



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 27-Mar-2019 | Report No: PIDISDSA26170



BASIC INFORMATION

A. Basic Project Data

Country Honduras	Project ID P168385	Project Name Integrating Innovation for Rural Competitiveness in Honduras - COMRURAL II	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 26-Mar-2019	Estimated Board Date 31-May-2019	Practice Area (Lead) Agriculture
Financing Instrument Investment Project Financing	Borrower(s) Republic of Honduras	Implementing Agency Inversion Estrategica - Honduras (INVEST-H)	

Proposed Development Objective(s)

The PDO is to improve access to markets and climate-smart practices and contribute to the economic inclusion of targeted beneficiaries in select agricultural value chains.

Components

- Support to enhance the competitiveness, resilience, and innovation of agribusiness initiatives
- Support to the modernization of Honduras' agribusiness enabling environment
- Project management support
- Contingency Emergency Response Component (CERC)

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	146.90
Total Financing	146.90
of which IBRD/IDA	75.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	75.00
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IDA Credit	75.00
Non-World Bank Group Financing	
Counterpart Funding	18.40
National Government	12.70
Local Beneficiaries	5.70
Commercial Financing	53.50
Unguaranteed Commercial Financing	53.50

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Over the past 30 years, Honduras has experienced highly volatile economic growth that, combined with absence of a robust economic base for generating more and better jobs, has undermined productivity growth and progress in raising incomes and reducing poverty.** Honduras’ real GDP grew at an average annual rate of 3.6 percent over the past three decades, exceeding the LAC average (3.4 percent). However, economic growth has not kept pace with the rapidly growing population (2.4 percent per year), and the private sector has not generated high-productivity jobs sufficient to accommodate the growing workforce.

2. **High rates of poverty, inequality, and violent crime remain a persistent development challenge in Honduras, driving a growing number to migrate to other countries.** Of Honduras’ national population of about 9.2 million people in 2017, nearly 70 percent live at or below the national poverty line and about 1 in 6 of the total population lives in extreme poverty (less than US\$ 1.90 per day). Unemployment in 2017 was estimated at 4.5 percent, with unemployment among youth at 8.2 percent. Honduras’ rate of economic inequality is also among the highest in Latin America, with a Gini Index of 0.50 in 2016. Rough estimations from indigenous organizations indicate that over 70 percent of indigenous peoples (e.g. Lenca, Maya-Chorti, and other ethnic groups) live in poverty and over half are unemployed or under-employed. Regionally, Afro-descendants are over 2.5 times more likely to live in chronic poverty than other races.¹ Female labor force participation in Honduras (46 percent) is far lower than the male rate (85 percent), and employed women

¹ WB 2018 Afro-descendants in Latin America: Toward a Framework of Inclusion.



normally receive lower average wages than employed men. Approaches to addressing these high poverty and inequality rates have also been challenged by significant levels of crime and violence.² Poverty, unemployment, and crime are also driving a growing number (particularly youth) to migrate to other countries.

3. High informality, characterized by low job quality, productivity and earnings, has undermined both poverty and inequality reduction efforts in Honduras. The level of informality is significant in Honduras (about 75 percent), which makes the major share of poverty structural. Informal work persists across all sectors (agriculture, industry, services) and in both urban and rural settings, and is characterized not only by low earnings but also by low quality and productivity, undermining GDP growth. Average earnings per worker vary widely across and within sectors in Honduras, with self-employment in agriculture as the least remunerative activity of all. Honduras is also ranked 75th out of 149 countries,³ behind regional neighbors such as Nicaragua and Panama, in terms of economic participation and opportunity for women.

