I. Introduction and Context

Country Context

Honduras is a lower-middle income country (GNI per capita of US$ 3,770 in 2010) facing significant poverty and development challenges, which are aggravated by its high vulnerability to natural disasters. The country is the second largest in Central America with an area of 112,492 square kilometers and the second most populated with about 7.6 million people, almost half of whom live in urban areas. Poverty had shown a declining trend since 2005. Nevertheless, with the economy's contraction following the 2008-2009 global economic crisis poverty rose by more than 150,000 people between 2009 and 2010, when around 60 percent of the population was estimated to be poor. Since then, the moderate recovery propelled by public investments, exports, and higher remittances has led to a gradual decline of poverty levels. Economic recovery is reflected in GDP growth of 2.8 percent in 2010 and 3.6 percent in 2011. Despite the global uncertainties, Honduras’ growth outlook remains positive and the economy is expected to grow 3.6 percent in 2012.

Government efforts to reduce poverty and sustain economic growth have been hindered by the country's high vulnerability to natural disasters, especially hurricanes and tropical storms and associated impacts such as flooding and landslides. Earthquake activity has not been uncommon as the country also faces significant seismic hazards. Globally Honduras ranks 9th among countries at relatively high mortality risk from exposure to two or more natural hazards. Hurricane Mitch in
1998, the worst natural disaster in the country's recent history, affected 90 percent of its territory, resulting in over 5,700 dead and 8,000 missing, and almost half a million people displaced. Mitch’s overall damage amounted to nearly 40 percent of GDP, including agricultural losses of 70 to 80 percent. Subsequent extreme meteorological events, such as hurricanes Michelle (2002), Beta and Gamma (2005), tropical depression 16 (2008), and tropical storm Agatha (2010), suggest that Honduras’s vulnerability to natural disasters is on the rise. Between 1980 and 2010, over 15,000 people were killed and over 4 million were affected by disasters in Honduras, while economic damage amounted to US$4.5 billion.

In addition to poverty levels, rapid urbanization and environmental degradation render the country particularly vulnerable to natural hazards. The urban population growth rate for 2010-2015 is expected to average 3.03 percent, almost five times higher than the rural population growth rate for the same period. According to UN Habitat, Honduras’s population will predominantly live in urban areas by 2025 (61.6 percent of the total projected population of 10.7 million, compared to 49 percent of 7.6 million in 2010). This urban population expansion, coupled with inadequate infrastructure, provides additional challenges to the country’s disaster risk management (DRM) efforts. At the same time, environmental degradation is growing, with devastating results for the country’s traditional prevention ability. For instance, deforestation resulting from logging and improper land use is soaring with an annual deforestation rate of 2.5 percent between 1990 and 2005. In the same period, Honduras experienced a decline of 37 percent in its forest cover, reducing the country’s natural prevention capacity against landslides. Simultaneously, other trends have intensified, including farming of marginal lands, soil erosion due to haphazard development, and mining activities in environmentally sensitive areas.

The effects of increasing climate variability and change further aggravate Honduras’s natural disaster risk and vulnerability. Climate change is arguably causing an increase in hurricane risks in the Caribbean. Moreover, Honduras will also likely experience a warming and drying trend, and have both more frequent heat waves and droughts and more intense rains. By 2050, a 20-25 percent decrease in precipitation is projected for most parts of the country between June and August. In the immediate period up to 2020, a recent national study indicates a five percent decrease in precipitation, particularly in the departments of the corridor Cortés-Choluteca river basin (i.e., from the Caribbean coast to the Pacific). This study also projects between 0.5 and 0.75 degrees Celsius increase in mean annual temperature, especially in the departments in the western and southern regions.

Sectoral and Institutional Context
Honduras has demonstrated its commitment to improving the national capacity for disaster risk management (DRM) and to reducing local disaster vulnerability. With support from the Bank-financed Natural Disaster Mitigation Project (PMDN, P064913) and other donors, national capacity for DRM has improved considerably and the country has shifted towards a culture of prevention. Indeed, PMDN represents a pioneering approach adopted by Honduras after Hurricane Mitch, which has been mainstreamed in many subsequent Bank-financed DRM projects in other countries, as well as in ongoing projects financed by other donors in the country.

