: Waste management practices for AF activities will aim to avoid, reduce, reuse or dispose of waste materials in a manner that is safe for human health and the environment, especially water bodies. The updated ESMF will include guidelines for the inclusion of site-specific waste management procedures for activities under the new component 5. Specific measures will aim to ensure there is no soil, water and/or air contamination from handling and disposal of construction waste. For the operations phase, site specific waste management plans shall be developed to ensure processing facilities manage their waste streams in line with the requirements of this standard. Where potential environmental liabilities are identified as part of subproject level assessment and planning, these shall be assessed and where necessary, site-specific remedial plans developed as part of the business plans. These requirements will be outlined in the updated ESMF. The environmental and health risks associated with the use of agrochemicals will be assessed in the updated ESMF, with guidance on the development of subproject-specific Integrated Pest Management Plans (IPMP). In addition, measures will be defined to prevent and mitigate against potential adverse health impacts on project beneficiaries, water bodies, biodiversity and adjacent communities.

GHG Emissions: Under subcomponent 5.1, AF investments will incorporate climate-smart agricultural approaches to reduce Green House Gas (GHG) emissions of key agri-food value chains at the production, processing and post-harvest stages, such as energy-efficient water pumping systems (including solar panels); biodigesters (with livestock manure) for renewable energy; and facilities for composting crop residues. In line with ESS3, the Borrower will characterize and estimate sources of air pollution-related to the AF and will determine with the Bank whether AF related emissions may warrant an estimation of gross GHG emissions as per this standard, as well as its technical and



financial feasibility. If the estimation is deemed warranted and is feasible, this gross GHG estimation will be reported during implementation.

ESS4 Community Health and Safety

ESS4 is relevant given that project investments may expose communities to health and safety risks. The risks and impacts emerging from the new component 5 will depend on the nature of the business plan investments, and most of them will be localized (e.g., improvement of on-site infrastructure and technology) with limited impact on the broader community. Potential risks will be outlined in the updated ESMF, along with generic measures to safeguard community health and safety during AF implementation, and processes for business plans screening and site-specific mitigations, as warranted. COVID-19 is still a risk in Honduras and hence, preventive measures shall be taken by the PIU and consulting firms for office work and on-site AF implementation and monitoring.

Gender Based Violence (GBV) risks are considered low due to the nature of AF activities which do not involve labor influx, but on-site interventions led by the OPR. However, mapping of local service providers in charge of GBV prevention and response will be carried out and included in Social Management Plans to be developed as part of business plans as well as simple measures to prevent Sexual exploitation and abuse/sexual harassment (SEA/SH) in OPRs. Capacity building on SEA/SH will be provided to the PIU, PSDE and OPRs. Implementing entities will be required to develop and adopt a workers' code of conduct, including provisions on SEA/SH.

The national context is characterized by an overall lack of security and violence which may be present in Project and AF intervention areas and present an additional risk for the Project. The ESMF provides a description of baseline social and environmental conditions, including crime and violence, for the parent project, which will be expanded to the AF project locations, as well as general guidelines to manage associated risks. It is not expected that the government of Honduras or Project and AF beneficiaries will need to rely on private security, military or police forces to provide security services in connection to the Project and AF; however, the updated social assessment will indicate whether the involvement of security forces will be necessary in the context of the AF, and the ESMF includes guidelines to manage risks related to the use of security forces. The parent project also includes some recommended interventions to address crime and violence, while fulfilling program components and objectives, particularly focused on youth and aimed at strengthening the social fabric and prevent youth to enter gangs, these approaches are also expected to be implemented in the AF activities.