4. Honduras is considered significantly vulnerable to climate and weather events, with poorer populations in particular having a low capacity to cope and adapt. Honduras is considered to be considerably vulnerable to extreme weather events and has increasingly felt the impacts of climate change, El Niño, and other weather-related events that affect landscapes and infrastructure (communications, housing, public health, etc.). In 1998, Hurricane Mitch generated economic damages estimated at around 81 percent of GDP. In addition, the 2015 drought season affected 1.3 million people, with small-scale farmers suffering an average loss in agricultural production of about 80 percent. The 2018 drought significantly affected agricultural production in Honduras as well, and weather variability and lack of rainfall particularly in the Dry Corridor is a recognized driver of farmer migration to other countries.⁴

Sectoral and Institutional Context

5. The agriculture sector continues to be a strong pillar of economic growth in Honduras. Underpinned by favorable agro-ecological conditions, agriculture, forestry, and fishing together grew by 10.7 percent in 2017, accounting for 12.9 percent of GDP (primary production only) and representing a 5-year peak in sector growth. This figure understates the importance of agriculture in the Honduran economy, however, as it does not reflect the many backward and forward linkages between primary agriculture and other sectors, both upstream and downstream. The agriculture sector also continues to provide jobs to a large segment of the population: about 28 percent of the national working force in 2017. Within rural areas, which contain about 44 percent of Honduras' total population, most depend on agriculture for their livelihoods.

6. Notwithstanding strong agriculture sector performance in recent years, much more needs to be done given the scale of poverty and food and nutrition insecurity in rural areas. In Honduras, more than half of the poor, and two-thirds of the extreme poor, live in rural areas. Rural poverty is most heavily concentrated in the western and southern areas of the country, known as the "Dry Corridor" (*Corredor Seco*).⁵ The rural

² 43.6 murders per 100,000 inhabitants in 2017, according to the Observatory of Violence at the National Autonomous University.

³ [WEF 2018 Global Gender Gap Report](#)

⁴ [Financial Times, December 2018](#)

⁵ The Honduran Dry Corridor covers a total area equivalent to 27.3 percent of the national territory and is characterized by severe cyclical drought season (30-40 percent of rain reduction) related to "El Niño" period of the Southern Oscillation (ENSO). Severe effects could reduce water precipitation average at 800mm per year compared to 545mm in Europe,



poor overwhelmingly rely on agriculture as their principal livelihood source, with an estimated 72 percent of agricultural families in Honduras engaged in semi-subsistence farming. This type of farming is typically characterized by low productivity and competitiveness, low revenue generation, and high vulnerability to shocks. Agriculture is also the predominant activity for most indigenous peoples and Afro-descendant groups.

7. Climate change and the increasingly frequent occurrences of drought and other extreme weather events are widely recognized as one of the most important risks affecting the Honduran agriculture sector -with important links to migratory pressures. Honduras' endowment of water, fertile soils, forests, and other natural capital is a central foundation for much of the country's economic activity. These resources are highly vulnerable to climate change, El Niño, and other weather-related events, as well as to environmental mismanagement, exacerbating rural poverty and food and nutrition insecurity. For example, the coffee rust outbreak was a key driver of the spike in Honduran migration to the United States from 2012-2014, during which border apprehensions increased from nearly 40,000 to 100,00 according to official U.S. data.⁶ The Bank estimates that up to 3.9 million climate migrants will flee Central America by 2050.⁷ Looking forward, according to United States Agency for International Development ([USAID calculations](#)),⁸ higher temperatures and reduced rainfall are projected to decrease the amount of land suitable for production, reduce yields, and cause outbreaks of pests and diseases. Improving the management of natural capital, especially water for productive use in agriculture, remains a critical factor for enhancing resilience and increasing the productivity of small-rural farmers, especially in the Dry Corridor.

8. Investing in rural productivity, resilience, and innovation to boost export competitiveness will be a critical component of efforts in Honduras to reduce poverty, inequality, and the drivers of outmigration. While the 2006 launching of the Dominican Republic–Central America Free Trade Agreement, the [EU-Central America association agreement](#), and the customs union between Honduras, Guatemala and El Salvador have increased access to foreign markets, they have also exposed rural producers to new and increasingly competitive markets. Honduras benefits from strong comparative advantages in the agriculture sector, and in recent years has emerged in the world market as a specialty coffee exporter – a sector that accounts for about one third of the country's agricultural production and contributes 5 percent to GDP. The Honduras Rural Competitiveness Project (COMRURAL) project is currently the Government of Honduras' (GoH) flagship project for promoting agricultural competitiveness and exports in Honduras under the “productive alliances” model.⁹ Under this model, each US dollar from the COMRURAL project leveraged US\$ 1.50 from private financial partners.