At the national level, there are advances in institutional capacity and coordination, building on a more consolidated legal framework for DRM. PMDN strengthened key agencies such as the Disaster Preparedness and Response Agency (COPECO) and the Ministry of Environment (SERNA). PMDN also assisted the preparation and passage of the 2009 law establishing
Honduras’s formal disaster risk management system (SINAGER). Honduras also enhanced hydrometeorological forecasting accuracy and timeliness by integrating national monitoring, forecasting and decision support systems. Thanks to an improved early warning system, vulnerable populations, businesses and farmers in several parts of the country are timely and reliably informed. Positive synergy of technological and scientific improvements, better collaboration across key agencies, and clearly defined protocols for data sharing and dissemination of warning messages have made the system in place more effective. There are also noteworthy improvements in access to disaster risk information and knowledge useful for policy making and public education.

Finally, Honduras has made good progress in DRM at the local level through the participation of local officials and communities in relevant analyses and preparation of Municipal Risk Management Plans (PMGRs) and Municipal Territorial Development Plans (PMOTs). The latter include land use guidelines and have been frequently used to inform and engage public and private investments decisions that consider disaster risk. Coordination between the national, municipal, and local level, as well as information exchange within the national emergency response network, occurs through the Municipal Committees for Emergency Response (CODEMs) and the Local Committees for Emergency Response (CODELs). By the end of PMDN in 2010, it was estimated that nearly 10,000 people had been trained at the local level.

Despite the above progress, several challenges remain:

• Furthering institutional and policy consolidation while implementing the SINAGER Law. SEPLAN is a new ministry and implementation of the regional planning approach based on watersheds is in its initial stages. COPECO’s mandate has continued to broaden without commensurate growth in capacity and budget allocation. The SINAGER law, although representing progress, needs revisions to ensure that institutional and policy objectives are met. A proposal has been recently prepared to introduce such changes, which requires attention to ensure consistency with other laws such as the 2009 Water Law. Some of SINAGER Law’s key provisions need to be made operational.

• Increasing attention to environmental sustainability issues for DRM, particularly in the light of climate change. Better understanding of the underlying factors of increasing disaster risk and vulnerability is still needed. The watershed management approach introduced recently in the country is a positive development, as is the National DRM Strategy that is being prepared under the IDB-financed Disaster Risk Prevention and Mitigation Project (MITIGAR). Since climate change has introduced additional factors to be considered for DRM strategy and measures, considering these factors will result in better understanding of natural hazards and their associated vulnerabilities.

• Improving local capacity for DRM and investing in mitigation within a territorial planning framework. Fragile infrastructure, which predominates in the country, is highly vulnerable to adverse climatic conditions. A large proportion of the country’s population faces severe risk from hydrometeorological and associated extreme climatic events, such as floods, droughts and landslides. Seismic risk is also relevant in many areas of the country, but thus far it has not been sufficiently monitored and analyzed. Despite the substantial progress made through PMDN and the ongoing efforts of MITIGAR and other initiatives, the need for improving DRM capacity at the local level while investing in mitigation remains substantial. These investments should be identified on the basis of adequate risk and vulnerability analyses.
From this perspective, a major challenge at the local level remains the number of people living in high-risk areas. Implementation of a major program to promote voluntary relocation to safer places and minimize the resettling of freed up high risk locations faces social and fiscal constraints. Preventing future settlements in this type of locations through inter alia, risk identification, territorial planning, increased awareness, and social “common good” oversight, would nevertheless have a substantial impact in promoting sustainable development.

- Developing risk reduction strategies that mainstream prevention and mitigation issues into key sectors such as transport, water and sanitation and energy. Recognizing the importance of this issue, through the MITIGAR Project the Government will update the strategic plans of at least two key sectors to introduce DRM aspects. The Bank is also contributing to this effort through a regional initiative that will assess the vulnerability of the water and sanitation sector.

- Adopting disaster risk financing strategies and mechanisms to reduce fiscal vulnerability. As initial steps, Honduras has obtained from the IDB for a Contingency Loan of US$100 million (with some features similar to the Bank's CAT DDO) to ensure rapid access to financial resources upon declaration of a national disaster. Moreover, the reform of the SINAGER Law proposes the establishment of the National Fund for the Prevention and Response to Emergencies (FONAPRE) with an annual budget allocation of at least Lps. 30 Million (over US$1.5 million). Additionally, five per cent of non executed funds in any fiscal year would be transferred to FONAPRE through channels to be determined by the Ministry of Finance (SEFIN).

Relationship to CAS

The proposed Project is consistent with the World Bank Group’s Country Partnership Strategy IDA/R2011-0309 (Report No. 63370-HN) discussed by the Executive Directors on December 6, 2011. The CPS, covering the FY2012-2014 period, has three strategic objectives: (i) improving citizen security, (ii) expanding opportunities through reducing vulnerabilities, and (iii) enhancing good governance. The proposed Project falls primarily under the second strategic objective, but also contributes to good governance by promoting citizen participation in local planning and decision making.