Although not certain at this point, some business plans might include small dams (for example, farm ponds) to be used for irrigation. For activities that will depend on the storage and operation of an existing small dam or a small Dam Under Construction (DUC) for their supply of water and could not function if the dam failed, SAG will, as required by OP 4.37, arrange for one or more independent dam specialists to: (a) inspect and evaluate the safety status of the existing dam or DUC, its appurtenances, and its performance history; (b) review and evaluate the owner's operation and maintenance procedures; and (c) provide a written report of findings and recommendations for any remedial work or safety-related measures necessary to upgrade the existing dam or DUC to an acceptable standard of safety.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement



The AF is not expected to include risks related to ESS5 different to those identified for the parent project. While activities to be financed through business plans are expected to cover on-site investments in privately-owned land, it is not possible to rule out the need of permanent or temporary physical or economic displacement as determined under ESS5, particularly due to the diverse nature that investments under window 4 – innovations – may take. Likewise, under the AF, some minor community infrastructure investments with the potential of causing involuntary resettlement may be included under component 5.2, and some activities related to infrastructure improvements may be included under component 5.3. Moreover, given the presence of legally designated protected areas in the departments of intervention, there could be restrictions on land use - limitations on the use of agricultural, residential, commercial or other land that are introduced and put into effect as part of the project.

To address potential risks and impacts under ESS5, a Resettlement Framework (RF), including Process Framework, applicable to COMRURAL III and drawing extensively on the one developed for COMRURAL II, was prepared and disclosed during parent project preparation. The RF/PF guides the preparation of specific Resettlement Action Plans (RAPs) to address potential cases of involuntary resettlement/restriction of access if they are identified during project execution and are not avoidable through subproject design measures or selection of alternative sites. The RF examines national legislation around involuntary land acquisition and resettlement as well as gaps with the Bank's ESS5, and describes procedures, measures and steps to follow for land acquisition, including description of conditions for willing-buyer-willing seller, if applicable.

The document will be updated to expand geographical coverage to AF intervention areas and any updates to ensure the activities under components 5.2 and 5.3 are properly covered and finalized within 90 days of Project effective date. RAPs will be prepared, if warranted, for those business plans or other Project activity that causes impacts covered under ESS5.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The Moskitia-Costa Atlántica region has very high indices of biodiversity. The ecosystem services provided by these high biodiversity areas, such as water storage and flow regulation and fisheries are critical to sustaining communities and economic, particularly agricultural, development.

For any animal husbandry activities supported through the AF, good international industry practice (GIIP) will be employed in husbandry techniques, in a manner consistent with this standard.

For aquaculture, fishery and agroforestry activities, measures will be taken to prevent any associated threats that invasive species present to natural habitats.

Given that specific site locations are not yet known, the ESMF requires distinguishing between Modified, Natural and Critical Habitat as well as legally protected areas. Areas with significant biodiversity values can be found in each of these categories. Biodiversity Management Plans will be prepared for business plans in all habitat types that have significant biodiversity values, including Modified Habitat.

A key step in the business plan selection process will be the ability to identify whether the proposed location of the activity has significant biodiversity values while minimizing or avoiding a need for a biodiversity specialist to visit each



location prior to selection. A proxy for this determination will be whether the proposed location is within a legally protected area or one designated for protection or regionally or internationally recognized such as KBA or a RAMSAR site and if so, ensure consistency with the area’s legal protection status. Interventions that would adversely affect habitats with significant biodiversity values will not be eligible for AF support. The negative list will also include activities that could incentivize land use changes that could put pressure on, or directly threaten natural habitats and/or the sustainable management of natural living resources.

The ESMF provides generic guidance on measures to avoid, minimize or mitigate potential impacts on biodiversity and on the sustainability of living natural resources. A screening processes has been developed to prevent activities negatively impacting natural or critical habitats, protected and/or internationally recognized areas, and any residual impacts will be addressed through site-specific mitigation measures defined in sub-project ESMPs. In addition, the AF will not support activities within protected areas unless (a) those activities are permitted under the protected areas’ management plans; (b) adequate capacity exists to ensure effective implementation of that management plan; and (c) site-specific screening and assessment has determined that the activities do not have the potential to lead to the loss, conversion or degradation of natural habitats.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

The ESS7 is relevant. The AF will work within the Moskitia-Costa Atlántica in the Department of Gracias a Dios. The region is a multi-ethnic, multi-linguistic, and multi-cultural zone, home to various IPAH groups meeting the criteria of ESS7 and with distinctive cultures and cultural land uses including Miskito, Pech, Tawahkas, and Garífunas. Some Afro-Honduran groups that may not meet the criteria of ESS7 such as creole peoples are also present in the project area. Afro-Hondurans benefitting from the AF that do not fit the criteria described in ESS7 will be considered as part of ESS1 in the ESMF and will be considered in risk assessments and mitigation measures established in other relevant documents including ESMPs, SEP, and LMP.