677mm in Africa and 377mm in Chile. As observed, the main challenge is not the lack of water, but rather the promotion of investments towards adjusting water management irregular natural cycle into the regularity required by crop's agronomic water intakes.

⁶ [Financial Times, December 2018](#)

⁷ [World Bank, 2018](#)

⁸ [USAID 2017](#)

⁹ Under COMRURAL, a productive alliance entails a business relationship (the alliance) between a Rural Producer Organization (RPO), a technical assistance provider, a commercial financial institution, and an identified market or buyer. These parties enter as a “productive alliance” into a joint business plan for the purpose of meeting the demand of the market while improving productivity, value addition, market position, and ultimately sales on a benefit-sharing basis. The participation of buyers is critical to the model as they provide the market linkages and, in many cases, continue to do so even after project support has ceased.



9. **The decade-long implementation of the government’s efforts to strengthen agricultural competitiveness, leverage Honduras’ agri-food export potential and engage private sector actors, via COMRURAL, has provided several important lessons.** The key learnings are that Honduras needs to work on several fronts to enhance its business-enabling environment and promote competitive agribusiness development. Poor agro-logistics has shown to be a particularly critical barrier to improving agricultural competitiveness. Harnessing recent innovations in technology and data collection will be critical for improving competitiveness and creating new employment opportunities. Moreover, boosting and deploying human, financial and institutional capital, across promising agri-food value chains, are equally vital to help create a conducive enabling environment.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The PDO is to improve access to markets and climate-smart practices and contribute to the economic inclusion of targeted beneficiaries in select agricultural value chains.

Key Results

The achievement of the project development objective would be measured through the following indicators:

- Farmers adopting improved agricultural technology (Number)
- Jobs (full-time) created under business plans financed by the project (Number)
- Increase in gross sales generated by business plans in implementation (Percentage)
- Rural producer organizations (RPOs) working under a productive alliance approach 24 months after first disburse

D. Project Description

10. **The proposed project introduces a number of design enhancements and innovative features that build on the strong base and experience of the ongoing COMRURAL intervention to consolidate and concentrate impact within the same geographic area and value chains.** The proposed project will bring greater nuancing, sophistication, and innovation to the productive alliance approach while deepening subproject beneficiary engagements and agri-business partners’ reach within the current 13 *departamentos*¹⁰ and the same key agri-food value chains¹¹ already being supported under the ongoing COMRURAL operation. Additionally, the proposed project will deepen the participation of the private sector in financing agribusiness development. The operation furthermore will, in a more explicit and deliberate manner focus on climate resilience, jobs and economic inclusion, and improving the institutional and physical infrastructure, while building stakeholders’ capacity for a more robust agribusiness enabling environment.

Project Components

¹⁰ The 13 *departamentos* of the ongoing COMRURAL operation are: Santa Barbara, Copan, Ocotepeque, Lempira, Intibucá, La Paz, Comayagua, Francisco Morazán, El Paraíso, Choluteca, Cortés, Atlántida, and Colon.

¹¹ The value chains currently covered under the ongoing COMRURAL operation include i.a. specialty coffee, horticulture, fruits, livestock (beef and dairy), cacao, and aquaculture.



11. Component 1: Support to enhance the competitiveness, resilience, and innovation of agribusiness initiatives (US\$ 56.2 million IDA credit; US\$ 53.5 million commercial private finance; US\$ 5.7 million participating RPO beneficiaries). The purpose of this Component is to support competitive, innovative, and climate-resilient agri-business initiatives (“subprojects”) by providing matching grants and technical assistance in prioritized agricultural value chains.

12. This Component will take the productive alliances model to the next level, i.a. by: (i) expanding the participation of private commercial banks in financing small rural producers; (ii) incentivizing the adoption of innovative and climate-resilient technologies and approaches (in particular through explicit subproject selection criteria in the Dry Corridor to improve water management and encouraging other resilience building aspects); and (iii) introducing three distinct windows that correspond to three types of targeted beneficiaries (subsistence, transitioning and commercially-oriented farmers).