Bank engagement in Honduras seeks to be multi-disciplinary taking into consideration overlapping risks such as climatic, crime and violence, poverty, and social exclusion. The proposed Project would complement the country program, building on PMDN’s satisfactory outcomes and on ongoing efforts such as the Bank-financed Second Phase of the Land Administration Program (PATH II, P106680) and Barrio Ciudad Project (P088319), as well as the proposed operation for safer municipalities (P130819). The Project would, at the same time, complement sectoral and regional initiatives such as the Central America Probabilistic Risk Assessment (CAPRA); the Climate Change Adaptation Planning in Latin American and Caribbean Cities; the DRM assessment of safe drinking water and sanitation in Central America; and non-lending support for agricultural risk management including, among else, technical assistance and training on the design of weather index insurance.

The proposed Project, as the CPS, is aligned with the Country Vision for 2010-2038 and the National Plan for 2010-2022. The Country Vision and Plan recognize the links between environmental degradation, high poverty levels and increased vulnerability to and occurrence of natural disasters. The National Plan includes goals and objectives directed to strengthening
resilience, mitigating risks, and strengthening the legal, institutional and planning frameworks as well as enforcement mechanisms. An overarching goal of the National Plan is to reduce the physical and environmental vulnerability of the country by 75 percent, aiming for a similar reduction in the loss and reconstruction rates of public investments. The Country Vision seeks to achieve these objectives by consolidating regional development under an environmentally sustainable development process. The first step towards the achievement of the Plan and Vision’s goals is the Government Plan for 2010-2014, which has a risk mitigation approach.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)
The Project Development Objective (PDO) is to support Honduras to continue strengthening its capacity for integrated natural disaster risk management at the municipal and regional level. On the foundations of the previous project, the proposed objective will be achieved through DRM mainstreaming and consolidation of institutions and policy-making, and enhanced coordination between central institutions and key local actors, with a focus on community participation and social inclusion, technical quality, and environmental sustainability.

Key Results (From PCN)
The Project will result in increased DRM capacity and coordination from the central to the local levels, and by improving disaster risk knowledge and awareness, will help consolidate a culture of prevention within the Project area. At the municipal level, the Project will help reduce vulnerability through participatory risk and vulnerability analysis, territorial planning, and prioritizing and investing in mitigation.

Consistent with the PDO, the following key results are expected:

• Total number of direct project beneficiaries (including x% of women) [CORE INDICATOR]
• At least 80% of participating municipalities adopt the territorial planning model developed under the Project
• At least 85% of mitigation measures financed by the Project are evaluated independently as technically, economically and environmentally sound
• At least 80% of a representative sample of direct beneficiaries (and 80% of female beneficiaries) rate the participatory characterization and territorial planning process implemented under the Project as Satisfactory (third level on a four-level scale)
• At least 80% of sampled population within the Project area have increased their disaster risk awareness at end of project

III. Preliminary Description

Concept Description
The project concept reflects the importance of designing operations which promote institutional and policy capacity-building, disaster risk knowledge management, and high-impact disaster risk reduction works in an environmentally sustainable and participatory manner. The proposed Project components and activities have been identified through several workshops with central and local government representatives and meetings with development partners, on the basis of the analytical approach, recommendations, and lessons learned from PMDN and recent experience of the ongoing PATH and MITIGAR projects, among others. Finally, existing information on disaster risk and
vulnerability has helped to inform the selection of the Project area in order to promote DRM in some of the most vulnerable municipalities in Honduras.

Proposed Project Area

As agreed with the Government, the proposed Project will focus on Region 1 (Sula Valley), which comprises 20 municipalities across four departments, including Cortés, whose total area is within Region 1, as well as Atlántida, Santa Barbara and Yoro. This reflects the National Plan’s regionalization based on the country’s main watersheds. Along with national priority considerations, the decision to focus on the Sula Valley is based on: (a) the high vulnerability of the region, which at the same time is one of the most dynamic areas of the country economically and demographically; (b) readiness for implementation based on previous work and experiences conducted in the region under Bank-financed projects, such as PMDN and PATH, and other donor-funded efforts; and (c) the strategic objective to maximize impact and feasibility of starting mitigation measures in 2013.

Project Components and Activities

The Project will consist of the following four components: (1) Policy and Institutional Framework Strengthening (US$1.8 million); (2) Natural Disaster Risk Information and Knowledge Management (US$2.70 million); (3) Design and Implementation of Risk Reduction Measures (US$6.0 million); and (4) Project Management, Monitoring and Evaluation (US$1.50 million). The Project would be implemented over a five-year period, and will include, among others, flood, landslides, forest fires and seismic risks.