It is expected that the majority of AF beneficiaries will be IPAHs, with a total of 4,000 IPAH, and other vulnerable households benefitted. The beneficiaries will mostly be poor small-scale subsistence farmers that live in isolated territories, as well as schools, children, and communities in general. The grant will also include indigenous organizations such as Territorial Councils, communal organizations, among others as beneficiaries of the technical assistance and capacity building activities on multiculturalism.

Like the parent Project, the AF will not have adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation by indigenous people, it will not cause relocation of Indigenous Groups from land and natural resources subject to traditional ownership or under customary use or occupation and will not have significant impacts on cultural heritage that is material to the identity and/or cultural, ceremonial, or spiritual aspects of the lives of indigenous peoples. Therefore, no activities meeting the requirements for Free, Prior and Informed Consent (FPIC) will be part of the Project.”

An Indigenous Peoples Planning Framework (IPPF) was developed for the Parent project. The IPPF for the parent project includes: (i) description of the project; (ii) institutional arrangements; (iii) the national legal framework relevant to IPs, including a gap assessment with ESS7; (iii) description of IP population; (iv) participation of IPs in



Project implementation; (v) potential general risks and mitigation measures; (vi) process to include social assessment and mitigation measures in the indigenous business plans; (vii) description of GRM; (viii) monitoring; and, (ix) budget.

For the AF, the IPPF will be updated to include the particular elements of work with IPAHs in la Moskitia, the manner in which participatory processes will take place to ensure joint development and co-ownership of the project with representative organizations and communities, as well as how the national and international normative framework related to free, prior, and informed consultations will be applied in the context of the project. Because the overwhelming majority of project beneficiaries are IPAH, the elements of an Indigenous Peoples Plan will be included in the overall design of the AF activities, including business plans, school feeding programs, and community nutrition and hygiene plans. Therefore, unlike the parent project, whose activities may include IPAHs but are not dedicated to them, the preparation of stand-alone Indigenous Peoples Plans for individual subprojects is not necessary.

Consultation with IPAH organizations in La Moskitia have been carried out, and will continue to be carried out during implementation as described under ESS10 Above, in assessing the nature and degree of expected direct and indirect impacts, determining how IPAHs will participate in project design and implementation, and in developing measures for: ongoing consultations during implementation, monitoring implementation and impacts, protecting the livelihoods, assets and rights of project-affected groups, enabling indigenous groups to participate equitably in project benefits, strengthening Borrower capacity, as appropriate among others.

The IPPF will be updated, consulted with representative IPAH organizations in la Moskitia, finalized, and disclosed within 90 days of Original Project’s effective date.

ESS8 Cultural Heritage

The ESS8 is relevant since some of the construction activities may involve soil excavations. The AF does not have any additional risks related to Cultural Heritage beyond those already covered in the Project’s ESMF. The ESMF includes Chance Finds Procedures and requires that each business plan include this procedure as well. Construction contracts will include clauses requiring civil contractors to take proper protective measures in case cultural heritage sites are discovered and any needed mitigation measures to avoid or restore community cultural sites. Project activities are not expected to have significant impacts on IPs’ cultural heritage that is material to their identity and/or culture, ceremonies or spirituality. The Project also takes note, as reflected in the ESMF, of the Garifuna’s language, music and dance as UNESCO’s Intangible Cultural Heritage.

ESS9 Financial Intermediaries

ESS9 is not relevant. The project will not involve any financial intermediaries.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways Yes

OP 7.60 Projects in Disputed Areas No

Public Disclosure



The World Bank

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

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

Areas where “Use of Borrower Framework” is being considered:

None.

IV. CONTACT POINTS

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VI. APPROVAL

Task Team Leader(s): Viviana Maria Eugenia Perego, Melissa Brown
Practice Manager (ENR/Social) Tatiana Tassoni Cleared on 10-May-2023 at 16:43:42 EDT

Public Disclosure