13. Component 2: Support to the modernization of Honduras’ agribusiness enabling environment (US\$ 9.7 million IDA credit and US\$ 12.7 million in counterpart funding). The purpose of this Component would be to contribute to the modernization and strengthening of the agribusiness governance framework to enable and promote competitiveness in the agriculture sector. Prioritized public services to be supported, include the sanitary and phytosanitary services provided by the National Service for Agri-food Health and Safety (SENASA) and the sanitary services provided by the Sanitary Regulation Agency (ARSA). This Component will furthermore provide technical assistance for the design of a National Agriculture Council and Technical Unit under the Secretariat for Agriculture (SAG), as well as for a National Agro-Climatic Information System.

14. Component 3: Project management support (US\$ 9.1 million IDA credit). This Component will finance the overall project management, coordination, and implementation of Components 1 and 2, including the following aspects: (i) project coordination and management; (ii) monitoring, results evaluation, and impact assessment of project activities; (iii) project fiduciary administration, internal controls, and audits; (iv) project environmental and social risk/safeguards management; and (v) a citizen’s engagement mechanism.

15. Component 4: Contingency Emergency Response Component (CERC) (Total Cost US\$ 0.0 million). This component will allow for a reallocation of loan proceeds from other components to provide emergency recovery and reconstruction support following an eligible crisis or emergency at the national or sub-national level.

E. Implementation

Institutional and Implementation Arrangements

16. The proposed project management (including fiduciary aspects) and monitoring and evaluation would be managed by the Honduras Strategic Investment Office (INVEST-H). INVEST-H, under the General Coordinator of the Presidency of the Republic of Honduras, is a government agency for supporting strategic projects for the country’s socio-economic development. A Project Implementation Unit (PIU) will be established within INVEST-H, which will coordinate with SAG, ARSA, SENASA, private sector stakeholders, and other institutions on the implementation of the project. The proposed institutional arrangements build on a successful experience with INVEST-H for the implementation of the first phase COMRURAL project (P101209) and of the Corredor Seco Food Security Project (P148737). The proposed project will rely on the existing regional offices of COMRURAL and expand the coverage as needed on the basis of further assessments to be completed during preparation.



17. **Provisions will be made to further augment the implementation capacity of the PIU.** COMRURAL-Additional Financing operates a total of four regional offices to cover 13 departments of the country. The offices provide overall implementation support (fiduciary, safeguards, technical) for the preparation and implementation of business plans. The central and four regional offices currently functioning as part of the PIU for COMRURAL will be further strengthened to ensure the proper coordination of activities among project stakeholders at the central level, and to supervise and monitor activities on the ground, coordinating with local agencies, governments and other stakeholders.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The COMRURAL II project focuses on rural areas of Honduras, with subproject investments expected to be implemented in 13 departments of the country. The main value chains expected to be financed are rural agriculture, rural tourism, and cultural products. The main agricultural products or activities expected are coffee, cattle, cacao, avocado, cashew, leaf vegetables, fruit, non-traditional products, apiculture, and aquaculture, among others. These value chains combine the national development priorities established in the Plan Honduras 2020 with regional priorities and the incorporation of socially inclusive activities with development potential. Since the program is based on public calls for investment proposals, the locations of the specific subprojects to be financed will not be known during the preparation of the project. There are Indigenous Peoples and Afro-descendant communities present in the area of influence of the project, particularly in departments such as Intibucá y Copán. There is a significant incidence of crime and violence in the country, which influences the social risk of the context in which this project will be implemented. Biodiversity and natural habitats are present throughout the country, some of which falls within the national network of protected areas. Streams, lakes, and rivers drain to the Pacific and Atlantic oceans, from the mountainous interior, and their wellbeing in terms of quantity and quality is essential for the success of this program. This project will include private sector funds that will co-finance the subprojects, thus leveraging the participation of private sector in rural investments. In that regard, the environmental and social requirements will apply to all the funds administered under the COMRURAL II project.

G. Environmental and Social Safeguards Specialists on the Team

Andrew Francis Drumm, Environmental Specialist
Rodolfo Tello Abanto, Social Specialist



SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>Potential adverse environmental impacts include degradation of natural habitats, including forests, streams and rivers, and health and safety of farmers through pesticide mismanagement. The overall impact of the project is likely to be positive and the foreseen activities are not expected to generate significant risks or irreversible adverse environmental or social impacts. As such, based on the available information, this project has been classified as Category B.</p> <p>The potential social impacts of the project associated with OP 4.01 are related to community health and safety, particularly health risks for local populations in areas surrounding the agricultural projects (including those associated with the use of pesticides), as well as the labor conditions of agricultural employees, including those in the supply chains, and the possibility of situations involving child labor, migrant workers, and potential gender exclusion. As a result, both the environmental and social risk ratings of this project has been deemed as Substantial.</p> <p>Since the specific locations and impacts of the subprojects cannot be known during project preparation, the Borrower prepared an Environmental and Social Management Framework (ESMF), based on an Environmental and Social Assessment (ESA), in consultation with stakeholders, which defined the procedures to identify, manage and mitigate potential adverse impacts during implementation, and to guide the preparation of specific Environmental and Social Management Plans (ESMPs), which will include Environmental and Social Impact Assessments (ESIAs), for each of the subprojects to be defined during project execution.</p> <p>The project promotes the participation of the local communities and other stakeholders based on a Stakeholder Engagement Plan (SEP), which will guide the stakeholder engagement process during project</p>



		preparation and execution. The SEP builds upon the Social Participation Plan prepared for COMRURAL I in 2007 and updated for the additional financing in 2017. The ESMF and SEP were consulted and disclosed prior to appraisal.
Performance Standards for Private Sector Activities OP/BP 4.03	No	The project will not finance activities that are implemented by a private entity.
Natural Habitats OP/BP 4.04	Yes	Project activities will not involve significant loss or degradation of natural habitats. Any investment funded under the project will be screened for its potential to cause negative impacts to terrestrial and aquatic natural habitats under the ESMF procedures, including critical natural habitats. Any activity likely to cause irreversible or significant damages to habitats, or that involves unmitigable impacts, will be excluded from project funding, as specified in the exclusion list included as part of the ESMF. The criteria for evaluating business plans will include additional points for activities such as organic production, biodiversity-friendly practices, use of native species, and protection of aquatic ecosystems.
Forests OP/BP 4.36	Yes	The ESMF will guide the assessment of potential impacts of the planned investments on forests. It includes a negative list of activities/impacts that could lead to degradation or conversion of forests to exclude them from financing. The project limits the use of agroforestry and silvopastoral practices to already cleared lands.
Pest Management OP 4.09	Yes	The project finances agricultural activities expected to involve the use of different types, quantities, and applications of agrochemicals for pest management. The project will emphasize Integrated Pest/Crop Management through technical assistance. The ESMF provides the necessary initial guidance for related screening and good practices via a specialized annex called Pesticide Management Plan. Procurement will screen any proposed purchases of agrochemicals to secure exclusion of red or yellow label chemicals and those prohibited by national regulations. During implementation, proposed business plans will be assessed in detail and managed based on good international pest management practices. For each project that requires the use of pesticides, a Pest Management



		<p>Plan (PMP) will be prepared as part of the ESMP. The ESMP/PMP will outline the various elements or actions needed to be taken to adequately address concerns during project implementation.</p>
Physical Cultural Resources OP/BP 4.11	Yes	<p>Project activities are not expected to involve any major civil works. No major movement of earth or excavation is anticipated, nor is it expected that natural features and landscapes with some level of cultural significance might be adversely impacted by the project. As such, it is unlikely that physical cultural resources will be impacted. Nevertheless, guidelines for chance find provisions in the subprojects were included in the ESMF, in a way that complies both with OP 4.11 and the cultural protection laws of the country.</p>
Indigenous Peoples OP/BP 4.10	Yes	<p>Given the presence of Indigenous Peoples such as Lenca, Maya- Chortis, and Tolupan, as well as afro-descendant communities, located in the project's expected area of influence, the Borrower prepared an Indigenous Peoples and Afro-descendants Planning Framework (IPAPF), which was consulted with indigenous organizations and disclosed prior to appraisal.</p> <p>The IPAPF promotes the inclusion of indigenous communities and Afro-descendants as beneficiaries of the project in favorable conditions, adapted to their sociocultural reality and with provisions to reduce the risk of impoverishment for the indigenous and afro-descendant beneficiaries. The IPAPF builds upon the Indigenous Peoples Development Plan prepared in 2007 for the COMRURAL I project (P101209) and its additional financing prepared in 2017(P158086). The IPAPF also takes into account the preliminary findings of the ESA, informing relevant project design elements, such as the criteria for evaluating business proposals. The IPAPF defines the criteria and procedures for the preparation of specific Indigenous Peoples and Afro-descendant Plans (IPAPs), through open, fair and culturally appropriate processes, including free, prior and informed consultation processes leading to broad community support for the subprojects, as part of the review of the draft business plans of the prospective</p>



		<p>beneficiaries before they are approved. The IPAPs will assess the potential impacts to Indigenous Peoples potentially present in the area of the subprojects, and define the necessary mitigation and inclusion measures that might be needed, as well as provide information about the practical ways in which the Indigenous Peoples and Afro-descendants can be included as project beneficiaries, and to ensure that they do so in a culturally appropriate manner. The IPAPF provides guidelines for the inclusion of gender measures in the IPAPs, which will also identify culturally-specific mechanisms for the grievances that may arise through project implementation, both as part of the project's centralized Grievance Mechanism and also as part of a grievance mechanisms at the subproject level.</p>
Involuntary Resettlement OP/BP 4.12	Yes	<p>Project activities are not likely to involve involuntary resettlement. Subproject allocation will be demand-driven, during implementation. Since project locations are not known yet, the borrower prepared a Resettlement Policy Framework (RPF) to guide the preparation of specific Resettlement Action Plans (RAPs) or Abbreviated Resettlement Plans (ARAPs) to address potential cases of involuntary resettlement if they are identified during project execution. The RPF was disclosed and consulted prior to appraisal.</p>
Safety of Dams OP/BP 4.37	Yes	<p>It is likely that existing small dams (for example, farm ponds) will be used for irrigation. For subprojects 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, INVEST-H 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.</p>
Projects on International Waterways OP/BP 7.50	Yes	<p>The project will finance subprojects in the upper parts of the Goascorán River basin, the Lempa River basin and the Rio Negro River basin, which are</p>



considered international waterways under the policy. However, the subprojects will support the productive use of already existing hydraulic assets, without increasing the amount of water abstracted. Therefore, the proposed activities are not likely to adversely affect the quantity or quality of the water flowing to downstream riparians, and the proposed Project will not be affected by other riparians' possible water use. Accordingly, an exception to the riparian notification requirement has been processed and approved on February 1, 2019.

Projects in Disputed Areas OP/BP 7.60 No

Project activities will not be located or take place in disputed areas. If an area were to be in dispute, it would not be eligible for financing under the project.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The main environmental and social impacts and risks identified for this project, as part of the environmental and social assessment conducted under OP 4.01 Environmental Assessment, are related to soil and water pollution, Green House Gas (GHG) emissions from intensification of agriculture and increase in cattle numbers, risks to community health and safety, labor risks, and risks of potential social conflicts in areas with land tenure issues. These impacts and risks will be addressed with an ESMF. Project activities will take place in rural areas and will potentially affect wetlands, streams, rivers, lakes and other habitats through drainage and pollution from fertilizers and pesticides and intensification of production strategies. As such, activities that cause significant impacts on natural habitats will be avoided, as established in the ESMF (OP 4.04 Natural Habitats). Likewise, Honduras has extensive forest cover which is under stress from climate change and agricultural extension, so this project will exclude land use changes that negatively affect forest cover (OP 4.36 Forests). As the project may include the provision of pesticides, a PMP is included as part of the ESMF (OP 4.09 Pest Management). Project activities will also avoid impacts to physical cultural resources, based on guidelines for chance find procedures included in the ESMF (OP 4.11 Physical Cultural Resources). The subprojects included as part of this operation also have the potential to create small-scale cases of involuntary resettlement and/or economic displacement, which will be managed by an RPF prepared for this project (OP 4.12 Involuntary Resettlement). Since indigenous peoples will be present in the area of influence of the project, the project includes an IPAPF (OP 4.10 Indigenous Peoples), with measures to promote their inclusion and prevent impacts and risks for them. Some rivers in the project areas of influence flow into El Salvador and Nicaragua; however, an exception to the riparian notification requirement (established in OP 7.50 Projects on International Waterways) has been authorized. Safeguard instruments have been consulted and disclosed.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: Increased demand for water may result from project activities, and in the absence of an assessment of ecological or environmental flow in the impacted waterways, there is the potential for negative impacts. There is a possibility that



the agricultural frontier may expand to the detriment of natural habitats including forests and waterways, and to aquifers, especially if the use of fertilizers and pesticides increases. There is also the possibility of increased social tensions as a result of local competition for access to water, particularly in contexts with water scarcity. These risks could be aggravated by weak enforcement of environmental regulations and inadequate supervision of the implementation of the project's ESMF and the subprojects' ESMPs.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Project alternatives are not of much relevance at this stage, as the eligible subprojects (business plans) are of a small-scale, a dispersed nature, and their financing will be driven by the demand. Deciding on alternatives will become more relevant during project implementation stage, when decisions are made as to what demand-driven business plans will be selected and implemented on a particular rural area, and as part of the preparation of Environmental and Social Management Plans.

During the selection and preparation of business plans, the ESMF of the project includes provisions to assign additional weight to those plans that involve sustainability and social inclusion, such as those that propose organic production, reducing the risk of fertilizer and pesticide pollution and contributing to the climate-smart objective. Additional weight will be also given to business plans submitted which include water management (consumption, effluent), include women as members of their board of directors, or benefit Indigenous or Afro-descendant producers. Some key provisions of the ESMF are also included in the Project Operations Manual (MOP). Other safeguard instruments, such as the RPF and the IPAPF, will also require beneficiaries to seek alternative options that avoid and/or reduce affectations if potential adverse impacts are identified, making use of the mitigation hierarchy that seeks to avoid impacts first, then reduce, mitigate, and compensate for such impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

To manage the potential environmental and social impacts and risks of the project, the Borrower prepared an ESMF, based on an ESA, which has been consulted and disclosed prior to appraisal. The ESMF includes a pest management plan, a gender strategy, and provisions for the development of labor management procedures and community health and safety plans. The project also prepared a SEP, an IPAPF and an RPF. Once the subprojects and their locations have been defined, the Borrower will prepare ESMPs, based on ESAs, for each of the subprojects, in accordance with the provisions of the ESMF. These ESMPs will be socialized, along with the business plans of the beneficiary entities. The selection of business plans for project finance will be weighted to favor those that include water quality and quantity management strategies and those that avoid the use of pesticides and fertilizers. ESMPs will include sub-project monitoring strategies that will include indicators to monitor any changes in land use and water quality.

Regarding the Borrower's capacity to plan and implement the safeguard instruments, the Borrower will need to strengthen its environmental and social capacity via activities like the hiring of at least four additional social and environmental specialists (two environmental and two social specialists) for the monitoring, supervision and reporting of the safeguard aspects of the project. INVEST-H also has four environmental specialists and one social specialist, which could provide additional support to the COMRURAL team in periods of high workload. The organizations who will be contracted to provide the technical assistance to the Rural Producers Organizations (RPOs) during the preparation and implementation of their business plans will also support them in the preparation and execution of their ESMPs, under the supervision of the environmental and social specialists from COMRURAL. To that effect, the environmental and social management tracking system of COMRURAL will be upgraded as part of this project. The ESMF includes measures for the Borrower to ensure that the socioenvironmental specialists have the necessary financial and logistic resources to adequately conduct their activities as established in the safeguard instruments.



These specialists will also benefit from a safeguards training workshop, to be organized around the project launch.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The project prepared a Stakeholder Engagement Plan (SEP), which includes consultation activities conducted during project preparation and establishes provisions to carry out subproject-level consultations during the project's execution stage. The SEP is based on the identification and analysis of the project's stakeholders. The main stakeholders identified are the associations of rural producers (RPOs), including Indigenous and Afro-descendant organizations, which are the direct beneficiaries of the funds the project will provide to finance the implementation of their business plans. Other relevant stakeholders are the local population surrounding the subprojects, the financial institutions that will be partnering with the RPOs, and the agencies providing them with the necessary technical assistance to develop sound business plans that are also environmentally and socially sustainable, to be designed and implemented in accordance with the provisions of the ESMF.

The main social actors consulted during project preparation were Indigenous and Afro-descendant organizations, which helped identify opportunities for greater socioeconomic inclusion, taking into account their own decision-making systems. Other key stakeholders consulted were organizations of rural producers, government agencies, financial institutions, and civil society organizations. To achieve a meaningful consultation process, the consultations carried out used different formats, such as socialization events, workshops, work meetings, interviews, and the virtual review of documents, such as the safeguard instruments prepared for the project. These consultation activities took place between December 3, 2018 and January 28, 2019, including more than 16 consultation instances as part of this process conducted in locations within the country including Tegucigalpa, Olancho, Valle, Yoro, Catacamas, Juticalpa, Culmí, La Ceiba, Tela, Trujillo, Puerto Cortes, and La Puzanca. The SEP provides more detailed information about the stakeholders, the consultations conducted during project preparation process (including documentary evidence), and the guidelines for the socialization process to be conducted during the preparation of the business plans and their ESMPs for each of the subprojects. The project also has a grievance mechanism, which will be complemented by the establishment of grievance mechanisms at the subproject level.

The safeguard instruments Environmental and Social Management Framework (ESMF), Stakeholder Engagement Plan (SEP), Resettlement Policy Framework (RPF), and Indigenous Peoples and Afro-descendants Planning Framework (IPAPF) were prepared in Spanish, a language that is understandable and accessible to the project stakeholders. These instruments were publicly disclosed and are available at the following links:

- COMURAL II Project. Publication date: February 25, 2019. <http://www.comrural.hn/mgas-comrural-ii/>
- World Bank Portal. Publication date: February 26, 2019.

<http://projects.worldbank.org/P168385/?lang=en&tab=documents&subTab=projectDocuments>

In addition to their online dissemination, the safeguards instruments were sent by email to the participants in the consultations and representatives of the local governments in the expected area of influence of the project. Physical versions of these instruments were also made available at INVEST-H's regional offices, as well as a note on their information boards announcing their public availability. These instruments will be updated as needed to reflect significant changes in the project and/or the context of the intervention.



B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank 25-Feb-2019	Date of submission for disclosure 26-Feb-2019	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure

Honduras
25-Feb-2019

Comments

<http://www.comrural.hn/mgas-comrural-2/>

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank 25-Feb-2019	Date of submission for disclosure 26-Feb-2019
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"In country" Disclosure

Honduras
25-Feb-2019

Comments

<http://www.comrural.hn/mgas-comrural-2/>

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank 25-Feb-2019	Date of submission for disclosure 26-Feb-2019
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"In country" Disclosure

Honduras
25-Feb-2019

Comments

<http://www.comrural.hn/mgas-comrural-2/>



Pest Management Plan

Was the document disclosed prior to appraisal?	Date of receipt by the Bank	Date of submission for disclosure
Yes	25-Feb-2019	26-Feb-2019

"In country" Disclosure

Honduras
25-Feb-2019

Comments

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

No

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

NA

OP 4.09 - Pest Management



Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

Yes

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.10 - Indigenous Peoples

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?

NA

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

OP/BP 4.36 - Forests

Has the sector-wide analysis of policy and institutional issues and constraints been carried out?

NA

Does the project design include satisfactory measures to overcome these constraints?

NA

Does the project finance commercial harvesting, and if so, does it include provisions for certification system?

NA

OP/BP 4.37 - Safety of Dams



Have dam safety plans been prepared?

NA

Have the TORs as well as composition for the independent Panel of Experts (POE) been reviewed and approved by the Bank?

NA

Has an Emergency Preparedness Plan (EPP) been prepared and arrangements been made for public awareness and training?

NA

OP 7.50 - Projects on International Waterways

Have the other riparians been notified of the project?

No

If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?

Yes

Has the RVP approved such an exception?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes



All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

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APPROVAL

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