Component 1: Policy and Institutional Framework Strengthening (US$1.8 million)

The objective of this component is to help consolidate the institutional and policy DRM framework within the overall territorial and regional planning efforts of the country. The component will comprise the following sub-components and activities:

1.1. Strengthening Territorial Planning Capacity, by supporting SEPLAN through: (a) provision of training, equipment and software for the General Directorate of Territorial Planning (DGOT); (b) consolidation and connectivity of the National Territorial Information System (SINIT) and the Territorial Planning Norms Registry (RENOT) under the National Property Administration System (SINAP), in collaboration with the Property Institute; and (c) updating and promotion of a standardized methodology for territorial planning, considering such fundamental aspects as disaster risk and environmental sustainability.

1.2. Strengthening Coordination and Promotion Capacity for Disaster Risk Management, by supporting COPECO through: (a) consolidation of DRM policy and strategy, including, among else, assessments, policy analysis, training, workshops, and South-South knowledge and experience exchanges; (b) promotion of a “culture of prevention”, including the implementation of a Social Communication Strategy; (c) promotion of transparency and accountability for DRM, including the implementation of an institutional grievance redress system and carrying out of at least two social audits of relevant project activities; and (d) consolidation of implementation capacity by (i) designing and constructing offices for the Project within COPECO, (ii) building technical and fiduciary capacity; and by (ii) providing computing and office equipment, mobile communications,
vehicles, and other support for the effective functioning of the Project Coordination Unit (PCU).

1.3. Strengthening Technical Quality Assurance and Environmental Sustainability Capacity, by supporting COPECO through: (a) preparation of a Good Practice Environmental Code for Disaster Risk Management; (b) updating and promotion of the National Construction Code, in collaboration with relevant stakeholders such as the national associations of architects and engineers; (c) establishment of an Environmental Management Unit within COPECO to process environmental permits and licenses, and to promote environmental issues related to disaster risk management; and (d) provision of technical assistance and studies in connection to climate change and environmental sustainability.

1.4. Strengthening Disaster Risk Monitoring Capacity, by supporting COPECO through (a) consolidation of Early Warning Systems for landslides and of the Metropolitan Wireless Network (RMI); and (b) development of technical capacity and establishment of a seismic monitoring network, in collaboration with the National Autonomous University of Honduras (UNAH); and by supporting SERNA through (c) strengthening of the General Directorate of Water Resources (DGRH), including among else, training for hydrological and hydraulic modeling.

Component 2: Natural Disaster Risk Information and Knowledge Management (US$2.70 million)

The objective of this component is to support the strengthening of knowledge and information for DRM at the municipal and community level, applying models and methodologies developed under PMDN, which continue to be applied and improved under the IDB-financed MITIGAR project. Activities under this component will help implement participatory territorial planning processes, including risk and land use characterization and institutionalization of municipal risk management. For the implementation of this component, COPECO will work closely with the Association of Honduran Municipalities (AMHON) and participating municipalities. The component will include the following sub-components and activities:

2.1. Establishment of municipal and local disaster risk management capacity, including (a) organizing, training and equipping of CODEMs and CODELs in the participating municipalities; (b) strengthening of the Municipal Environmental Units; and (c) conducting of drill/emergency simulation exercises to monitor and evaluate local preparedness and response capacities.

2.2. Development of territorial planning and characterization for local risk management, including (a) the update, revision, and/or development of risk and land use characterization studies and territorial planning in the participating municipalities, including the preparation of PMGRS, Municipal Emergency Plans (PEMs), and Municipal Land Use Plans (PMOTs); and (b) the production and delivery of the information generated to the participating municipalities and their incorporation into COPECO’s Integrated Disaster Risk Management and Territorial Analysis System (SIGRET).

2.3. Institutionalization of local risk management, including (a) the validation of information and other products generated by the project at the municipal level, in accordance with the territorial planning process under 2.2; and (b) outreach of local authorities, civil society and private sector associations to promote the project and its sustainability through, inter alia, workshops and other events.
2.4. Update, Enhancement and Implementation of local and regional Early Warning Systems, in line with the needs identified through the Project.

Component 3: Design and Implementation of Risk Reduction Measures (US$6.0 million)

The objective of this component is to reduce local vulnerability by supporting the implementation of specific small structural and nonstructural measures as identified and prioritized through the technical analysis and participatory process supported under Component 2. The Operations Manual will establish criteria for municipal participation and describe the process for prioritization of mitigation measures. Based on PMDN and ongoing experience, it is estimated that the financing range of a mitigation measure will be between US$60,000.00 and US$200,000.00, and that between one and two mitigation measures will be implemented in each municipality. These mitigation measures may include, for example, small riverbank protection, drainage canal-bridges, rain water drainage, micro-watershed management plans, and reforestation. The component will include the following sub-components and activities:

3.1. Design of structural works and non-structural measures, including updates, revisions, and/or preparation of designs at critical locations in the participating municipalities.

3.2. Implementation of small structural mitigation works, including the supervision and construction of works prioritized works in participating municipalities.

3.3. Implementation of nonstructural measures, including the supervision and carrying out of prioritized nonstructural measures in participating municipalities.

Component 4: Project Management, Monitoring and Evaluation (US$1.50 million)

The objective of this component is to support Project management as well as the monitoring and evaluation of its results. As such, it includes the following sub-components and activities:

4.1. Support Project Management, including (a) training and workshops; (b) technical assistance and technical audits; (c) carrying out of the fiduciary aspects of the project such as financial management, audits, and procurement; (d) the establishment of the Project Coordination Committee; and (e) the supervision of the social communication and gender equity strategies.

4.2. Support Monitoring and Evaluation (M&E) of the Project, including, inter alia, (a) the integrated M&E system covering financial and physical progress; (b) production of bi-annual Project progress reports; (c) collection of base line data to assess the Project's social and economic impacts, including gender-differentiated impacts; and (d) preparation of mid-term and final project evaluation reports.

Proposed Implementation Arrangements

The Project's implementing agency will be COPECO, which had satisfactorily carried out PMDN’s and is currently in charge of the IDB-Financed MITIGAR Project. A PCU will be established within COPECO under a Coordinator with operational and administrative autonomy, reporting directly to the Minister-Commissioner of COPECO. The PCU will also include the necessary technical,
administrative, and procurement staff for the project's effective implementation. To ensure smooth implementation, PCU-COPECO will administer all of the Credit’s resources as was the case for the PMDN. There will be no direct transfer of resources from COPECO to other agencies or participating municipalities. As required, the Ministry of Finance (SEFIN) and COPECO will sign a Subsidiary Agreement.

Based on the initial analysis of the current institutional framework and the lessons learned from PMDN and MITIGAR, the Project will include the following co-executing agencies: SEPLAN, SERNA and AMHON. The representatives of these agencies will form the Project Coordinating Committee (PCC), which will be presided by COPECO’s Minister-Commissioner or his delegate. SEFIN and a representative from the Regional Council of Sula Valley (Region 1) will also be invited to participate in the PCC. When necessary, the PCC will establish a Technical-Operational Committee (TOC) to follow up on specialized issues. Finally, COPECO will sign agreements by component with the co-executing agencies to promote coordination and collaboration.

The Project will also engage collaborating agencies, based on implementation needs, including, among others, the Ministry of the Interior and Population (SEIP), the Ministry of Education (SE), the UNAH, the Flood Control Committee of the Sula Valley (CCIVS), the Property Institute (IP), and the national associations of architects and engineers (CAH and CICH). When necessary, a Memorandum of Understanding will be signed between COPECO and a collaborating agency.

Municipalities that would benefit from the Project will sign a Participation Agreement with COPECO describing, inter alia, their role and responsibilities, and operation and maintenance commitments related to any mitigation investments financed by the project.

Coordination with other projects and initiatives would be facilitated through the DRM coordination committee of development partners.

### IV. Safeguard Policies that might apply

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
<th>TBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>✖</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td></td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td></td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td></td>
<td></td>
<td>✖</td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td></td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td></td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td></td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Safety of Dams OP/BP 4.37</td>
<td></td>
<td></td>
<td>✖</td>
</tr>
<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
<td></td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
<td></td>
<td>✖</td>
<td></td>
</tr>
</tbody>
</table>

### V. Tentative financing

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BORROWER/RECIPIENT</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Page 9 of 10
VI. Contact point

World Bank
Contact: Enrique Pantoja
Title: Sr Land Administration Specialist
Tel: 473-2516
Email: epantoja@worldbank.org

Borrower/Client/Recipient
Name: Republic of Honduras
Contact: Ministry of Finance
Title: Minister of Finance
Tel: 504-2237-4142
Email:

Implementing Agencies
Name: Comision Permanente de Contingencias (COPECO)
Contact: Lisandro Rosales Banegas
Title: Minister-Commissioner
Tel: 504-2229-0606
Email: Lrosba@gmail.com

VII. For more information contact:
The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop