

Document: EB 2012/107/R.10
Agenda: 7(b)
Date: 14 November 2012
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

Republic of Honduras

Results-based country strategic opportunities programme

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Executive Board — 107th Session
Rome, 12-13 December 2012

For: Review

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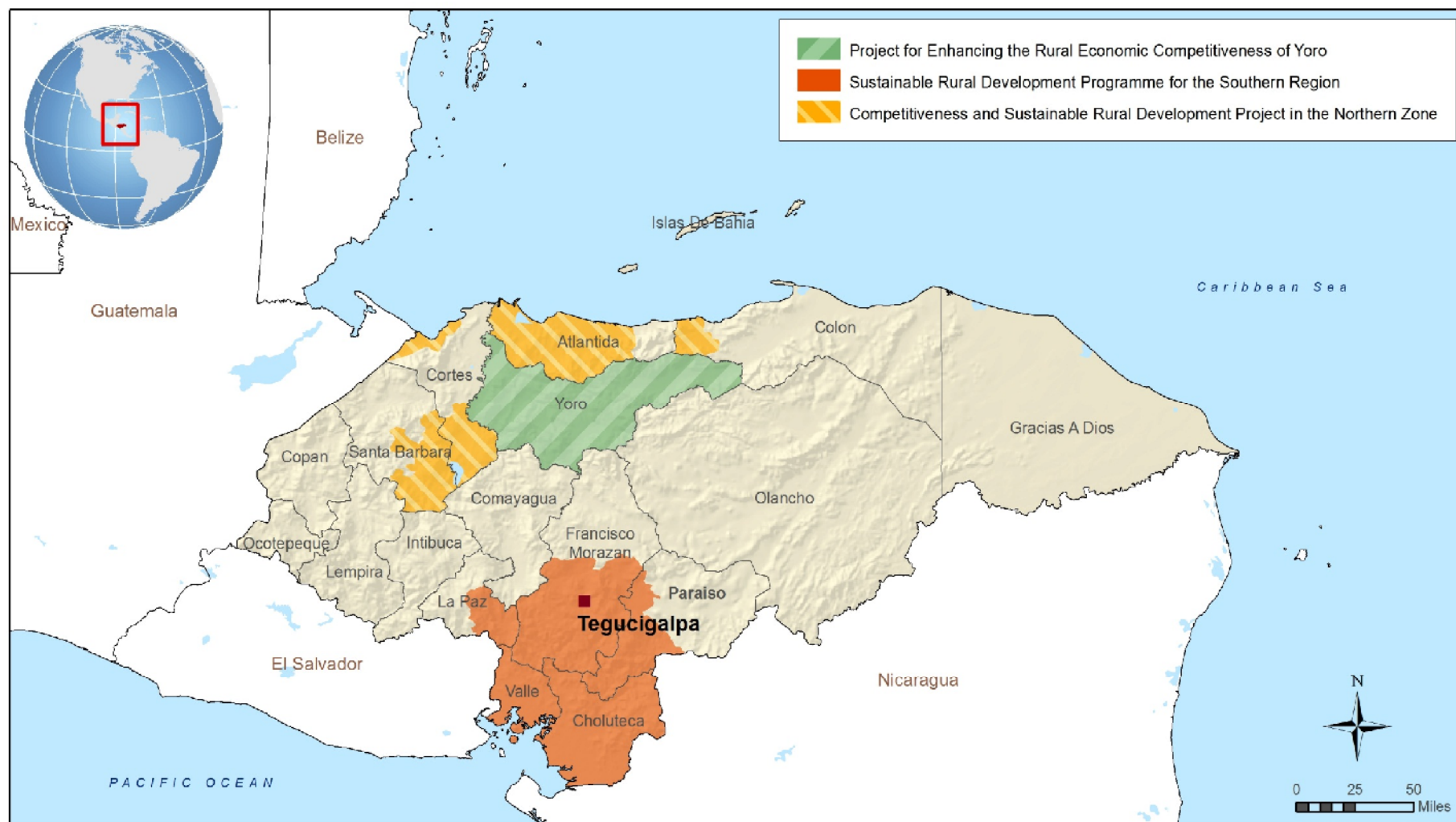
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Abbreviations and acronyms

AGEXPORT	Guatemalan Exporters' Association
CABEI	Central American Bank for Economic Integration
CPMT	country programme management team
FAO	Food and Agriculture Organization of the United Nations
FONADERS	National Fund for Sustainable Rural Development Project
MDGs	Millennium Development Goals
M&E	monitoring and evaluation
OFID	OPEC Fund for International Development
PBAS	performance-based allocation system
PRONADEL	National Programme for Local Development
RB-COSOP	results-based country strategic opportunities programme
RIMS	Results and Impact Management System
RMF	results management framework
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
WFP	World Food Programme

Republic of Honduras

IFAD-funded operations



EB 2012/107/R.10

24-1-2012



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

Summary of country strategy

1. This third results-based country strategic opportunities programme (RB-COSOP) for the Republic of Honduras (2013-2016) has benefited from ample consultations among stakeholders and a pioneering strategic environmental assessment undertaken in parallel by IFAD. The RB-COSOP is fully in line with the IFAD Strategic Framework 2011-2015, and it will contribute to achieving the objectives of the country's poverty reduction and rural development strategies, which are guided by the Country Vision 2010-2038, the National Plan 2010-2022 and the Strategic Plan for the Development of the Agrifood Sector (2010-2014).
2. Honduras is the second-poorest country in Central America. It is a lower-middle-income country with persistent poverty, food insecurity and socio-economic inequality, and GNI per capita of about US\$1,970 (Atlas method, 2011). It ranks 121 out of 187 countries on the United Nations Development Programme's Human Development Index (2011). Of the total population of approximately 8 million people, about 47 per cent live in rural areas. Poverty affects over 70 per cent of the rural population and 60 per cent live in extreme poverty conditions (2010). Rural women, young people and ethnic populations are among the most vulnerable groups. The country is prone to natural disasters, including recurrent hurricanes, and to droughts and flooding, which are exacerbated by increased environmental degradation.
3. IFAD target groups in the country include: poor small agricultural producers; landless peasants; microentrepreneurs and small business owners/operators with varying potential to participate in agricultural and non-agricultural value chains and in value-adding transformation; Garífuna and other ethnic populations; and rural women and young people. Consistent with the target groups' distinct developmental constraints and with the priorities of the Government of Honduras, the RB-COSOP sets two strategic objectives, which aim at enabling poor rural people to increase their incomes, expand employment and achieve food security in a context of enhanced environmental sustainability:
 - **Strategic objective 1:** Agricultural and non-agricultural rural businesses and microenterprises are developed and market access is improved while rural competitiveness is enhanced; and
 - **Strategic objective 2:** Human and social capital in rural areas is developed.
4. The RB-COSOP also identifies the following cross-cutting objectives: (i) reducing vulnerability to the impact of climate change while enhancing local resilience and adaptation capacities; (ii) improving food security under participatory territorial planning; and (iii) achieving greater gender, ethnic and intergenerational equity.
5. The ongoing portfolio: (i) consists of innovative projects that focus on value chain development and the competitiveness of organized producers' enterprises, food security and agricultural climate change impact, and overall development of the target groups' entrepreneurial, organizational and technical capacities; (ii) places emphasis on implementation support and learning while being directly supervised by IFAD through the Fund's subregional office in Guatemala; and (iii) includes three operations with US\$28.1 million in loans, and substantive cofinancing embedded in US\$75.0 million total project costs. The latest two operations have fully applied the US\$18.7 million performance-based allocation system (PBAS) funds for 2010-2012. IFAD is contemplating the replication/scaling up of market access/sustainable business development activities in the context of: (i) one new project to be funded through an IFAD loan (PBAS 2013-2015), which will expand IFAD's presence in the south-western region; and (ii) additional financing for an ongoing project from the Global Environmental Facility's Special Climate Change Fund.

Republic of Honduras

Country strategic opportunities programme

I. Introduction

1. This results-based country strategic opportunities programme (RB-COSOP) is the third such exercise undertaken for the Republic of Honduras. It presents IFAD's strategy to support the Government of Honduras in promoting competitive rural development, increasing food security and reducing poverty among rural communities and ethnic populations over the period 2013-2016. The RB-COSOP will contribute to achieving the national development objectives outlined in the Country Vision 2010-2038, the National Plan 2010-2022 and the Strategic Plan for the Development of the Agrifood Sector (2010-2014). The document responds to Honduras's sustained efforts to achieve the Millennium Development Goals (MDGs); is fully in line with the overarching goal and strategic objectives of the IFAD Strategic Framework 2011-2015; and is also informed by the valuable lessons derived from more than 30 years of IFAD-funded operations in the country.
2. The RB-COSOP consultation process was undertaken in Honduras in various phases, consisting of in-country mission preparation and initial consultations with government authorities during the final design for the Northern Horizons – Competitiveness and Sustainable Rural Development Project in the Northern Zone (April 2011), followed by field visits and formal consultations carried out in the country in August 2011. A pioneering strategic environmental assessment, undertaken in parallel by the Fund (September 2011), provided significant input to the RB-COSOP. The assessment placed into proper perspective climate-change mitigation and adaptation needs as part of the overall country strategy while identifying measures for strengthening these core concerns in the ongoing and future project portfolio. Brief project identification missions were carried out in September 2011 and July 2012. The RB-COSOP's strategic objectives were confirmed by the country programme management team (CPMT) and key stakeholders in Honduras in April 2012 and validated by the Government in July and October 2012.¹

II. Country context

A. Economic, agricultural and rural poverty context

Country economic background

3. Honduras has a population of close to 8 million people, about 47 per cent of whom live in rural areas. Ethnic groups, including Chortís, Garífunas, Lencas, Miskitos and Tolupanes, make up close to 7 per cent of the country's total inhabitants. With an average annual population growth rate of 1.9 per cent, Honduras can expect to have about 8.8 million inhabitants by 2015, a challenge for achieving the MDGs.
4. Honduras is the second-poorest country in Central America. It is a lower-middle-income country with persistent poverty, food insecurity and socio-economic inequality. Its GNI per capita is US\$1,970 (Atlas method, 2011) and its Gini coefficient, as calculated by the United Nations Development Programme (UNDP), is 0.577 (2007). Honduras ranks 121st out of 187 countries on UNDP's 2011 Human Development Index (HDI), and its HDI value of 0.625 places it in the

¹ The RB-COSOP exercise was undertaken by (i) Marco T. Sierra Lemus, Agricultural Economics and Commercialization Specialist; and (ii) Tomás N. Rico-Mora, Economist/Rural Development Specialist (Team Leader). The overall formulation process was guided by Enrique Murguía Oropeza, at the time Country Programme Manager (CPM) and IFAD Coordinator for Central America, Mexico and Panama, who participated in all country dialogue and field consultation work. Joaquín Lozano, the new CPM for Honduras and Coordinator for Central America and Panama, validated the strategic objectives with the Government (July 2012) and concluded the RB-COSOP formulation and approval process.

medium human development category. The country is rich in natural resources and cultural and ethnic diversity, but its recent gains on the economic and poverty reduction fronts are imperilled. More than 60 per cent of Hondurans are highly vulnerable to food insecurity; Honduras is among the countries most threatened by natural disasters and climate change; and the country suffers from high unemployment (51 per cent of the economically active population) and environmental degradation.

5. After two decades of average annual economic growth of around 3 per cent, barely sufficient to keep up with the country's relatively high population growth, annual GDP growth averaged 4.2 per cent in 2000-2008. The international economic and financial crisis and the political shock caused by the fall of the Zelaya administration in 2009 caused GDP growth to slide back to a rate of less than 3 per cent in 2010, but by 2011 it had recovered to 3.6 per cent. The country's GDP is estimated at US\$17.26 billion (World Bank, 2011), with a sectoral distribution concentrated on services (62 per cent in 2009), followed by industry (25 per cent) and the primary sector (13 per cent). With resumed access to external financing: (i) the country is now expected to sustain an annual average GDP growth of 3-4 per cent in 2012-2013 and 4.3 per cent in 2014-2016 (Economic Intelligence Unit); and (ii) agricultural output will remain strong but under risk of crop losses due to recurrent rains and floods. Consumer prices will remain vulnerable to supply shocks and adverse weather.
6. Responsive to wide local unemployment, labour emigration increased resulting in a surge of monetary remittances, which in 2010 reached US\$2.63 billion (or 17.1 per cent of GDP at that time). The World Economic Forum's Global Competitiveness Report 2011-2012 indicates that Honduras's competitiveness index stands at 4.0 (out of a maximum score of 7.0), while it ranks 86th among 142 countries. This represents an improvement from its previous score (3.9 in 2010-2011). Honduras is a beneficiary of the Highly Indebted Poor Countries (HIPC) Debt Initiative.

Agriculture and rural poverty

7. Like other Central American economies, the Honduran economy is highly at risk due to a lack of diversification in export markets and products, and to the country's dependence on imported oil and monetary remittances. The United States is by far Honduras's most important trade partner, accounting for 50 per cent of Honduran exports and 41 per cent of Honduran imports. Trade has benefited primarily from a rise in agricultural prices (notably in the price of coffee, Honduras's largest single export). The agricultural sector contributes significantly to the country's economy with a clear export vocation (lobster, shrimp, coffee and bananas). Overall, total non-*maquila* exports in 2010 involved primary agricultural products for a total of US\$1.4 billion (51 per cent of total exports), while non-*maquila* imports included food and animal products for US\$1.2 billion (Economic Intelligence Unit). The country's exports are expected to benefit from the Central American Integration System, the Dominican Republic-Central America Free-Trade Agreement and the new system of preferential access to the European Union markets.
8. Above all, agriculture provides the grains and other consumption goods for the population, primarily for lower-income groups, the largest segment of the population. Approximately 38 per cent of the economically active population are involved in agriculture, 18 per cent in the secondary sector and 44 per cent in the tertiary sector.
9. **Rural poverty.** Progress in poverty reduction has been slow. Poverty affects over 70 per cent of the rural population while 60 per cent live in extreme poverty conditions (2010). Rural women and woman-headed households, rural young people and ethnic populations are among the most vulnerable segments of the population. Women household heads make up about 9 per cent of smallholder

farmers. Indigenous community members generally work as subsistence farmers or temporary rural workers.

10. **Causes of poverty.** Rural poverty in Honduras is related to: (i) slow economic growth; (ii) unequal distribution of income and agricultural land and other productive assets; (iii) limited access to basic social and technical services; and (iv) low levels of education, health, employment and productivity. Rural poverty is also associated with demographic pressure on natural resources and the lack of commercialization infrastructure, market access and fair prices.
11. The main livelihood of very poor rural households is subsistence farming. These households generally use low productive technology and labour-based agricultural practices in high-slope, hillside, small and eroded landholdings to produce corn and beans. These subsistence farmers, who make up about 70 per cent of farming households, experience low yields and high post-harvest losses. Households consistently fail to cover the cost of minimum adequate nutrition and must therefore seek additional income through off-farm employment. Whereas the country faces land tenure insecurity, highly skewed land distribution and unsustainable land use coupled with illegal exploitation of forest lands, the overall scarce employment and limited livelihood options in rural areas are the major driving forces of Honduras's significant level of young people's emigration.
12. **Food insecurity.** Food security is greatly at risk. Honduran agricultural productivity is low, and the country is a net importer of agricultural products, but there is significant room for agricultural production growth. An increase in food prices of 18 per cent in 2008 added about 4 per cent to the poverty rate and worsened Honduras's already high malnutrition rates. At the national level, the country faces severely unbalanced territorial development, with the poorest municipalities located in the western and north-eastern regions. Six departments in western Honduras (Copan, Intibucá, La Paz, Lempira, Ocotepeque and Santa Barbara) hold the highest chronic undernutrition rates in the country, averaging above 50 per cent compared with a national rate of 25 per cent. The south of Honduras (Choluteca, El Paraiso, Valle) is also an important secondary geographic concentration of extreme poverty and chronic malnutrition. In total, about 66 per cent of the country's population face food insecurity.
13. **Environmental vulnerability.** Land degradation, through overuse, deforestation, and poor agricultural practices, make the country more vulnerable to climate-related and natural disasters. The Global Climate Risk Index 2011 places Honduras third in its index of countries most affected by extreme weather events (1990-2009).

B. Policy, strategy and institutional context

National institutional context

14. After the national political unrest of June 2009, and following the inauguration of the president in January 2010, the present administration initiated a period of political and economic stabilization and re-engagement with the international community and multilateral financing. This included the signing of a memorandum of understanding, in March 2010, between the Government of Honduras and IFAD to further expand the Fund's investment programme.
15. In this context, the National Congress of Honduras approved the Government's Country Vision 2010-2038 and the National Plan 2010-2022, setting out long-term development objectives that will serve as the basis for successive government plans. The four national objectives are: (i) Honduras without extreme poverty, educated and healthy, with consolidated systems of social security; (ii) Honduras developed under democracy, with security and without violence; (iii) Honduras that is productive, generator of opportunities and employment, which makes the most

of its resources and reduces environmental vulnerability in a sustainable way; and (iv) a modern State, efficient and competitive, transparent and responsible.

16. The strategic pillars of the National Plan 2010-2022 comprise: (i) sustainable development for the people; (ii) poverty reduction with generation of assets and equal opportunity; (iii) development of Honduras's regions; (iv) productive infrastructure as the engine of economic development; (v) competitiveness, an improved image of the country and development of productive sectors; and (vi) climate change mitigation and adaptation. The aim of the Strategic Plan for the Development of the Agrifood Sector (2010-2014) is to modernize the agricultural sector so that it is diversified, efficient, competitive and environmentally sustainable, while playing a key role in reducing poverty and increasing food security. The country's sectoral policies, strategies and programmes are aligned with the Central American Agricultural Policy (2008-2017). In parallel, a presidential decree declared food and nutritional security as a national priority in the context of a new National Policy on Food and Nutritional Security (2010-2022), which is implemented, transversally, through all government ministries and coordinated by the Secretariat of State of the Office of the President.

National rural poverty reduction strategy

17. The country's poverty reduction strategy, together with the MDGs, constitute the planning pillars of successive government poverty reduction efforts. The strategy was formulated in 2001 and updated in 2006 with ample donor support and civil society participation. Its fundamental objective is to reduce poverty significantly and sustainably. This objective will be sought based on sustained economic growth whose benefits are distributed more equitably through greater access by poor people to production assets, including the development of human capital and access to social safety nets. The strategy focuses on: (i) the expansion of capacities and the accumulation of human capital; (ii) the creation of economic opportunities through market participation and productivity improvements; (iii) modernization and access to social and economic infrastructure; and (iv) social and environmental risk management. Based on lessons derived from actual experience, its implementation has been undertaken both territorially, with activities carried out in the poorest urban and rural municipalities, and sectorally, with a focus on economic activities that have the greatest impact on marginalized groups.
18. The poverty reduction strategy also seeks to reduce environmental vulnerability while increasing impact on disaster-related poverty. It will use innovative economic and financial instruments to create incentives for stopping environmental degradation while promoting sustainable natural resources management. Identified instruments include community-level environmental service payments and participation in carbon markets. The poverty strategy is being pursued in the context of targeted health, education, nutrition and youth job training programmes, and increasingly through the Comprehensive Programme for Social Protection, or "Bono 10,000", which is a conditional cash transfer programme.
19. The poverty strategy is consistent with the National Policy on Food and Nutritional Security and with the National Climate Change Strategy and its Inter-institutional Technical Climate Change Committee. It will be implemented in rural areas by the Secretariat of Agriculture and Livestock and will have the following main objectives: (i) improving equity and security in access to land for organized and independent small farmers (campesinos) and indigenous peoples, thereby increasing rural households' incomes and food security; (ii) promoting sustainable development in high-priority areas, through mechanisms that guarantee local government and community participation; (iii) improving the competitiveness of the local rural economy, in order to increase production and improve the efficiency and competitiveness of small rural producers, by facilitating access to infrastructure and to support services in markets, technology and financing; and

(iv) improving overall social conditions, strengthening social infrastructure and increasing the coverage of poverty reduction programmes in the most economically depressed rural areas with the highest incidence of poverty.

Harmonization and alignment

20. This RB-COSOP is fully aligned with national rural poverty reduction and food security policies and strategies. This alignment is seen in the strategic content, intervention methodologies and programmatic approach of recently approved IFAD-funded projects in Honduras, which directly support the country investment plan (CIP) for the agrifood sector. The CIP, drawn up by the Secretariat of Agriculture and Livestock in 2011, has two main thrusts: market-based agricultural diversification and targeting of the poorest regions in food and commercial value chain development. In addition, it identifies priority areas for the allocation of national budgetary and donor resources.
21. The RB-COSOP corresponds to the IFAD Strategic Framework 2011-2015, including its overarching goal and strategic objectives. It is also consistent with the Framework's: (i) macro approach (e.g. strengthening IFAD's pro-poor partnerships with a range of actors, including other United Nations agencies, public and private donors, and commercial enterprises that can bring pro-poor investment, assets and services to rural areas); (ii) programme/project intervention approach (e.g. promoting the capabilities of rural women and men, including young people); (iii) thematic engagement (e.g. climate change, rural producer organizations); and (iv) principles of engagement (e.g. effective partnerships and resource mobilization). The RB-COSOP fully complies with the Fund's key policies and strategies, including the IFAD (i) Targeting Policy, (ii) Policy on Gender Equality and Women's Empowerment, (iii) Policy on Improving Access to Land and Tenure Security, (iv) Policy on Engagement with Indigenous Peoples, (v) Private-sector Strategy and (vi) Climate Change Strategy.
22. Consistent with the principles of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, the RB-COSOP emphasizes operational coordination with key development institutions. These include: (i) the United Nations country team and the UNDP in Honduras, the latter providing administrative and procurement support to ongoing IFAD-funded projects under a direct agreement between UNDP and the Government aimed at enhancing transparency and accountability; (ii) the Agroforestry Round Table composed of the principal donors in the country concerned with agriculture/rural development and natural resources management; (iii) the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP), seeking operational agreements and joint investment operations at field level and activation of the WFP Purchase for Progress initiative; (iv) effective cofinancing, notably with the OPEC Fund for International Development (OFID) and the Central American Bank for Economic Integration (CABEI), both long-standing partners of IFAD in Honduras and Central America; and (v) the World Bank-financed Rural Competitiveness Project (COMRURAL), the Inter-American Development Bank's Rural Business Development Program (PRONEGOCIOS) and the United States Agency for International Development's new Feed the Future Initiative, which is being implemented after the conclusion of the United States Government's Millennium Challenge Account.
23. An additional tool for harmonization is the United Nations Development Assistance Framework's (UNDAF) Action Plan signed in the country by United Nations agencies in December 2011. The UNDAF plan commits a total of US\$239.5 million in targeted development funds, including for the financing of IFAD-supported operations.

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

24. IFAD has supported the rural poverty reduction and agricultural and rural development initiatives of Honduras since 1979. It has contributed to the financing of 11 projects, providing total loan funds of US\$132.6 million for projects with aggregate total costs of US\$247.5 million. In nearly 30 years of operations in the country, IFAD has supported the Government in: (i) building the capacities of extremely poor rural and indigenous populations in upland areas, providing them with access to land, markets and financial and non-financial services for income and employment generation; (ii) applying distinct funding mechanisms for developing community-driven initiatives while facilitating the introduction of innovative financial services (e.g. *cajas rurales*, or rural savings and loan associations); (iii) improving natural resources management; and (iv) establishing an economic and institutional platform for rural development and the reduction of poverty in selected zones. The strategic objectives set by the 2007 COSOP were to improve on- and off-farm income-generating opportunities for poor rural people, with special attention to women; and to strengthen the organizational capacities and bargaining power of rural organizations.

COSOP performance

25. By end-2009, following completion of both the National Fund for Sustainable Rural Development Project (FONADERS) and the National Programme for Local Development (PRONADEL) – which had been merged into a single operation in order to enhance implementation coherence and reduce administrative costs – only one IFAD-funded project was ongoing in Honduras: the Project for Enhancing the Rural Economic Competitiveness of Yoro. Approved by the Executive Board in December 2007, it was the first project presented to the Board under the recently approved (April 2007) COSOP for Honduras, covering the period 2007-2011. The project is improving the organizational capacities and territorial management practices of poor rural people, including indigenous groups, in the department of Yoro and helping them achieve better market positioning of their products. Under implementation since February 2009, the project marks the beginning of the Government's new competitiveness approach to rural development.
26. Achievements under the previous COSOP were limited, initially because of delays in the start-up of projects, delays in the allocation of counterpart funding, slow project implementation, etc. However, the physical targets of the closed projects were achieved overall. Their expected impact on employment generation and poverty reduction is evident albeit difficult to quantify. Nevertheless: (i) PRONADEL's project completion report (2010) presents a final count of: 2,518 productive subprojects (relating to basic grains, coffee, food security, etc.), which benefited 22,608 households; 93 microenterprises, which generated 1,920 new jobs; and 2,990 strengthened base organizations, including 2,317 base groups, 569 *cajas rurales* and 104 associations of innovative producer households; and (ii) PRONADEL and FONADERS achieved practically 100 per cent of their loan disbursements thus creating enabling conditions for the targeted populations to improve their livelihoods. The national programme for rural savings and loan associations has been consolidated, an initiative within IFAD-funded projects that is unique in Central America.
27. **Rural sector performance.** Between 2009 and 2011, Honduras's performance under IFAD's performance-based allocation system (PBAS) showed progress against most indicators, as reflected in an increase from an average country score from 3.75 to 4.0. These achievements are the result of enhanced country dialogue at the highest level and the resulting expansion of the country portfolio. This expanded portfolio includes two innovative projects, approved in September 2010 and August 2012. Both projects focus on market access and microenterprise

development, and involve substantial cofinancing, while setting the basis for a coordinated country programme.

B. Lessons learned

28. As a result of the experience gained from implementation of eight completed projects, IFAD-funded operations have evolved from localized area development projects to investment programmes in the context of a planned, territorial and integrated country-wide strategy. The experience of the initial, pioneering IFAD-funded projects in the western region set a valuable platform for the implementation of second-generation projects being financed by other development agencies and implemented by the Secretariat of Agriculture and Livestock.
29. Valuable lessons from implementation experience are outlined in the country programme evaluation and the mid-term evaluation of PRONADEL. These lessons have been incorporated into the design of this RB-COSOP as well as into the most recent projects supported by IFAD in Honduras. They relate, among others, to the need to: (i) influence sectoral policies and decisions taken by the national authorities; (ii) consolidate a country strategy and a national programme to combat rural poverty, in the context of territorial and environmental management approaches that take into account the distinct constraints and opportunities of diverse regions and indigenous peoples; (iii) clarify, on the part of the Government, the spheres of influence of the Secretariat of Agriculture and Livestock and associated rural institutions in relation to the management of investment projects; (iv) concentrate multisectoral investments on specific economic and geographical areas; and (v) focus on impact evaluation while establishing integrated monitoring and evaluation (M&E) and learning systems.
30. Similarly, lessons from the initial years of FONADERS are summarized as follows: (i) a regional/local demand-driven, market-access approach is needed and requires some type of purchase-contract commitment for the products and services offered; (ii) the target population should be organized into clusters and production chains since the impacts and benefits of support are diminished when individuals or groups receive isolated services and miss out on the opportunity to take advantage of market links, shared specialized inputs and economies of scale; (iii) investments should not only be channelled to infrastructure or technical assistance separately, but should comprehensively address business needs; (iv) participation by beneficiaries (e.g. rural producer organizations) in the selection, financing, implementation, operation and maintenance of investments can generate cost savings and increase ownership, thereby improving the sustainability of these investments; (v) synergies with international cooperation projects should be promoted, especially in Honduras given the large number of externally financed projects and programmes; and (vi) the procedures for identifying, selecting and implementing productive subprojects should be simplified and streamlined.

IV. IFAD country strategic framework

A. IFAD's comparative advantage at the country level

31. IFAD's present comparative advantage in Honduras is multifaceted, but it derives primarily from its more than three decades of work in the country on rural development and poverty reduction, and thus the Fund's focus and experience in the following areas: (i) a fresh and expanding project portfolio consisting of three ongoing projects implemented in a coordinated manner by the Secretariat of Agriculture and Livestock, involving US\$28.1 million in aggregate lending and US\$75.0 million in total project costs; (ii) programme implementation experience and innovative approaches in key rural development themes, such as gender and ethnic peoples' development, rural savings and loan associations, and the entrepreneurial linkages approach to market access and rural development

competitiveness; (iii) the systematic application of IFAD's Results and Impact Management System (RIMS) and M&E planning and learning tools; and (iv) continued country policy and strategy dialogue at the highest level with government authorities. The Fund's privileged position in Honduras is also based on the strategic alliances already established with key private, public and international development entities, including: OFID and CABEI, the main cofinanciers of ongoing IFAD-funded projects in Honduras; and the Guatemalan Exporters' Association (AGEXPORT), which is implementing a special market access promotion programme in Honduras and the other Central American countries through an IFAD grant (see paragraph 44).

32. IFAD's comparative advantage is also reflected in the influence exerted on the strategic areas of the UNDAF Action Plan (2012-2016) for Honduras, outlined as follows: (i) contribute to a Honduras without extreme poverty; and (ii) within the framework of economic rights and environmental conventions, contribute to a productive Honduras that generates adequate employment and that uses its natural resources in an integrated and sustainable manner while reducing environmental degradation and disaster risks.

B. Strategic objectives

33. In response to the identified constraints and opportunities faced by IFAD target groups, and consistent with the Government's priorities as outlined above, this RB-COSOP for 2013-2016 consists of two interrelated and mutually reinforcing strategic objectives. These objectives aim at enabling poor rural people to increase their incomes, expand employment and achieve food security in a context of enhanced environmental sustainability. The objectives can be summarized as follows:
 - **Strategic objective 1:** Agricultural and non-agricultural rural businesses and microenterprises are developed and market access is improved while rural competitiveness is enhanced.

This strategic objective will be achieved primarily through: (i) support to the transformation of subsistence agricultural and non-agricultural activities into profitable, competitive, market-oriented rural businesses and microenterprises for local and external markets; (ii) access of producer organizations and rural savings and loan associations to rural financial services; and (iii) the provision of key economic infrastructure and the construction or improvement of rural access roads in priority zones.
 - **Strategic objective 2:** Human and social capital in rural areas is developed.

This objective, which complements and supports the first strategic objective, will be achieved through: (i) support to the effective organizational, managerial and decision-making capacities of small producer associations and communities; (ii) promotion of leadership and development of the technical and entrepreneurial capacities of rural and ethnic women and young people; and (iii) expansion of basic household and community infrastructure in a way that is both participatory and supportive of social cohesion.
34. **Transversal goals.** The RB-COSOP will address the following cross-cutting objectives: (i) vulnerability to the impact of climate change is reduced and local resilience and adaptation capacities are enhanced; (ii) food security is improved under participatory territorial planning; and (iii) greater gender, ethnic and intergenerational equity is achieved as a result of a human rights approach.
35. **Expected results.** Upon completion of the RB-COSOP, IFAD should have contributed to the achievement of the following results: (i) increased employment and incomes in rural areas; (ii) reduced national food insecurity and environmental vulnerability; (iii) enhanced resilience and competitiveness of rural areas, smallholder agriculture and value chains; (iv) rural microenterprises/businesses

accessing suitable technical and financial services while competitively linked to markets; (v) enhanced entrepreneurial and organizational capacities of economic organizations; (vi) expanded technical capacities of rural women and young people; (vii) improved living conditions of communities through targeted social infrastructure and an expanded network of rural access roads; and (viii) upgraded planning and coordination capabilities at municipal, departmental and central levels. The key outcomes that IFAD expects to influence and the milestone M&E indicators are presented in the COSOP's results management framework (RMF) (see appendix III).

C. Opportunities for innovation At the core of the RB-COSOP's strategy is IFAD's seizing of opportunities for innovation, learning and scaling up. This strategy in itself draws from the best of the Fund's implementation experience in Honduras. Key prospects in this regard will be to deepen innovation on programme implementation mechanisms, in general, and on tools and methodologies for market access and rural business development, in particular. Both sources of innovation will be harnessed in relation to the traditional and non-traditional value chains of relevance to IFAD target groups. Applied elements for scaling up within IFAD-funded projects in Honduras include: (i) strategic alliances with private-sector partners for the provision of specialized marketing and other technical assistance with a view to improving product quality and increasing exports; (ii) the technical and entrepreneurial strengthening of producer organizations and the construction of economic infrastructure (rural access roads and value aggregation of micro and small agroindustries) to improve the adaptation capacity and competitiveness of local production; (iii) rural territorial development, and consequently the strengthening of municipal planning capabilities, including the promotion of the exporting vocation and capabilities of different zones; (iv) consolidation of the rural savings and loan associations, and an evolving model for the connection between the supply and demand of rural financial services for emerging rural enterprises; and (v) activities aimed at skills formation and business development involving rural and ethnic women and young people.

D. Targeting strategy **IFAD target groups.** These include: poor small agricultural producers; landless peasants; microentrepreneurs and owner/operators of small businesses, with varying potential to participate in agricultural and non-agricultural value chains and in transformation/value addition; traditional inland fish harvesters; Garífuna and other ethnic populations; and rural women and young people.

38. Targeting and intervention strategy. The targeting strategy in Honduras is based on detailed poverty maps that allow the poorest departments and municipalities to be identified. Existing household surveys also contain ample detail to facilitate geographic targeting, while the ethnic communities have been identified in the national census and in several studies. Targeting of more advanced, commercially oriented microentrepreneurs and other target groups will be based on the experience gained by IFAD in PRONADEL and other projects, including registry of membership in rural savings and loan associations. A typology of target groups in the country results from analyses of livelihood strategies undertaken at the time of individual project designs. Moreover, in accordance with IFAD's targeting policy, the implementation of the RB-COSOP will: (i) encourage user-beneficiary representatives and local councils to participate in identifying intervention areas, social groups and minimum quotas; and (ii) empower users, particularly rural women, ethnic populations and young people, to take an active part in programme activities. Policy dialogue will be facilitated during RB-COSOP and project implementation.

E. Policy linkages

39. The new government, inaugurated in January 2010, has sought a strong relationship with IFAD and has discussed with the Fund its strategies on: (i) human capital and territorial development; (ii) market access and microenterprise development in support of agricultural and non-agricultural employment, production and income-generation; (iii) vulnerability reduction and sustainable natural resources management; and (iv) policy development support and institutional strengthening for poverty reduction and the fulfilment of the MDGs. The government's views on rural development are shared by farmers' organizations and the donor community, and were discussed further during the visit of a special Government delegation to IFAD headquarters in May 2010.
40. Policy dialogue also concerns: (i) the timely identification of programme implementation constraints and consequent problem-solving in the context of an enhanced country programme approach and a consolidated CPMT; (ii) the development of a portfolio pipeline of new projects related to private sector and business development; and (iii) the financing of innovative rural financial instruments, which are being designed under IFAD-funded projects in the region.

V. Programme management

A. COSOP monitoring

41. The RB-COSOP will be implemented in accordance with the Government's stated priorities of regional planning and competitive rural development during 2013-2016, through a responsive project portfolio and project pipeline. It will be implemented based on its results management framework, a living tool that will be consistently reviewed and monitored through its main indicators and targets. The RB-COSOP will be reviewed annually based on a special annual report to be prepared by IFAD, consisting of the RMF, a summary of the ongoing portfolio's supervision reports, client surveys, the PBAS's annual rural sector analysis, an updated country programme issues sheet, the project status reports of the portfolio performance report, and the RIMS surveys. This documentation will be formally reviewed at a special meeting of the in-country CPMT.
42. The CPMT – composed of government authorities, project directors, representatives of United Nations agencies and bilateral and multilateral donors, client-beneficiaries, private-sector partners and specialized consultants – will be informed of the results of an RB-COSOP mid-term review by end-2014. The review will be carried out jointly with participating government entities and selected specialists from an external entity. This review will recommend adjustments to the strategic objectives and the RMF if required. In 2016, at the end of the RB-COSOP period, the programme's results will be examined in the light of the strategic objectives and their contribution to rural poverty reduction. The core element of the final report on COSOP implementation will be a complete review of the RMF, which will be discussed at a workshop attended by all key stakeholders.

B. Country programme management

43. **The current portfolio.** The investment programme for the time span of this RB-COSOP consists of the ongoing project portfolio and new loans and grants based on a new PBAS cycle and cofinancing resources. IFAD's ongoing portfolio: (i) consists of innovative projects that focus on value chain development, the competitiveness of organized producers' enterprises, food security, the impact of climate change on agriculture, and the overall development of target groups' entrepreneurial, organizational and technical capacities; (ii) places emphasis on implementation support and learning while being directly supervised by IFAD through its subregional office in Guatemala; and (iii) includes three operations with US\$28.1 million in loans, and substantive cofinancing embedded in US\$75.0 million total project costs. The latest two operations have fully applied the US\$18.7 million

PBAS funds for 2010-2012. The ongoing projects are: (i) the Project for Enhancing the Rural Economic Competitiveness of Yoro, approved in December 2007 (total cost US\$ 16.7 million; US\$9.4 million loan); (ii) the Sustainable Rural Development Programme for the Southern Region (*Emprende Sur*) approved in September 2010 (total cost US\$37.2 million; US\$10.0 million loan); and (iii) the Northern Horizons – Competitiveness and Sustainable Rural Development Project in the Northern Zone, approved in August 2011 through the lapse-of-time procedure (total cost US\$21.0 million; US\$8.7 million loan).

44. **Non-lending initiatives.** The present portfolio also comprises selected non-lending operations aiming at knowledge management and thematic networking. Accordingly, Honduras is taking part in the Rural Territorial Dynamics Program, a special action research/knowledge management initiative implemented, with IFAD support, by the Latin American Center for Rural Development. Honduras, together with all the other Central American countries, is also participating in PRO Mercados: Market Access Programme for Rural Associative Micro-, Small and Medium-sized Enterprises in Central America. Implemented by AGEXPORT, this is a special initiative in support of market access and rural enterprise development, funded through a US\$2.0 million IFAD grant.
45. **Project pipeline.** The IFAD pipeline contemplates the replication/scaling up of the entrepreneurial linkages model for market access/sustainable business development in the context of: (i) one new project to be funded through an IFAD loan of approximately US\$14.8 million, based on the expected PBAS allocation for 2013-2015; and (ii) additional US\$3.0 million financing for the ongoing Northern Horizons project from the Special Climate Change Fund managed by the Global Environment Facility. The new project will expand IFAD's presence in the south-western region of Honduras and will be designed during the course of RB-COSOP implementation, based on the experiences and field results emerging from the neighbouring *Emprende Sur* project.
46. **Direct supervision/implementation support.** Direct supervision has allowed IFAD to follow project implementation closely, solve problems as they arise and enhance development impact under the ongoing project portfolio. This modality will be strengthened by the country programme manager through the IFAD regional office established in Guatemala. Such physical field presence will be critical for a continued country policy dialogue and strategy discussions, and for the expanded strategic alliances that the Fund seeks to forge with national and international partners. At present, the UNDP office in Tegucigalpa provides administrative and procurement support through direct project agreements between UNDP and the Government. This has simplified the procurement of goods, services and works, while facilitating IFAD's direct supervision and implementation follow-up.

C. Partnerships

47. IFAD's overall country strategy in Honduras seeks to avoid duplication of efforts and to foster complementarities, while taking advantage of agricultural and business-related best practices and technological innovation. The strategy is based on: (i) partnership-building with the private sector and other stakeholders, particularly for expanding market access networks and technical assistance services; (ii) cooperation with the donor community, composed of the group of 16 donors (G16), an active association created in the aftermath of the 1998 Hurricane Mitch disaster. Enhanced communication is also maintained in the context of the Agroforestry Round Table, the sectoral focal point for rural development, food security and natural resources management; and (iii) operational agreements with FAO and WFP, seeking joint investment operations at field level and activation of Purchase for Progress initiatives.
48. The principal IFAD partnership initiatives in Honduras concern cofinancing, notably with OFID and CABEI, both long-standing cofinancing partners of the Fund in

Honduras and Central America. Harmonization with the initiatives of development partners is also important, including those financed by the Inter-American Development Bank, the United States Agency for International Development and the World Bank.

D. Knowledge management and communication

49. A primary objective of the RB-COSOP will be to contribute to IFAD's country knowledge base and promote innovation in Honduras and Central America, while compiling and disseminating new experiences in the context of an integrated and mutually reinforcing portfolio of learning opportunities under both loans and technical assistance grants. All IFAD-financed operations will include mechanisms (and budgets) for systematizing and exchanging experiences within the country and subregion and with other countries. These activities will be supported by dedicated in-project planning, M&E and knowledge management systems aimed at supplying key materials for enlightened country dialogue at relevant round tables, and replicating and scaling up operations in the country and elsewhere in Central America.
50. Similarly, the RB-COSOP programme will take advantage of the experience gained through project implementation, while compiling and disseminating new lessons through the IFAD-sponsored rural development learning networks. Knowledge management arrangements will also include deepening collaboration with institutions such as the Zamorano Agricultural University. Special emphasis will be given to experience exchange on market access and microenterprise development. Sufficient funds will be allocated within projects to generate and disseminate knowledge products and to organize experience-exchange seminars and travel within the subregion and to other countries.

E. PBAS financing framework

51. The PBAS allocation is reviewed yearly in the light of rural sector performance. The 2011 PBAS assessment resulted in a rural sector performance rating for Honduras of 4.0 (on a scale of 5.0), which represents an improvement from the previous annual score (2010: 3.79). This score represents a total country allocation for the period 2010-2012 of US\$17,346,113, already applied to the two approved loans in 2010 and 2011. The indicators and scores are presented in the following table.

PBAS calculation for COSOP year 1

<i>Indicator</i>	<i>COSOP Y1 Score</i>
A (i) Policy and legal framework for rural organizations	4.25
A (ii) Dialogue between Government and rural organizations	4.38
B (i) Access to land	3.38
B (ii) Access to water or agriculture	3.75
B (iii) Access to agricultural research and extension services	3.83
C (i) Enabling conditions for rural financial services development	3.88
C (ii) Investment climate for rural business	4.58
C (iii) Access to agricultural input and produce markets	3.67
D (i) Access to education in rural areas	4.25
D (ii) Women's representatives	4.00
E (i) Allocation and management of public resources for rural development	4.06
E (ii) Accountability, transparency and corruption in rural areas	4.00
Sum of combined scores	48.03
Average of combined scores	4.00
Project-at-risk (PAR) ratings (2011)	3
IFAD PBAS country score	1 928
Annual allocation 2012 (United States dollars)	5 946 491

F. Risks and risk management

52. The major threats/risks to RB-COSOP implementation were identified during the country consultation/formulation exercise, and previously in the course of the design of the Northern Horizons project. The key policy and economic assumptions on which the RB-COSOP strategic objectives are based were also identified at that time. These principal assumptions are: (i) that the Government's agendas for rural poverty reduction, climate change adaptation and food security maintain their stated high priority; and (ii) that the subregional and other external markets favour the growth of the country's agricultural production. Risks on these matters will be mitigated by an active IFAD country presence and continued policy dialogue, in addition to direct supervision and dedicated implementation support. With respect to the functioning of and shifts in external markets for particular products, IFAD will support price and market-prospect information systems and commercial fairs, while also focusing on the demands of the local market.
53. Implementation risks that the overall country programme/project portfolio may face relate to: (i) reticence on the part of users to assume business and commercial risks and weak management by producers' organizations; (ii) the ability of small-scale farmers to respond promptly to market demands, required investments and special product quality requirements in the context of climate change vulnerability; (iii) external financing limitations to achieve the demanded project size for substantive impact according to identified needs, and to comply with the minimum financial concessionality (35 per cent) that the country requires in every project-related external loan; (iv) difficulties in investment project launching, resulting from delays in the approval and ratification of loans by Congress; and (v) climate change, which will affect the various regions of the country.
54. While adequate risk mitigation measures are detailed in the relevant sections of project documents, the main mitigation actions proposed in the RB-COSOP, in terms of the above highlighted risks, include: (i) the exchange of experiences among successful rural people's organizations to stimulate interest in business, organizational and managerial training to build capacities in business management, and, above all, well-designed and consistent business plans and high-level mentoring support; (ii) the promotion of alliances of more dynamic and well-organized producers with service providers, processing and marketing enterprises and financial intermediaries operating in the project area; (iii) active search of additional cofinancing funds from the Global Environment Facility, OFID and other partners, seeking to achieve significant project size and thrust as well as the required concessionality level through a suitable blend of loans and grants; (iv) the timely provision of relevant information on the projects' objectives to the legislators and other governmental and civil society entities; and (v) investments allocated by projects to explicitly offset climate risks through specialized climate change mapping, monitoring information systems and related capabilities within sectoral institutions; participatory territorial/municipal planning and climate-change-aligned rural infrastructure; climate-change-aware value chains, business plans and rural businesses and microenterprises; and the promotion of agroforestry and the financing of soil and water conservation works. Other measures include: dedicated adaptation programmes for small-scale agricultural production, and innovative resilience-enhancement initiatives such as climate-related crop insurance and payment for environmental services schemes. Finally, regarding potential social risks, the country programme is being designed on solid targeting and gender strategies, which should guarantee inclusion and access to the activities and resources by the diverse target groups, including the ethnic groups (Lenca, Garifuna) as well as rural women and young people.
55. The country programme's sustainability strategy consists of a concerted plan of activities including actions aimed at ensuring ownership by beneficiaries of the

initiatives funded during the span of the RB-COSOP. The strategy will cover the sustainability of human capital generated, alliances established between producers and private agents, and sound microenterprise financial arrangements and business plans. The sustainability of natural resources will also be considered as part of field land and water conservation works.

COSOP consultation process

A. Introduction and background

1. The need for the formulation of a new Results-Based Country Strategic Opportunities Programme (RB-COSOP) was initially discussed with the sectoral authorities of the Government of Honduras following their inauguration in early 2010. These discussions took place at the same time that a *Declaratory* (memorandum of understanding, March 2010) was signed between the President of Honduras and IFAD's Country Programme Manager (CPM). The new RB-COSOP, *inter alia*, would internalise: (i) the Government's development strategy as detailed in the *Country Vision 2010-2038* and *Plan of Nation 2010-2022*; and (ii) the precepts of the new IFAD Strategic Framework (2011-2015) for which discussions were taking place in conjunction with the regional consultation for the new IFAD Rural Poverty Report 2010 (San Salvador, March 2010).

Country dialogue

2. In this wider circumstance, a special delegation visited IFAD headquarters in May 2010 with the purpose of formalizing the recent agreements and commitments of IFAD in the country. The Delegation—consisting of the Ministers of Agriculture and Livestock, Social Development, and the National Programme for Sustainable Rural Development; the Vice President of the National Congress; the Executive President of the Central American Bank for Economic Integration (CABEI); and the Coordinator of the Rural Development and Poverty Unit, United Nations Development Programme, UNDP-Honduras—, held meetings with the Director, Latin America and the Caribbean Division, and Senior Management of the Fund, and expressed personally the resulting agreements to the President of the Fund.
3. In sum, country dialogue at the highest level was enhanced starting in 2010, resulting in a strengthened country programme, a renewed Country Programme Management Team (CPMT) and the start of a consolidated project portfolio. The President of the Republic held discussions at the Presidential House with the IFAD CPM and the RB-COSOP review and project design teams, in each instance of their presence in the country (2010-2011), thus manifesting his concern for food security and rural poverty reduction. The loan agreement for the *Sustainable Rural Development Programme for the Southern Region (Emprende Sur)* (approved in September 2010) was signed in the country, by delegation of authority to the CPM, in November 2010. This is a document which the President of the Republic signed as an honorary witness, and an event in which mention was made of the advances achieved in the country programme and of the government interest for further IFAD financing in the rural sector. Similarly, the loan agreement for the *Competitiveness and Sustainable Rural Development in the Northern Zone (Northern Horizons)* was signed in the country, by delegation of authority to the Vice President, Programme Management Department, in September 2011.

Formulation process

4. The RB-COSOP formulation and consultation process was undertaken in Honduras in various phases, consisting of in-country mission preparation and initial dialogue with Government authorities during the final design for the *Northern Horizons—Competitiveness and Sustainable Rural Development Project in the Northern Zone* (April 2011), followed by field visits and consultations carried out in the country in August 2011.
5. **Key studies** of the economic situation and rural poverty and environmental degradation, as well as a livelihoods field-survey were undertaken as part of the Northern Horizons design process. These working papers, commissioned to specialized consultants, comprise: (i) Rural livelihoods, target group and targeting strategy; (ii) Food security and environmental degradation reduction; (iii) Social and

environmental review note; and (iv) Institutional analysis of the Secretariat of Agriculture and Livestock.

6. **Strategic environmental assessment.** The SEA, undertaken in parallel by the Fund (September 2011), provided valuable input to the RB-COSOP. The exercise, carried out by a team from the office in Honduras of the Tropical Agricultural Research and Training Centre (CATIE), placed into proper perspective the practical issues of climate-change mitigation and adaptation as part of the overall country strategy while identifying measures, best practices and required investments to strengthening these core environmental concerns in the project portfolio. The SEA findings were discussed at length with the sectoral authorities for agriculture and rural development, environment and natural resources, and planning and technical cooperation.
7. **Government plans.** It should be highlighted that the RB-COSOP was formulated in parallel with the government's: (i) new *Strategic Plan for the Development of the Agrifood Sector (2010-2014)* which aims at modernizing the agricultural sector so that it is diversified, efficient, competitive and environmentally sustainable, while playing a key role in reducing poverty and increasing food security; and (ii) *Country Investment Plan for the Agrifood Sector (CIP) (2011-2014)*, a document that identifies the investment requirements for achieving the targets of the sectoral plan, and which includes IFAD's financing under the ongoing projects and the expected Performance-based Allocation System (PBAS) funds for 2013-2015.
8. Finally, while additional RB-COSOP input was obtained during the Access to Markets Workshop for Mesoamerica and Panama (Tela, Honduras, September 2011), brief project identification missions were carried out in September 2011 and July 2012. The RB-COSOP's strategic objectives were validated by the Country Programme Management Team (CPMT) and key stakeholders in Honduras in April 2012 as part of the meetings held during the design of the Global Environmental Facility's (GEF) supplementary project to be executed within the *Competitiveness and Sustainable Rural Development Project in the Northern Zone (Northern Horizons)* and which will be financed with US\$3.0 million from GEF's Special Climate Change Fund (SCCF). The RB-COSOP's strategic objectives were validated by the Government in July 2012, during the first mission to the country by the new Coordinator, Central America y Panamá, and Country Programme Manager for Honduras.

B. Consultation

9. The RB-COSOP formulation included consultations and technical meetings with government authorities and representatives of concerned ministries (finance, environment and natural resources, agriculture and livestock, rural development, planning and technical cooperation, etc.), leaders of peasant and indigenous organizations, officials of principal international development and United Nations agencies present in the country, the technical staff of IFAD ongoing projects, and representatives of the private sector, non-governmental organisation and civil society.
10. Dedicated workshops were held at field level as part of the Horizons Project design process in each of the three primary zones of intervention (Atlántida, Cortés and Santa Barbara), and with the members of the Agroforestry Round Table in Tegucigalpa. These consultations revolved around such key issues as the real livelihood concerns of IFAD target groups, the environmental degradation of the targeted zones, potential payment schemes for environmental services at local level, rural business competitiveness, poverty targeting, the performance of the country project portfolio, the financing gap for the CIP investment plan, territorial distribution of the diverse externally-financed development projects, etcetera.
11. The meetings held under the Strategic Environmental Assessment were also conducted as part of the RB-COSOP consultation exercise. These meetings were

wide ranging and comprised, in addition to the technical environmentally-related institutions, the Ministries of Young People and Indigenous Peoples thus obtaining a comprehensive perspective on the developmental constraints and opportunities of these key target groups.

C. Strategic Environmental Assessment

12. The Environment and Climate Division (ECD), in collaboration with the Latin American and the Caribbean Division (LAC), undertook a **Strategic Environmental Assessment (SEA)** as part of the RB-COSOP design exercise. This special activity was intended to provide conceptual, methodological and operational inputs to inform the RB-COSOP design and consequently to guide project design/ implementation and government decision making.
13. The IFAD Climate Change Strategy, approved in 2010, calls for IFAD to more systematically respond to increasing demands from the Fund's clients for assistance and innovation on how to address climate change and thus on relevant action and investments.
14. The 2011 IFAD Environment and Natural Resource Management (ENRM) Policy further stresses that RB-COSOPs are a key entry point for upstream analysis and assessment of how IFAD can be of assistance to partners in managing natural resources sustainably and to respond to climate change challenges in rural poverty alleviation and enhanced food security. A contemplated focus of RB-COSOPs will be to support national priorities on environmental and natural resources management (such as ecosystem-based approaches) as reflected in poverty reduction strategy programmes and relevant national strategic frameworks.

Objectives

15. Specifically, the **objectives** of the pilot SEA task were to: (i) provide key environmental and social recommendations to influence IFAD support to Honduras's development efforts towards environmental sustainability and climate-smart development; (ii) identify priority ENRM and climate-change areas based on IFAD's comparative advantage for policy dialogue with the Government; (iii) test and demonstrate opportunities for practical application of the SEA in the country; and (iv) demonstrate applicability of methodological and procedural SEA approach outlined in IFAD's Environmental and Social Assessments.

Recommendations

16. Among the key recommended social, economic and environmental actions and investments, as identified best practices under the SEA, to be applied in the context of the RB-COSOP and IFAD project portfolio, we find:
 - (a) Implement concrete natural resources management and sustainable production practices (related to soils, water, forest and biodiversity) through the introduction of actions that can generate multiple benefits in those regions that are a priority for the Government's rural development and poverty reduction efforts;
 - (b) Promote actions to stop the expansion of the agricultural frontier in the country's diverse regions, through field sustainable practices under agro-silvo-pastoral systems while supporting and consolidating the relevant value chains;
 - (c) Formulate and implement a long-term approach for forestry protection (i.e., fire prevention and plagues control) focusing on the particular conditions of the diverse agroecological contexts;
 - (d) Establish suitable models and schemes to achieve an enhanced environmental governance based on the access, management and control (legalised property and use) of lands and other nature-based productive assets;

- (e) Implement an strategy for environmental service payments and associated mechanisms, which identify and make effective the environmental and economic valuations of natural resources, conducive to their sustainable management and use at all levels and in the diverse agroecological and biodiverse contexts;
- (f) Promote, strengthen and empower the community-based organisations, the economic-interest associations and the vulnerable rural groups to execute sustainable management of natural resources within their household livelihoods, community social contexts and regional economies;
- (g) Promote sustainable natural resources management actions and practices in accordance with the legal, public policy and institutional frameworks to be derived and consolidated from the *Country Vision 2010-2038* and the *Plan of Nation 2010-2022*;
- (h) Strengthen the institutional execution practice in the application of the legal and public policy frameworks oriented towards the sustainable management of natural resources and climate-change mitigation and adaptation;
- (i) Promote and support the sustainable (economically, socially, environmentally) value chain-based production systems, products and markets, with a view to enhancing resilience and adaptation to the effects of climate change, particularly in the regions where the poorest and most vulnerable peoples are settled, taking into account the country's new (social and economic) regionalization and through strategic alliances with development partners; and
- (j) Promote strategic rural territorial actions and investments (social and economic infrastructure, rural human settlements, sustainable production, etc.), based on the country's new watershed-based regionalization and the *Country Vision 2010-2038* and the *Plan of Nation 2010-2022*, identifying priority municipalities and zones for intervention that address the nexus of rural poverty, environmental degradation and climate change. This regionalisation will offer pathways/ opportunities for the scaling up of best practices.

Country economic background

Honduras

Land area (km2 thousand) 2010 1/	112	GNI per capita (USD) 2011 1/	1 970
Total population (million) 2010 2/	8.04	GDP per capita growth (annual %) 2010 1/	1
Population density (people per km2) 2010 2/	72	Inflation, consumer prices (annual %) 2010 1/	5
Local currency Lempira (HNL)		Exchange rate: USD 1 = 18.6401 HNL	
Social Indicators		Economic Indicators	
Population growth (annual %) 2010 2/	2.27	GDP (USD million) 2011 1/	17259
Crude birth rate (per thousand people) 2010 1/	27	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2010 1/	5	2000	5.7
Infant mortality rate (per thousand live births) 2010 1/	20	2010	2.8
Life expectancy at birth (years) 2010 1/	72		
Total labour force (million) 2010 1/	2.99	Sectoral distribution of GDP 2010 1/	
Female labour force as % of total 2010 1/	34	% agriculture	12
		% industry	27
		% manufacturing	18
		% services	61
Education		Consumption 2010 1/	
School enrolment, primary (% gross) 2010 1/	116		18
Adult illiteracy rate (% age 15 and above) 2007 1/	86	General government final consumption expenditure (as % of GDP)	
			80
		Household final consumption expenditure, etc. (as % of GDP)	
Nutrition		Gross domestic savings (as % of GDP)	2
Daily calorie supply per capita	n/a		
Malnutrition prevalence, height for age (% of children under 5) 2008 1/	n/a	Balance of Payments (USD million)	
Malnutrition prevalence, weight for age (% of children under 5) 2005 1/	8.6	Merchandise exports 2010 1/	5 742
		Merchandise imports 2010 1/	8 550
Health		Balance of merchandise trade	-2 808
Health expenditure, total (as % of GDP) 2010 1/	6.8	Current account balances (USD million)	
Physicians (per thousand people) 2010 1/	n/a	before official transfers 2010 1/	-3 773
Population using improved water sources (%) 2010 1/	87	after official transfers 2010 1/	-955
Population using adequate sanitation facilities (%) 2010 1/	77	Foreign direct investment, net 2010 1/	799
Agriculture and Food		Government Finance	
Food imports (% of merchandise imports) 2009 1/	19	Cash surplus/deficit (as % of GDP) 2010 1/	-3
Fertilizer consumption (kilograms per ha of arable land) 2008 1/	108	Total expense (% of GDP) a/ 2010 1/	23
Food production index (1999-01=100) 2009 1/	145	Present value of external debt (as % of GNI) 2010 1/	14
Cereal yield (kg per ha) 2010 1/	1 094	Total debt service (% of GNI) 2010 1/	3
Land Use		Lending interest rate (%) 2010 1/	19
Arable land as % of land area 2009 1/	9.1	Deposit interest rate (%) 2010 1/	10
Forest area as % of total land area 2010 1/	46		
Agricultural irrigated land as % of total agric. land 2010 1/	n/a		

a/ Indicator replaces "Total expenditure" used previously.

1/ World Bank, *World Development Indicators* database available in: <http://data.worldbank.org>

2/ National Statistical Institute available in: www.ine.gob.hn/

3/ Central Bank of Honduras available in: www.bch.hn/

COSOP results management framework

COUNTRY STRATEGY ALIGNMENT	KEY RESULTS			INSTITUTIONAL/ POLICY OBJECTIVES
Poverty Reduction Strategy and Targets	RB-COSOP Overall Objective: Enabling the rural poor of Honduras to increase their income, expand employment, and achieve food security in a context of enhanced environmental sustainability.			Policy Dialogue Agenda
	Strategic Objectives	Outcomes that IFAD Expects to Influence	Milestone Indicators	
<p>Country Vision 2010-2038: comprises four national objectives, aiming to achieve: (i) a Honduras without extreme poverty, educated and healthy, with consolidated systems of social security; (ii) a country which develops within a democracy, with safety and without violence; (iii) a productive Honduras which creates opportunities and valuable jobs, harnessing its resources in a sustainable manner and reducing environmental vulnerability; and (iv) a modern State, transparent, responsible, efficient and competitive.</p> <p>Strategic pillars of the associated Plan of Nation 2010-2022, <i>inter alia</i>, comprise: (i) sustainable development for the population; (ii) poverty reduction with generation of assets and equal opportunity; (iii) development of the country's regions; (iv) productive infrastructure as the motor of economic development; (v) competitiveness, an improved image of the country, and development of productive sectors; and (vi) mitigation and adaptation to climate change.</p>	<p>Strategic Objective 1: Agricultural and non-agricultural rural businesses and microenterprises are developed and market access is improved whilst rural competitiveness is enhanced. SO1 will be achieved through: (i) support to the transformation of subsistence agricultural and non-agricultural activities into profitable, competitive, market-oriented rural businesses and microenterprises for local and external markets; (ii) access of producer organizations and rural saving associations (<i>cajas rurales</i>) to rural financial services; and (iii) the provision of key economic infrastructure and the construction or improvement of rural access roads in priority regions.</p> <p>Strategic Objective 2: Human and social capital in rural areas is developed. Complements and supports the first strategic objective. SO2 will be achieved through: (i) support to the effective organizational, managerial and decision-making capacities of small producer associations and communities; (ii) promotion of leaderships and development of the technical and entrepreneurial capacities of rural women and young people; and (iii) expansion of basic household and community infrastructure, from a participatory and social cohesion perspective.</p>	<ul style="list-style-type: none"> ▪ 65% of producer associations involved in entrepreneurial linkages and transformation/ value aggregation improve their incomes/ employment, accessing national and international markets. ▪ 60% of producer associations with incipient potential for value chain/ market insertion improve their incomes and consolidate their production activities, accessing local and national markets. ▪ 60% of rural saving associations and 60% of the organisations involved in entrepreneurial linkage plans, operate with funding derived from expanded/ improved rural financial services;. ▪ 60% of rural subsistence families improve their food and nutritional security, having sustainable access to basic food. ▪ 50% of scholarship-supported students (at least 30% young women) obtain relevant jobs and/ or develop business initiatives. ▪ At least 60% of rural women users decrease their household workload through access to rural infrastructure. 	<ul style="list-style-type: none"> ▪ No. of producer associations involved in rural businesses and microenterprises (agricultural and non-agricultural) that improve their incomes/ employment, accessing national and international markets. ▪ No. of producer associations with incipient potential for value chain/ market insertion that improve their incomes/ employment and consolidate their production activities, accessing local and national markets. ▪ No. of jobs created through rural business expansion/consolidation by enhanced producer associations. ▪ No. of rural saving associations and organisations involved in business plans, that operate with funding derived from expanded/ improved rural financial services. ▪ No. of organised subsistence producers that introduce cultivation technologies adapted to climate change, and implement soil conservation 	<p>The policy dialogue agenda comprises: (i) the strategic objectives espoused by this COSOP in light of the Fund's Strategic Framework 2012-2015 and the key new policies and strategies, i.e., ENRM Policy, Climate Change Strategy, Private Sector Strategy; (ii) the <i>Strategic Plan for the Development of the Agrifood Sector (2010-2014)</i> which aims at modernising the sector so that it is diversified, efficient, competitive and environmentally sustainable, while playing a key role in reducing poverty and increasing food security; (iii) the targets of the <i>Country Investment Plan for the Agrifood Sector (CIP) (2011-2014)</i>, which identifies the investments to achieve the sectoral targets; (iv) the country's National Climate Change Strategy and related environmental governance matters, e.g., access, management and control of lands and other nature-based productive assets;</p>

<p>KEY LONG-TERM TARGETS:</p> <ol style="list-style-type: none"> 1. Eradicate extreme poverty. 2. Reduce by at least 15% the number of poor households, nation-wide <p>KEY BASELINE: Population (2011): 8.2 million; 7% indigenous; 60% rural.</p> <p>Economic conditions and poverty: Per-capita income: US\$1,970 (Atlas Method, 2011). Gini coefficient: 0.577.</p> <p>Poor population: 67% (nation-wide). Poverty affects over 70 per cent of the rural population while 60 per cent lives under extreme poverty.</p> <p>Human Development Index: 0.625 (ranks Honduras 121 out of 187 countries) (2011).</p> <p>TARGETS: Poverty indicators (2016): Rural poverty reduced from 70% to 60%. Malnutrition reduced by 10%.</p> <p>IFAD's contribution to targets by end-2016: Client-beneficiaries taken out of poverty: Approximately 40-45 thousand families.</p>	<p>Transversal goals. The RB-COSOP seeks: (i) to reduce vulnerability to the impact of climate change while enhancing local resilience and adaptation capacities; (ii) to improve food security under participatory territorial planning; and (iii) to achieve greater gender, ethnic and intergenerational equity.</p> <p>Expected results. Upon completion of the RB-COSOP, IFAD should have contributed to achieving the following results: (i) employment and incomes in rural areas, increased; (ii) national food insecurity and environmental vulnerability, reduced; (iii) resilience and competitiveness of rural regions, smallholder agriculture and value chains, enhanced; (iv) rural enterprises/ businesses, accessing suitable technical and financial services while competitively linked to markets; (v) entrepreneurial and organizational capacities of economic organizations, enhanced; (vi) technical capacities of rural and ethnic women and young people, improved; (vii) living conditions of communities through targeted social infrastructure and an expanded network of rural access roads, improved; and (viii) sectoral planning and coordination capabilities at municipal, departmental and central levels, enhanced.</p>		<p>practices and works.</p> <ul style="list-style-type: none"> ▪ No. of rural and ethnic women and young people's groups that develop organisational and productive/ entrepreneurial capacities, and initiate local economic activities. ▪ No. of families benefited with small social infrastructure works and installations, constructed/ rehabilitated (water harvesting/ storing devices; improved cooking stoves, etc.). ▪ No. of kms of rural roads rehabilitated / constructed ▪ No. of pilot environmental service payment schemes. ▪ Applied institutional learning generated by the executing entity (SAG) in the context of a comprehensive results-based M&E system for investment programme coordination and implementation. ▪ No. of seminars, workshops, other events for country sectoral policy dialogue. ▪ No. of systematization elements generated/ disseminated from project implementation experience. 	<p>(v) the mechanisms for the dissemination/ exchange of best practices and the identification of upscaling routes and mechanisms; and (vi) the timely identification of implementation constraints in the context of direct supervision and an enhanced CPMT.</p>
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Note: This Results Management Framework is indicative and based on the expected targets and outcomes under the ongoing and forthcoming portfolio. As a living document, it will be reviewed during project design and 1st annual RB-COSOP review, to include: (i) the precise targets, outcomes and indicators of the contemplated new projects to be financed with the resources of the PBAS 2013-2015; and (ii) a detailed and updated baseline data/ information. Outcomes and milestone indicators are being disaggregated by gender/ ethnic group in the project-level monitoring and evaluation systems.

Previous COSOP results management framework

	STATUS AT COSOP DESIGN	STATUS AT COMPLETION	LESSONS LEARNED
<p>A. COUNTRY STRATEGIC GOALS:</p> <p>Poverty Reduction Strategy (PRS) centred on: (i) generating capacities and expanding opportunities; (ii) providing infrastructure; and (iii) ensuring social protection, especially for the poor and extremely poor populations.</p> <p>Poverty Reduction intervention focused on: (a) policy reforms to improve health/ education and nutrition planning, inter-sectoral coordination, public spending and targeting, concentrating on people in extreme poverty; and (b) the Solidarity Network social programs: (i) social protection, i.e., Family Allocation Programme (conditioned subsidy cash transfers); (ii) human capacity development (health, education); (iii) income opportunities (training, technical and financial assistance); and (iv) infrastructure (water and sanitation services, social and economic infrastructure, housing).</p> <p>Operational Strategic Plan for the Agrifood Sector of Honduras (2006-2010). Main strategy thrusts: (i) development of production zones, priority subsectors and agrifood chains to improve rural competitiveness; (ii) multisectoral action and coordination with the PRS to achieve employment/ incomes, gender equity and food security; (iii) small-scale commercial agriculture that provides access to production technologies and markets; (v) modernisation of rural production infrastructure; and (vi) improved sectoral governance and private-sector involvement in smallholder production and commercialisation associations.</p>	<p>Economy Population: 7.4 million (2007) GNI per capita (2007): US\$1,620 GDP Nominal (2007): US\$12,316 million Agriculture contribution to GDP (2004): 14.0% Economic Active Population (% Agriculture): 35.4% Total exports (2006): US\$1,936 million Workers remittances (2006): US\$2,307 million</p> <p>Poverty Poverty, at national poverty line: 62.1% (2006) Human Development Index (2006): 0.604</p>	<p>Economy Population: 8.2 million (2011) GNI per capita (2011): US\$1,970 GDP Nominal (2011): US\$17,259 million Agriculture contribution to GDP (2010): 12.0% Economic Active Population (% Agriculture): 36.6% Total exports (2011): US\$6,814 Workers remittances (2010): US\$2,649 million</p> <p>Poverty Poverty, at national poverty line: 60.0% (2010) Human Development Index (2011): 0.625</p>	<p>Aligned with the country's poverty reduction strategy and rural development priorities, the RB-COSOP (2013-2016): (i) renews the IFAD country programme based on the Government's development strategy as detailed in the Country Vision and the Plan of Nation, and on the main lessons derived from the implementation of the IFAD project portfolio; (ii) internalises: 1. the precepts of the new IFAD Strategic Framework (2011-2015); and 2. the principles of the related IFAD policies on climate change, natural resources management, indigenous peoples, and private sector development; (iii) was formulated in parallel with –and benefited from the Government's new Strategic Plan for the Development of the Agrifood Sector (2010-2014) and the Country Investment Plan for the Agrifood Sector (CIP) (2011-2014); and (iv) profits from a Strategic Environmental Assessment (SEA), that placed into proper perspective climate-change mitigation/ adaptation as part of the overall country strategy.</p>

<p>B. COSOP STRATEGIC OBJECTIVES:</p> <p>Strategic Objectives (COSOP 2007-2011):</p> <p>Strategic Objective 1: Improve income-generating opportunities for the rural poor (on- and off-farm), with special attention to women. Main lines of action: (i) funds for farmers' initiatives and off-farm activities; (ii) support to access markets technologies and investments, and assets and opportunities, including investments and technical services; and (iii) facilitate incorporation into value chains, and linkages between the dynamic and non-dynamic sectors of the economy.</p> <p>Strategic Objective 2: Strengthen the organizational capacities and bargaining power of the organizations of the rural poor. Main lines of action: (i) capacity building of poor rural people's organisations to negotiate and establish alliances with private-sector actors; (ii) capacity enhancement to benefit from trade agreements and participation in negotiations; and (iii) empowerment of indigenous communities in articulating their specific concerns with public and private entities when pursuing social investments and other benefits for their communities.</p>	<p>Elements of project approach to rural development:</p> <ol style="list-style-type: none"> 1. Strengthening of local institutions in their technical, organizational and managerial capacities to formulate micro and small projects and supervise small rural businesses, and to facilitate access to programme resources and services offered by public and private sectors; 2. Rural Development Funds to facilitate access by rural communities and organized farmer groups to productive (private) technical services and community infrastructure investments; 3. Demand-driven, direct beneficiary contribution to their micro-project financing through matching grants and in-kind/ labour inputs; 4. Intense promotion and training among rural women, young people, indigenous groups and landless farmers within isolated communities to facilitate their involvement in income-generation activities, and the rehabilitation of physical and productive infrastructures damaged by Hurricane Mitch; 5. Household food security through improved production/storage of basic grains; 6. Management and conservation of natural resources, particularly in hillside farming areas; 7. Rural saving and credit associations (cajas rurales); and 8. Project management units; and M&E systems. 	<p>Elements of evolving project approach to rural development:</p> <ol style="list-style-type: none"> 1. Rural competitiveness, market access and support to the development of rural business and microenterprises under consistent business plans and private sector partnership; 2. Specialized technical and business-related assistance and the delivery of resources from key competitive asset-building co-investment funds for sustainable production, value aggregation/ processing and micro-enterprise development; 3. Support to the effective organizational, managerial and decision-making capacities of small producer associations and communities; 4. Access of producer organizations and rural saving associations (cajas rurales) to rural financial services; 5. Support to the rehabilitation of environmentally deteriorated areas, vulnerability reduction to the impact of climate change of micro and smallholder agriculture and institutionalization of municipal territorial planning; 6. Human capital development, technical training/ labour market insertion; and promotion of the entrepreneurial talent of rural and ethnic women and young people; 7. Affirmative action and development of rural and ethnic women, including their access to social infrastructure and reduction of household work load; 8. Key economic infrastructure and the construction or improvement of rural access roads in priority regions; 9. Integrated implementation of components in support of a master line of action (e.g., access to markets/ rural business and microenterprise development); 10. Integrated implementation of country investment programme, under the Secretariat of Agriculture and Livestock (SAG); and project planning, Planning, M&E and knowledge management systems. 	<p>COSOP Experience:</p> <p>Country programme learning, inter alia, relate to the need to: (i) influence sectoral policies and decisions taken by the national authorities; (ii) consolidate a country strategy and a national programme to combat rural poverty, in the context of territorial and environmental management approaches that take into account the distinct constraints and opportunities of diverse regions and indigenous peoples; (iii) clarify, on the part of the Government, the spheres of influence of the Secretariat of Agriculture and Livestock and associated rural institutions in relation to the management of investment projects; (iv) concentrate multisectoral investments on specific economic and geographical areas; and (v) focus on impact evaluation while establishing integrated monitoring evaluation and learning systems.</p>
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<p>C. IFAD OPERATIONS</p>	<p>Ongoing (2007):</p> <ol style="list-style-type: none"> 1. National Programme for Local Development (PRONADEL). Approval: April 2001. Total cost: US\$31.3 million. 2. National Fund for Sustainable Rural Development Project (FONADERS). Approval: December 1999. Total cost: US\$25.7 million. <p>Proposed:</p> <ol style="list-style-type: none"> 1. Project for Enhancing the Rural Economic Competitiveness of Yoro (PROMECON). 	<p>Ongoing (2012):</p> <ol style="list-style-type: none"> 1. Rural Project for Enhancing the Rural Economic Competitiveness of Yoro (PROMECON). Approval: December 2007. Total cost: US\$16.7 million. 2. Sustainable Rural Development Programme for the Southern Region (Emprende Sur) Approval: September 2012. Total cost: US\$37.2 million. 3. Competitiveness and Sustainable Rural Development Project in the Northern Zone (Northern Horizons) Approval: August 2011. Total cost: US\$21.0 million. <p>Proposed:</p> <ol style="list-style-type: none"> 1. Competitiveness and Sustainable Rural Development Programme in the South-Western Frontier. PBAS 2013-2015 plus cofinancing. 2. Competitiveness and Sustainable Rural Development Project in the Northern Zone (Northern Horizons-GEF). US\$3.0 million supplementary financing from the Global Environmental Facility's Special Climate Change Fund. 	<p>IFAD Operations Experience:</p> <p>Applied elements for upscaling within IFAD projects in Honduras, include:</p> <ul style="list-style-type: none"> (i) strategic alliances with specialised private sector partners for the provision of specialised marketing and other technical assistance with a view on product quality and exports; (ii) the entrepreneurial strengthening of producer organisations and the construction of economic infrastructures (rural access roads and value aggregation of micro/small agro-industries) to improve the competitiveness of the local production; (iii) rural territorial development and competitiveness, including the promotion of the exporting vocation and capabilities of zones; (iv) the consolidation of rural saving associations (cajas rurales), and an evolving model for the connection between the supply and demand of rural financial services for emerging rural enterprises; and (v) actions aimed at skills formation and business development among rural and ethnic women and young people.
<p>D. IFAD PERFORMANCE</p> <p>1. Policy Dialogue</p> <p>2. Partnerships</p> <p>3. Portfolio Performance</p>	<ol style="list-style-type: none"> 1. Policy dialogue / advocacy conducted on the need to focus on the needs of the poor smallholders. 2. Cofinancing with the Central American Bank for Economic Integration (CABEI). 3.- Project portfolio was completed with highly relevant lessons from field implementation on rural savings associations, the role of investments funds, etc. 	<ol style="list-style-type: none"> 1. Country dialogue has been established at the highest level, with IFAD commitments to expand the country project portfolio. An active Forestry Round Table, a subgroup of the Group of 16. 2. Cofinancing with CABEI and the OPEC Fund for International Development (OFID). Wide collaboration with the United Nations Development Programme's office in Honduras. Involvement of the Guatemalan Exporters Association in a regional market access support programme. 3. Satisfactory performance of an expanded and active portfolio, according to the parameters of the Fund's portfolio monitoring systems. Direct supervision and implementation support provided from the IFAD's office in Guatemala. 	<ol style="list-style-type: none"> 1. The need to maintain a more active presence in the country to influence policies and strategies on behalf of IFAD's target groups. 2. The need to involve private sector partners in market access, external market-niche identification and the dissemination and systematic application of production and manufacturing best practices. 3. The need to: (i) formulate project implementation/ disbursement plans from the project design stage; and (ii) finance the entire project costs (net of taxes), in order to expedite project execution avoiding counterpart funding constraints.

Indicative project pipeline during the COSOP period

Project concept note

Competitiveness and Sustainable Rural Development Programme in the South-Western Frontier

A. Introduction and justification

1. At the request of the Government of Honduras, and as part of the country's Strategic Agrifood Sector Investment Plan (2011-2014), the proposed **Competitiveness and Sustainable Rural Development Programme in the South-Western Frontier** will consolidate IFAD's presence in the country while expanding the agricultural production initiatives, rural savings associations and market linkages established under the neighbouring Sustainable Rural Development Programme for the Southern Region (Emprende Sur). The new programme's focus on sustainable agricultural production and livelihood strengthening of poor smallholders, rural infrastructure development, and competitive rural microenterprise promotion is expected to lead to expanded food security and increased employment and incomes among the target rural and Lenca indigenous groups.
2. The South-Western region comprises the Departments of Intibucá, La Paz, Lempira and the Southern part of Comayagua with a total population of 610 thousand inhabitants, mostly rural. These Departments are located in planning regions 13 (Lempa), 2 (Comayagua Valley) and 13 (Gulf of Fonseca), according to the Plan of Nation. About 80 percent of the municipalities in the region have been classified as rural poverty territories and 50 percent of the same municipalities face extreme poverty conditions. The identified target populations generally count with low levels of human and social capital, limited access to land and other productive assets and services, and highly deficient transport and communication infrastructure, and thus a low capacity to generate income. These are principal factors determining their low living conditions, and their social, economic and environmental vulnerability, including the increasing impact of climate change on their rainfall-based subsistence and step-sloped agriculture.
3. Whilst some areas of the region are part of the Central American "dry corridor", and its natural resources suffer higher degradation, subjecting to high vulnerability and food insecurity, it also holds some microregions with great potential for agricultural production and well established value chains. In addition, the inhabitants of the region, of Lenca indigenous ascent, count with valuable traditional knowledge and culture, which should be supported in their social and economic development, including their artisanal products and community nature-based tourism while promoting the production of quality coffee and other traditional crops. The proximity with El Salvador presents enormous market networking opportunities for agricultural and non-agricultural products.
4. Accordingly, the Programme is justified on the stated goals to expand smallholder coverage, deepen development action and consolidate the productive initiatives and value chains resulting from previous IFAD operations in the same region. These projects –which have generated valuable lessons from their implementation experience–, comprise the Intibucá-La Paz Rural Development Project (1988-1997) and the Rural Development Project in the South-Western Region (PROSOC) (1999-2005). Finally, the proposed Project is fully in line with Government priorities as

pertaining rural poverty reduction and agricultural production and food security, in the context of climate change. These priorities are established in the Plan of Nation 2010-2022, and the new National Food Security and Nutritional Strategy 2010-2022.

B. Programme area and target group

5. The proposed programme will be executed in 69 municipalities having a high concentration of rural poverty in the departments of Lempira (28 municipalities), Intibucá (17), la Paz (19) and Comayagua (5). The programme's target groups include: (i) poor small agricultural producers; (ii) micro-entrepreneurs with potential to participate in agricultural value chains; (iii) small entrepreneurs engaged in processing/ value addition and commercialisation; (iv) rural populations of Lenca indigenous descent involved in artisanal production and cultural and nature-based tourism; and (vi) in general, rural and indigenous women and young people. The programme will benefit approximately 45,000 households, including 20,000 with production-related technical assistance, capitalization funds, rural roads and financial services, and 25,000 families which will benefit from access to rural roads, human development investments (social infrastructure) and enhanced territorial and municipal planning. An estimated 1,000 young women and men of the total will be trained in job-seeking skills.

C. Programme objectives

6. The overall **programme objective** is to contribute to the strengthening of the social and human capacities of poor rural populations to increase their income and employment opportunities while enhancing their food security and overall livelihood, in a context of environmental sustainability and social inclusion of rural and indigenous women and young people. The **specific objectives** comprise: (i) promote and strengthen the organisational and managerial capacities of economic, social and municipal associations; (ii) support the development and asset-building of rural businesses and microenterprises; (iii) improve food security among poor rural families, and reduce the vulnerability of small producers to the risks and impacts of climate change; and (iv) invest in social infrastructure and rural access roads in support of an increased competitiveness of the rural economy in the region.

D. Ownership, harmonization and alignment

7. The proposed programme is aligned with the National Priority Goals, which are oriented towards reducing significantly the rural populations' poverty and extreme poverty, while meeting national food demands and the Millennium Development Goals. The priority goals are outlined in the Government's *Country Vision 2010-2038* and *Plan of Nation 2010-2022*, which also set the framework for climate change action, the integral development of the agrifood sector and overall food and nutritional security. The Programme is also consistent with the central objectives of IFAD's Strategic Framework (2011-2015) and the strategic objectives of the new Country Strategic Opportunities Programme (RB-COSOP).
8. While the Ministry of Agriculture (SAG) will monitor the implementation of all IFAD-financed projects through a country programme coordination committee, which will strengthen the mechanisms of coordination between SAG, IFAD's activities and those of international cooperation agencies, the overall intervention strategy is based on: (i) partnership building with the private sector, particularly for expanding market access networks and technical assistance services; (ii) cooperation with the donor community and cofinancing with the OPEC Fund for International Development; and (iii) field level harmonization with projects operating in the same region, notably the USAID-financed ACCESO programme.

E. Programme components

9. **Component 1: Human Capital Development and Local Livelihood Strengthening.** The objective of this component is to support the social and human development processes of the target groups, to be reflected in the strengthened organizational, managerial and decision-making capacities of communities and economic entities (cooperatives, producer associations, *mancomunidades*, rural savings associations, microenterprises) and improved living conditions, overall.
10. The component will be implemented through the following lines of action: **1.- Organizational and territorial development**, including: (i) strengthening of small producer associations and their training in organizational and managerial capacities; (ii) promotion of leadership and development of the technical and entrepreneurial capacities of rural and indigenous women and young people (male and female) and their support for business development and their insertion in local labour markets; (iii) support to the expansion of a farmer-to-farmer system of technical assistance, patterned on the experience of previous IFAD projects in the region; and (iv) support to community organisation and municipal and territorial planning based on the identified value chains (potential of exporting municipalities) and micro-watershed management; and **2.- Human development investments:** Expansion of basic community infrastructure, from a participatory, gender equity and social cohesion perspectives. It includes: (i) the promotion of water harvesting structures for agriculture and household use; and (ii) the promotion of family grain storage and firewood-saving stoves.
11. **Component 2: Competitive Rural Enterprise Development and Market Access.** This component will support the creation and consolidation of competitive and financially-sustainable rural businesses and microenterprises. Based on the actual demands of local, national and the market across the border with El Salvador, the programme will promote both the food and commercial value chains of the Fund's target groups in the region, including basic grains, horticulture and coffee production in addition to rural and nature-based tourism, artisanal handcrafts, and distinctive cultural products and archaeological routes.
12. The component includes investments based on the following lines of action. **1.- Value chain/ microenterprise development and market access** including: (i) execution of new-enterprise business plans (agricultural and non-agricultural) through co-investment funds for expanded production and value aggregation/ transformation; linkages with the private, commercial sector; and the provision of technical services in all key business areas, i.e., sustainable production, commercialization, accounting and business management, etc.; (ii) climate change adaptation investments (e.g., greenhouse protected agriculture; micro-irrigation) and the promotion of agricultural and manufacturing best practices as part of the support required to achieve sustained quality production; and (iii) certification of farms and small producers, and overall access to market support, i.e., agricultural fairs, commercial promotion, brand development, specialized marketing, etc.; **2.- Rural financial services** consisting of: (i) the technical and financial strengthening of *cajas rurales* (rural saving and credit associations); and (ii) facilitating access of microenterprises and producer associations with business plans to the existing rural financial services.
13. **Component 3: Food Security, Adaptation to Climate Change and Rural Infrastructure.** Fully integrated and complementary to the other elements and lines of action, this component will address climate change mitigation and adaptation as well as food security of vulnerable populations while establishing the public infrastructure required to achieving a competitive rural economy in the

region. It will be executed through: **1.- Food security and climate change mitigation and adaptation (climate compatible agriculture)** comprising primarily technical assistance and investment funds for works and practices applied to soil, vegetation and water conservation and natural resources management, in general; (ii) support to the rehabilitation of natural ecosystems and the dissemination of suitable production practices such as the *Quesungual* slash & mulch agroforestry system, applicable to drought-prone hillsides; and (iii) a pilot project for payment of environmental services; and **2.- Rural access roads** involving improvement/ rehabilitation of selected rural roads, identified based on criteria related to both the functioning of value chains and the integration of communities to the country's social, commercial and economic mainstream.

14. **Component 4: Programme Management.** This component will facilitate the programme's effective execution, through results-based management and the systematization of project implementation experiences. Principal activities comprise: the establishment and operation of the Programme Management Unit; accounting and financial administration; planning, monitoring and evaluation; socioeconomic and baseline studies; gender and legal advisory; and knowledge management, including experience exchange within the country and the region.

F. Cost and financing

15. For a six-year implementation period, the **project cost** has been estimated at US\$39.7 million. This amount will be allocated by component as follows: (a) Human Capital Development and Local Livelihood Strengthening, US\$11.0 million (28% of total cost); (b) Competitive Rural Enterprise Development and Market Access, US\$14.5 million (37%); (c) Food Security, Adaptation to Climate Change and Rural Infrastructure, US\$12.0 million (30%); and (d) Programme Management, US\$2.2 million (6%).
16. The programme's **financing** will be structured as follows: (a) a loan from IFAD of US\$14.8 million (37% of total cost); (b) a loan from the OPEC Fund for International Development of US\$18.0 million (45%); (c) counterpart funding from the Government of Honduras for US\$3.5 million (9%); and (d) in kind contribution by programme users-beneficiaries, to be applied to their productive projects and business consolidation of US\$3.4 million (8%).

G. Organization and management

17. The programme will be executed by SAG, while field implementation will be the responsibility of a Project Management Unit, to be established in the Southwest of the country. Project policies and annual working plans will be approved by a steering committee, while business plans and other infrastructure investments will be approved by an investments approval committee. The project will provide the necessary technical assistance and support to enable users-beneficiaries to acquire the organizational and entrepreneurial capacities needed to take effective advantage of the opportunities offered by markets and value chains. In addition to the financing agreement, the project will be governed by: (i) operational agreements with technical service providers; (ii) collaboration agreements with associated municipalities and government agencies; (iii) practical alliances at commercial level with entities of the private sector and rural saving associations; and (iv) harmonization of actions with development partners at all levels.

H. Monitoring and evaluation indicators

18. Programme implementation will be guided by the RB-COSOP's results management framework and the programme's logical framework. Examples of key performance indicators and targets, which will take into account the needs of the diverse target

groups, comprise: (i) percentage of households that increase their index of household assets ownership (Results and impact management system-RIMS anchor indicator); (ii) percentage reduction of children malnutrition (RIMS anchor indicator); (iii) Human Development Index by municipality and department; (iv) number of rural microenterprises (cooperatives, producer associations, other organised enterprises, agricultural and otherwise) that access local, national and/or external markets; (v) number of jobs created through newly established, expanded and consolidated rural business and microenterprises; (vi) number of beneficiary families that take part of the programme's territorial development processes and investments; and (vii) number of programme's clients-beneficiaries that access rural financial services. To ensure that the programmes' results can be measured –and that implementation experiences are properly captured and disseminated–, the suitable M&E/knowledge management, RIMS and subproject-specific implementation monitoring systems will be established.

19. While the project M&E unit will be responsible for systematizing and sharing knowledge to generate learning to be incorporated into project activities, as well as for promoting knowledge-sharing among project partners, other ongoing IFAD projects in Honduras, and public and private organizations involved in rural development, scaling up in the wider southern/ south-western regions will benefit from the access-to-markets partnership established in Central America with the Association of Guatemalan Exporters through an IFAD regional grant.

I. Risks

20. The programme may face some implementation risks, relating to: (i) economic instability resulting from the competition for the same markets among the Central American countries, in the context of trade liberalization, affecting the businesses and enterprises promoted by the programme. Action will be taken to identify market niches and develop consistent business plans for differentiated export products, in addition to focusing on the demands of the local market and the targeted markets across the border with El Salvador. The proposed programme will take advantage of the first stretch of the commercial highway being built with Millennium Account funds between the Cutuco Port in El Salvador and the Cortes Port in Honduras; (ii) reticence on the part of users to assume business and commercial risks and weak management by producers' organizations. Mitigation will involve the exchange of experiences among successful organizations of poor rural people to stimulate interest in business, organizational and managerial training to build capacities in business management, and above all, well designed and consistent business plans and high-level hand-holding support; (iii) the ability of small-scale farmers to respond promptly to market demands, required investments and special product quality requirements. This will be mitigated by promoting alliances between more dynamic and well-organized producers with service providers, processing and marketing enterprises and financial intermediaries operating in the project area; and (iv) environmental vulnerability and climate-related risks that will affect the south-western region, as it is part of the 'dry corridor'. The programme is being designed to offset these risks through concerted environmental management action, early-warning systems, participatory territorial and municipal planning, and the budgeted agroforestry and soil and water conservation works.

J. Timing and next steps

21. The Programme's design will be undertaken starting in early 2013, with a view to its presentation at the September 2013 session of the Executive Board.

Project concept note

Northern Horizons—GEF Project. Competitiveness and Sustainable Rural Development Project in the Northern Zone

A. Introduction and justification

1. At the petition of the Government of Honduras, while considering the high vulnerability of the country to environmental disasters and climate change, IFAD formulated a Concept Note (Project Identification Form-PIF) for a project that seeks to address, as an additional initiative, the climate-risk mitigation and resilience requirements of the Fund's target groups and their agricultural value chains, in the context of the IFAD-financed **Competitiveness and Sustainable Rural Development Project in the Northern Zone (Northern Horizons-IFAD Project) (NH-IFAD)**. The US\$21.0 million Northern Horizons project was approved by IFAD's Executive Board through the lapse-of-time procedure in September 2011, whereas the PIF was approved by the Global Environment Facility (GEF) in late 2011. A project design mission was fielded in April 2012, from which this project proposal originates.
2. The concept of the supplementary **Competitiveness and Sustainable Rural Development Project in the Northern Zone (Northern Horizons-GEF) (NH-GEF)**, to be financed by a US\$3.0 million grant from GEF's Special Climate Change Fund (SCCF), is rooted in the SCCF fundamental strategy and its main goal of: supporting developing countries to increase resilience to climate change through both immediate and long- term adaptation measures in development policies, plans, programs, projects and actions. The NH-GEF project seeks to support Honduras to become climate-resilient by integrating adaptation measures (reducing vulnerability, increasing adaptive capacity, transferring of adaptation technology) within the agricultural production and rural development activities of the larger Northern Horizons, IFAD project (NH-IFAD).
3. Within a territorial and micro-watershed planning approach, the proposed NH-GEF project will address the impact of climate change on the household economies and food security of the IFAD's principal target groups of poor small agricultural producers, micro-entrepreneurs, and rural women, young people and ethnic groups. Sustainable agricultural production, rehabilitation of natural resources (soils, water, biodiversity) and value chain development/ consolidation are all key elements of the project's objectives, investments and expected outcomes.
4. **Rationale of the supplementary NH-GEF project.** Climate change in Honduras is severely affecting the whole natural-resource base across the country and the living conditions of the rural populations, while posing additional stress on the agricultural sector with expected decreases in precipitation and increases in temperature under all identified scenarios to 2020. The increased drought and flooding risks are affecting agricultural production and productivity, making it more difficult both to meet food demands and to sustain the incomes and livelihood of small agricultural producers and their families. In this context, water quality and its overall availability for agriculture and rural household use are thus affected, undermining the government's rural poverty reduction efforts.
5. While impacting directly on the livelihood of poor agricultural producers, climate change and the country's increased environmental degradation are associated with:

- (i) uncontrolled expansion of the agricultural frontier in some zones; (ii) expanding steep-sloped rainfall-based subsistence agriculture; (iii) increased frequency, severity and variability of rainfall, hurricanes, and consequent flooding of lowlands; (iv) continued utilization of firewood for cooking and other household use; and (v) agrochemical pollution.
6. The proposed complementary NH-GEF project in northern Honduras represents an invaluable opportunity to improve the living conditions of the rural poor and extremely poor populations in the region while enhancing their resilience in agricultural production, considering that the municipalities in the northern/ north-western zones hold suitable agroecological conditions (soil, water, biodiversity) for expanded sustainable production. In this context, the integrated project (comprising IFAD lending and GEF grant funds) will apply the experience gained in Honduras and other Central American countries to promote competitive agricultural and non-agricultural enterprises and their insertion into local, national and global value chains (e.g., coffee, cocoa). The ultimate objective is to open opportunities for income generation and employment, at the same time that local rural and ethnic populations become more resilient to climate variability and less vulnerable to environmental degradation and disasters.
 7. As designed, the overall project presents an innovative approach to the consolidation of small producers' organizations, the mainstreaming of rural women, young people and ethnic groups in rural businesses, and for the mitigation of environmental vulnerability. However, the **baseline** NH-IFAD project requires to be complemented in key areas, in order to: (i) effectively make more resilient to climate change the value chains of relevance to the Fund's target groups; (ii) incorporate risk analysis and vulnerability assessment as part of the overall project action; and (iii) encompass specific elements of environmental education, climate risk mapping and capacity building that are required among the rural populations and the structures of the concerned sectoral institutions. This proposal considers that the combination of the sought after GEF-SCCF grant resources together with the already approved IFAD lending funds can support the Government's planned activities and investments for better focus and larger resilience and impact in the region.

B. Project area and target group

8. The overall Project will be executed in 27 municipalities with high poverty concentration of the departments of Atlántida, Cortés and Santa Barbara (North/ North-western Honduras), as follows: (i) Atlántida, seven municipalities; (ii) Cortés, six municipalities; and (iii) Santa Bárbara, fourteen municipalities. These areas comprise unique and vulnerable ecosystems of the Mesoamerican corridor in the north of the country and of the wider Lake of Yojoa watershed in the northwest. The identified value chains for support comprise: cocoa, coffee, basic grains, natural fibre-based artisanal products, inland aquaculture and rural, nature-based tourism.
9. The overall project's target groups include: (i) small agricultural producers, either not organized or with diverse organizational linkages to markets; (ii) poor artisans, with incipient organization and weak market connections; (iii) rural women, young people and ethnic groups (Lenca and Garifuna); and (iv) in general, poor rural populations that lack social infrastructure and rural access roads. The integral project (GEF and IFAD financing) will benefit about 24,000 households. Of these, some 12,000 will benefit from specialized production and business-related technical assistance, capitalization funds, financial services and rural roads; and over 12,000 will benefit from access to rural roads and social infrastructure. In addition, 1,000 young women and men will be trained in job-seeking and business development.

skills. Total project costs, including IFAD, GEF and counterpart resources, amount to US\$ 24.0 million.

10. **NH-GEF project area and target groups.** Whereas the project area and target groups for the proposed US\$3.0 million GEF-financed initiative (NH-GEF) are in principle the same as those of the baseline project (NH-IFAD), the NH-GEF components will focus on: (i) a set of specific activities and investments, such as detailed risk and vulnerability mapping; and (ii) particular zones and targeted user-beneficiary groups, according to the identified specific objectives of enhancing resilience and drawing experiences for replication and scaling up; and the expected complementary outcomes and results (*additionality*).
11. Accordingly, in addition to production potential, rural development and poverty reduction concerns, targeted priority families will comprise those that: (i) are involved in specific value chains in key zones, as part of targeted pilot projects; (ii) are located in higher vulnerability conditions and risk zones (economically, environmentally); and (iii) may demonstrate a particular interest to participate in the project, while the executing entity will seek to guarantee fair promotion and equitable access to project resources.
12. **Women, young people and ethnic populations.** More specifically, the HN-GEF components will seek to incorporate, within the design of the larger project, a cross-cutting implementation approach to climate change and user-beneficiary targeting, which takes into account: (i) the specific role that women play as the pivot of the rural household economy; their involvement in the various links of the production/transformation value chain; and their participation in natural resources management; (ii) the Government's concern for the development of rural human capital and thus the need to involve young people in agricultural production and microenterprises; and (iii) the traditional knowledge of ethnic populations in the project area. This holistic perspective will guarantee that environmental and climate change concerns are effectively incorporated into a participatory project implementation.

C. Project objectives

13. The overall project's **development objective** is oriented to: increase income, employment and food security of rural poor families in the project area and reduce their environmental vulnerability within a framework of gender equality and rural youth inclusion. As such, the project is a pro-poor value chain development investment initiative that will support capitalization and asset building in production, value aggregation/ transformation, commercialization and market access.
14. The specific objective of the proposed supplementary Northern Horizons-GEF intervention is to increase the climate resilience of the selected agricultural productive value chains, shielding smallholder farmers and their production from the impacts of climate variability. The GEF financing will help reduce the effects of climate change on productivity and profitability of the smallholders farming systems, primarily through the promotion of adaptation methods and sustainable technologies that can make productive chains more resilient. The additional GEF funds will also assist in increasing awareness and reinforcing capacities for better management of climate change risks. In addition to project management, both the NH-GEF and the NH-IFAD resources will be executed around two key components: (i) **Climate Change Capacity Development** (titled, Human and Social Development under the IFAD-financed project); and (ii) **Resilience Enhancement of Value Chains** (titled Value Chains and Competitiveness under the IFAD project). The two components seek to achieve the following results: 1.- Promotion and strengthening of smallholder productive organizations; 2.- Human capacity building and incorporation

of vulnerable groups into competitive production; 3.- Construction of social infrastructure to improve the living conditions of poor rural populations; 4.- Development of agribusinesses and rural microenterprises; 5.- Reduction of food insecurity and environmental vulnerability; 6.- Organization and capitalization of rural financial services; and 7.- Construction/improvement of rural access roads.

D. Ownership, harmonization and alignment

15. The overall Northern Horizons project (comprising IFAD and GEF financing) is fully aligned with the national rural poverty reduction and food security policies and strategies of Honduras, and directly supports the National Agricultural Sector Strategy (NASS) and the Country Investment Plan for the Agrifood Sector (CIP), formulated by the Secretariat of Agriculture and Livestock (SAG) in 2011. Market-based agricultural diversification and enhanced resilience to climate change, targeting on food and commercial value chains and on the poorest regions of Honduras are the foundations of the CIP, while it does identify priority areas to benefit from potential national budgetary and international cooperation resources.
16. The proposed NH-GEF project is also consistent with the GEF-SCCF's eligibility criteria and funding priorities, as Honduras is highly vulnerable to climate change and extreme weather events. Despite the fact that the country's biophysical and topographic characteristics imply an abundant natural wealth in some regions holding special agro-ecological conditions, these zones are also highly vulnerable to climatic variability and environmental degradation. Taking into account that Honduras is one of the most vulnerable countries in the world (Global Climate Risk Report, 2010), this situation is also linked to shifting and increasing constraints for rural territorial development, with stressed impact on the household economy of poor rural families.
17. The NH-GEF project proposal is country-driven, cost-effective and integrated into national sustainable development and rural poverty-reduction strategies. The proposed project is fully aligned with the country's National Climate Change Strategy (ENCC) that addresses the causes, manifestations, impacts and required response measures of climate change, whilst taking into account the social, economic and technological dimensions of the country's ecosystems and rural areas. The ENCC Strategy is framed within the broader national development policies and, thus, it is aligned with the *Plan of Nation 2010-2022* and the longer-term *Country Vision 2010-2038*. The overall Northern Horizons project is also consistent with: (i) the objectives of IFAD's Strategic Framework (2011-2015); (ii) the Fund's Climate Change Strategy; and (iii) the strategic objectives of the new Results-based Country Strategic Opportunities Programme (RB-COSOP).

E. Project components

18. As part of the overall project, the Northern Horizons-GEF initiative will be implemented through two mutually reinforcing components: (i) Climate Change Capacity Development; and (ii) Resilience Enhancement of Value Chains.
19. **Component 1: Climate Change Capacity Development.** The specific objectives of this component are to improve the capacities to address climate change impacts and to increase awareness and responsiveness on its effects. The component addresses these objectives in terms both of the needs of the Project's executing agency, the Secretariat of Agriculture and Livestock (SAG), and those of the direct users-beneficiaries at community and farm levels.
20. Under this component and financed with resources from the GEF grant, SAG will be equipped with the necessary tools to climate-proof the activities being promoted

within the overall project. Climate risks and vulnerability conditions will be identified through participatory mapping processes, while regularly updated climate and meteorological information will be made available to project user-beneficiaries. In addition, a mechanism for generating, managing and disseminating information/knowledge on climate resilience will be established. These learning elements will benefit SAG, the Secretariat of Natural Resources and the Environment (SERNA), the Secretariat of Planning and External Cooperation (SEPLAN), and other concerned entities.

21. Key specific **outcomes** of this component comprise: 1.1. Climate change risks are mapped and characterized in the project area, and results disseminated; 1.2. Climate change adaptation measures and climate proofing are mainstreamed in the producer and other economic interest organizations and micro-enterprises; and 1.3. Climate-related information is collected and disseminated to end-users and relevant Government institutions. The expected **adaptation benefits** out of this component involve: (i) improved capacities for resilience action by the targeted users-beneficiaries, the municipalities and key operating units within SAG and other government bodies; and (ii) a better understanding of the specific needs of poor small producers and their formal and informal organizations regarding the direct climate-change impacts they face.
22. **Component 2: Resilience Enhancement of Value Chains.** The objective of this component is to make more resilient the identified value chains through adaptation techniques and adequate technologies. This component will ensure that the productive value chains are better prepared to face climate risks, protecting the natural assets on which they depend, and that more-efficient, climate-resilient processing technologies are adopted.
23. Under this component, the NH-GEF initiative will promote sound practices for soil and water management, the use of agroforestry systems, and the rational use of pastures and rangelands for small producers. The project will also ensure that farming and post-harvesting techniques are made climate resilient, through diverse measures such as testing and introduction of new varieties, improved pasture seeds, better storage to reduce post-harvest losses, etc. Finally, the project will assist in climate-proofing agriculture infrastructures (rural roads, bridges, rural transit paths, etc.) through better design/construction, incorporation of basic protection elements, and enhanced local organization for community appropriation and maintenance.
24. In sum, the contemplated expected **outcomes** from this component comprise: 2.1. Natural resources are better managed and protected using sustainable management approaches; 2.2. Farming systems and post-harvesting are made climate resilient through new techniques and technologies; and 2.3. Rural infrastructure is climate-proofed and its maintenance improved for better protection. The expected **adaptation benefits** arising from this component are associated to: (i) increased resilience of agriculture systems to climate change impacts, increasing the productivity of the value chains and protecting rural livelihoods; (ii) improved management of natural resources (water, soil, biodiversity), resulting in increased soil fertility and reduced erosion, etc.; and (iii) reduced post-harvest losses and thus increased household food security.

F. Cost and financing

25. The total cost of the six-year overall project, including baseline NH-IFAD investments and additional GEF financing is US\$24.0 million. The financing of the overall project consists of: (i) an IFAD loan of US\$8.7 million (42 per cent of total cost); (ii) a loan of US\$8.0 million from a cofinancing institution (38 per cent); (iii) Counterpart funding from the Government of Honduras for US\$2.1 million,

consisting of taxes and duties (10 per cent); (iv) contribution by users-beneficiaries of US\$2.1 million (10 per cent); and (v) a GEF grant of US\$3.0 million.

26. Specifically, the GEF financing (US\$3.0 million) will support, over the contemplated 30-month implementation period, key activities and investments under the two main components: (i) Climate Change Capacity Development, US\$0.75 million; and (ii) Resilience Enhancement of Value Chains, US\$2.1 million. Most management-related costs will be covered by IFAD's cofinancing, while only five per cent of GEF funds will be applied to the incremental GEF grant's administration (US\$0.15 million).

G. Organization and management

27. The overall Project will be executed, in an integrated manner, by the Secretariat of Agriculture and Livestock (SAG), while field implementation will be the responsibility of a Project Management Unit (PMU), which will respond directly to the Minister's Office. The PMU: (i) will be headquartered in San Pedro Sula, department of Cortés, and a regional office will be established in Santa Barbara, Department of Santa Barbara; (ii) will be responsible for the administration and the disbursements and procurement of both the IFAD loan and the GEF grant; and (iii) will be complemented with a Climate change capacity development specialist, a Value chain adaptation specialist and an Adaptation M&E assistant, under the NH-GEF project. Project policies and annual working plans will be approved by a Steering Committee, while business plans and other investments will be approved by a Committee for Investments Approval. Representatives of the target groups, local governments and the private sector will be part of both committees.
28. The key implementing partners include: (i) the municipalities which are expected to benefit from technical assistance and capacity building for territorial planning and climate-change; (ii) private technical service providers and specialised non-governmental entities; (iii) government agencies, in terms of interinstitutional coordination, e.g., Secretariat of Natural Resources and the Environment (SERNA), Regional Planning Technical Units, and Hondulago, the Lake of Yojoa Authority; and (iv) rural savings associations and microfinance institutions. Information on the overall project implementation will be made available by SAG to the Inter-institutional Committee on Climate Change, the multisectoral entity responsible for promoting the policies, strategies and mechanisms on the matter.

H. Monitoring and evaluation indicators

29. The project's operations and results will be supported by an integral planning, monitoring, evaluation and knowledge management system backed-up by new information technologies, in line with the country's M&E systems. The system will be the basis for experience generation/ dissemination and the expansion of project results according to the contemplated pilot climate change activities.
30. Selected impact indicators under the overall project, comprise: (i) 60 per cent of user-beneficiary smallholder organisations and rural microenterprises under the project increase their incomes and employment, managing viable businesses and accessing sustainably to national and external markets; (ii) 50 per cent of user-beneficiary agribusiness organisations take part competitively in strengthened and more resilient value chains; (iii) 60 per cent of user-beneficiary subsistence rural families improve their food and nutritional food security, producing and having access to food in the context of enhanced and a more resilient basic grain value chain; and (iv) at least 60 per cent of user-beneficiary rural and indigenous women reduce their domestic work load, gaining access to time and space for their personal development and income generation.

31. In addition to **business-as-usual benefits**, the proposed NH-GEF project will catalyse **incremental benefits** derived from more focused climate change adaptation activities and thus enhanced resilience of communities and households in the northern zone. Specifically, additional benefits are expected from: (i) the implementation of climate change-specific production-related adaptation activities and higher value-added and transformation of local production; (ii) the reduction of absolute losses in lost production and damaged infrastructure from weather-related disasters; (iii) the achievement of diversified and strengthened livelihoods of poor rural families; (iv) the reduction of firewood consumption and resulting carbon emissions from the introduction of improved stoves; (v) improved sanitation and reduced household workload of rural women through water storage devices; and (vi) user-beneficiary empowerment through their participation in consultation and baseline surveys, adaptation-plan formulation, investment-related decision-making, planning/ monitoring and evaluation, and social audit.
32. Selected targets and indicators of the NH-GEF investments include: All participant agri-business organizations count with mapping and characterization of the climate change risks they face in their location; PMU and selected SAG staff teams are trained in climate resilient value chains; at least 75 per cent of all beneficiaries are trained in the identification and integration of relevant climate change adaptation measures into their businesses; no less than 50 per cent of agro-business put into practice climate resilient plans to increase resilience of their productive chains; and at least 100 km. of rural roads and other related infrastructure, built in the project area, are climate-proofed.

I. Risks

33. The key policy and economic **assumptions** on which the overall project objectives and targets are based, involve: (i) that the Government's agendas for rural poverty reduction, climate change adaptation and food security maintain their stated high priority; and (ii) that the subregional and other external markets favour the growth of the country's agricultural production. Risks on these matters will be mitigated by an active IFAD country presence and continued policy dialogue, and direct supervision and dedicated implementation support. With respect to the functioning of and shifts in external markets for particular products, price and market-prospect information systems will be supported as well as commercial fairs and the focusing on the demands of the local market. Implementation **risks** that the overall project may face, relate to the ability of small-scale farmers to respond promptly to market demands, required investments and special product quality requirements in the context of climate-change vulnerability. This will be mitigated by promoting alliances between more dynamic and well-organized producers with service providers, processing and marketing enterprises and financial intermediaries operating in the project area. Finally, climate-related risks are contemplated, which will affect the various zones of the project area. In this latter regard, the overall Northern Horizons project is being complemented with the NH-GEF investments with a view to explicitly offset these risks through: (i) concerted climate-change resilience investments; (ii) participatory territorial and municipal planning; (iii) climate-change aware value chains and rural businesses and micro-enterprises; and (iv) the promotion of agroforestry and the financing of soil and water conservation works.

J. Timing and next steps

34. The baseline IFAD-financed project was approved in September 2011, while the formulation mission for the NH-GEF project was undertaken in April 2012. The approval of the GEF grant is expected for early 2013, seeking to commence field execution during 2013.

Key file 1: Rural poverty and agricultural/rural sector issues

Priority Area	Affected Group	Major Issues	Actions Needed
Poverty and extreme poverty of rural and ethnic communities	Households in rural and ethnic communities	<ul style="list-style-type: none"> ▪ High levels of poverty and extreme poverty in regions, departments and municipalities. ▪ Restricted access to health, education, and other social services. ▪ Lack of basic social infrastructure and adequate housing. ▪ Limited access to productive assets, inclusive of adequate land. ▪ Low incomes from rain-fed crops, largely in steep-sloped small plots. ▪ Increased degradation of natural resources due to unsustainable production practices. ▪ Food insecurity, environmental vulnerability and climate change-related risks. ▪ Limited local capacity for transformation, value addition to primary production. ▪ Limited access to financial services, technical assistance, agricultural extension and other production/commercialization support. ▪ Limited rural access roads. 	<ul style="list-style-type: none"> ▪ Investments in rural social and economic infrastructure. ▪ Strengthening of local organisation and social community cohesion, and of economic interest groups. ▪ Increased access to human, social and economic assets. ▪ Introduction of sustainable agricultural practices for increased production/ incomes, and enhanced food security. ▪ Environmental risk and territorial management ▪ Strengthening of financial services for local farmers ▪ Expansion and rehabilitation of rural access roads.
Unsustainable agriculture; climate change impact and environmental vulnerability	Poor small producers and labourers	<ul style="list-style-type: none"> ▪ Subsistence, small steep-sloped agriculture. ▪ Degradation and overexploitation of natural resources (forests, soils, water, biodiversity). ▪ Limited governmental capacity and resources, overall, for proper natural resources utilization and management. ▪ Dependency on firewood for cooking and other domestic use. ▪ Lack of effective climate-change mitigation and environmental-vulnerability reduction plans. ▪ Lack of policies/ strategies for environmental management at municipal level. 	<ul style="list-style-type: none"> ▪ Participatory territorial and environmental planning at regional and municipal levels. ▪ Promotion and consolidation of value chains, relevant to poor small producers. ▪ Rehabilitation of natural resources and vulnerability-reduction and resilience-enhancing works. ▪ Production technical assistance and best practice dissemination. ▪ Firewood-saving cooking stoves. ▪ Land and water-conservation incentive schemes; and of payment for environmental services.

Rural competitiveness, market access, and value chain and rural business/microenterprise development	Micro and small rural entrepreneurs (agricultural and non-agricultural)	<ul style="list-style-type: none"> ▪ Limited local capacity for transformation/processing, value addition to primary production; and post-harvest handling. ▪ Limited knowledge of: business opportunities, national and external markets, and competitiveness requirements of traditional commercial crops. ▪ Constrained local supply of production-related and business development technical assistance. ▪ Limited governmental resources for the direct promotion and financing of rural businesses and microenterprises ▪ Limited access to credit, savings and other financial services. ▪ Limited promotion of rural women's entrepreneurial potential. 	<ul style="list-style-type: none"> ▪ Rural business and microenterprise development promotion (agricultural and non-agricultural) through external cooperation funds. ▪ Integral support to value chain development/consolidation, starting with producer-association consolidation and the formulation of consistent business plans. ▪ Facilitation of access to rural financial services. ▪ Access to markets support, including price and product information systems. ▪ Private sector partnerships in export promotion and business development. ▪ Involvement of entrepreneurial rural women in commercialization and business development
Development of rural women and young people, and of the country's ethnic groups	Rural and ethnic women, men and young people	<ul style="list-style-type: none"> ▪ High levels of exclusion, discrimination and poverty among rural and indigenous women of all ages and of young people (male, female). ▪ High levels of unmet basic needs and services (health, sanitation, education). ▪ Unemployment; and limited work remuneration as well as constrained access to labour market skills and personal development opportunities. ▪ Low access to production-related financial and technical assistance services. ▪ Demanding household and production-related work. ▪ Increased number of young women-headed households and social vulnerability of these families from migration of male family members. ▪ Ethnic exclusion from public services and economic opportunities. 	<ul style="list-style-type: none"> ▪ Community organization/ empowerment as a mechanism for access to basic social services. ▪ Affirmative action investments aimed at social and economic inclusion of rural and ethnic women and young people. ▪ Adult women literacy programmes. ▪ Access by rural and ethnic young people (male and female) to primary, middle and higher education (educational scholarships and special educational programmes). ▪ Agricultural and non-agricultural production-related / labour skills training. ▪ Development of business and entrepreneurial abilities among rural and ethnic women and young people. ▪ Empowerment of ethnic groups for defence of their cultural identity and territories. ▪ Easier water access; improved firewood saving stoves; and household labour-saving devices, in general.

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

Institution	Strengths	Weaknesses	Opportunities	Threats
Enablers:				
Secretariat of Agriculture, Livestock and Food (SAG)	<ul style="list-style-type: none"> ▪ Rector entity of the agrifood sector. ▪ Trained and committed professional and technical staff. ▪ Has achieved substantive resources from international cooperation, notably IFAD. ▪ Promotes a value chain and competitiveness approach to rural development. ▪ Has undertaken an internal international reengineering. ▪ Developed a consistent Country Sectoral Development Strategy and a Sectoral Investment Plan (2011-2014). 	<ul style="list-style-type: none"> ▪ Limited technical personnel and investment resources at field level. ▪ Promotion programmes: technological package (fertiliser). ▪ Discontinuity of policies and strategies at the change of administration (4 years) 	<ul style="list-style-type: none"> ▪ Repositioning of SAG as the sector leader ▪ Chair of Country Programme (IFAD financed projects) ▪ for project administration support ▪ Direct involvement in the Food security and climate change subcommittee of the Inter-institutional Committee on Climate Change 	<ul style="list-style-type: none"> ▪ Conflicting interest from other sectoral institutions / field presence of wide range of NGOs and other projects, duplicating SAG's work.
Secretariat of Planning and International Cooperation	<ul style="list-style-type: none"> ▪ Government entity responsible for international cooperation (i.e., technical cooperation grants), as well as overall social and economic planning. ▪ Responsible for normative and coordinating work on the execution of the Plan of Nation ▪ Technical capacity for planning and programming/ data systems for country economic decision-making. ▪ Institutional credibility and coordination capacity at national and departmental levels. 	<ul style="list-style-type: none"> ▪ Limited budgetary resources for its wide scope of activities. 	<ul style="list-style-type: none"> ▪ Control of planning, monitoring/ evaluation systems related to country social/ economic performance vis-à-vis government planning. 	
Secretariat of Finance (SEFIN)	<ul style="list-style-type: none"> ▪ Responsibility for national budgeting and control of public investments/ expenditures. ▪ Responsibility for the approval of external loans (country debt). ▪ The Integrated System for Financial Administration (SIAFI). 	<ul style="list-style-type: none"> ▪ Incompatibility of its data management systems, i.e., SISPU for physical parameters; and SIAFI for financial follow-up. 	<ul style="list-style-type: none"> ▪ Executing entity of IFAD projects. ▪ Negotiates IFAD loans, thus has a deeper understanding of IFAD operations. 	

Institution	Strengths	Weaknesses	Opportunities	Threats
Secretariat of Natural Resources and the Environment (SERNA)	<ul style="list-style-type: none"> Responsible for natural resources and environmental management. Responsible for following up on all international agreements and conventions, including climate change. Specialised technical personnel. 	<ul style="list-style-type: none"> Limited capability and resources for effective field presence. Relies on NGOs for the protection of natural conservation areas. Limited enforcement capacity. Limited coordination with other sectors. 	<ul style="list-style-type: none"> Expansion of programmes/projects related to climate change mitigation/ adaptation. Ongoing projects from the Global Environmental Facility. The establishment of the Inter-institutional Committee on Climate Change. 	<ul style="list-style-type: none"> Municipal governments may not comply with environmental considerations as required by law.
National Agrarian Institute (INA)	<ul style="list-style-type: none"> Executing entity on legal agrarian affairs. Knowledgeable technical human resources, personnel, on agrarian matters. 	<ul style="list-style-type: none"> Very low operational budget and for land property acquisition/ legalisation. 	<ul style="list-style-type: none"> Has the potential for partnership with other government entities (e.g., SAG) and for coordination of integral policies/ strategies in its field of specialization. 	<ul style="list-style-type: none"> Political conflicts that have emerged as land tenure problems.
Secretariat of Indigenous Peoples and AfroHondurans	<ul style="list-style-type: none"> Secretariat created in practice in 2011. Presidential commitment on its operation with regional offices in the key ethnic zones. 	<ul style="list-style-type: none"> Limited technical personnel and budget 	<ul style="list-style-type: none"> Can catalyse national and international support. Potential alliance with SAG under IFAD projects. 	
Honduran Fund for Social Investment (FHIS)	<ul style="list-style-type: none"> Supports local development (urban and rural) through targeted social infrastructure. Manages substantial budgetary resources. Responsible for allocation of construction contracts. 	<ul style="list-style-type: none"> Centralised decision-making of operations. Lack of budgetary resources for works maintenance. 	<ul style="list-style-type: none"> Potential complementarity with IFAD projects at municipal level. 	<ul style="list-style-type: none"> Discontinuity and lack of coordination with other government entities.
Hondulago – Lake of Yojoa Authority	<ul style="list-style-type: none"> Specialised normative entity created by Congress for the conservation, protection and management of the Lake of Yojoa basin. Highly qualified and committed management and technical staff. 	<ul style="list-style-type: none"> Limited operational and staff resources. 	<ul style="list-style-type: none"> Key entity for any project intervention within the wider lake basin. Knowledgeable of IFAD mandate and operations. 	

Institution	Strengths	Weaknesses	Opportunities	Threats
Honduran Coffee Institute (IHCAFE)	<ul style="list-style-type: none"> Responsible for the promotion and development of the coffee value chain. Provides support for technology transfer. Highly qualified staff. Monitors production, prices, qualities, exports, etc. 	<ul style="list-style-type: none"> Does not promote producer organisations. Limited resources for direct investments at farm level. 	<ul style="list-style-type: none"> Works with micro and small producers. Potential alliance under IFAD projects. Provides support for production infrastructure and credits for crop renovation/ expansion. 	<ul style="list-style-type: none"> High cost of provided (individual producer) technical assistance.
Private sector:				
Honduran Foundation for Agricultural Research (FHIA)	<ul style="list-style-type: none"> Private, non-governmental agricultural research entity. Great experience in technology adaptation/ transfer and introduction of key crops and varieties. Provides specialised technical assistance for crop development and export promotion. Operates through six experimental/ demonstration centres across the country. 	<ul style="list-style-type: none"> Limited resources and personnel to work with poor smallholders. High operational (fee-based) costs. 	<ul style="list-style-type: none"> Its linkages with international development agencies present in the country for the development of new initiatives. Involved in technical support under IFAD projects. Willingness to establish knowledge management and dissemination strategies. 	
Foundation for Entrepreneurial Rural Development (FUNDER)	<ul style="list-style-type: none"> Private, non-governmental technical assistance entity Specialises in agricultural technical support/ training, and in the organisation of economic groups, producer associations. Expertise on business development and technical support. 	<ul style="list-style-type: none"> High service costs. 	<ul style="list-style-type: none"> Involvement in the provision of specialised technical assistance under IFAD projects. 	

Institution	Strengths	Weaknesses	Opportunities	Threats
Specialised NGOs:				
Association of Honduran Municipalities (AMHOM)	<ul style="list-style-type: none"> Promoter of municipal autonomy, decentralisation and larger municipal budgets. Coordination of action with municipal governments. Provides technical assistance to municipalities on budgeting, municipal development plan formulation, legal/ administrative matters, etc. 	<ul style="list-style-type: none"> Limited operational budget. 	<ul style="list-style-type: none"> Potential for inter-institutional coordination at municipal level. Expansion and consolidation of municipal regional associations (Mancomunidades). 	<ul style="list-style-type: none"> Potential interference by political parties
Honduran Foundation for the Environment and Development (Fundación Vida)	<ul style="list-style-type: none"> Wide and specialised knowledge of the environmental situation of Honduras, and of the international context (agreements and conventions). Field research and project design and implementation experience. Experience in the management of international cooperation projects and funds. Has developed municipal-level management models for environmental service payments and watershed planning. Non-political party interference – non-profit organization 	<ul style="list-style-type: none"> Limited operational resources. 	<ul style="list-style-type: none"> Highly qualified staff and management. Knowledge of the various agro-ecological zones of Honduras. Promoters of policy dialogue on environmental management, e.g., biodiversity, natural resources management, climate change adaptation, etc. 	

Key file 3: Complementary donor initiative/partnership potential

Donor/ Development Agency	Priority Sectors/ Relevant Programmes	Period of Current Country Strategy	Complementarities/ Synergy Potential
United Nations Development Programme (UNDP-Honduras)	<ul style="list-style-type: none"> Project in Support of the National Rural Saving Associations Programme. Poverty and Rural Development. Programme in Support of IFAD Projects. Service Providers Development Programme. 	United Nations Development Action Framework's (UNDAF) Action Plan 2012-2016	High relevance, complementarity
Food and Agriculture Organization of the United Nations (FAO)	<ul style="list-style-type: none"> Special Programme for Food Security (PESA) Access to Land Programme (PACTA) 	2010-2014	Field level coordination.
World Food Programme (WFP)	<ul style="list-style-type: none"> Purchase for Progress (P4P) Programme 	2010-2014	Participating IFAD-financed projects
Inter-American Institute of Agricultural Cooperation (IICA)	<ul style="list-style-type: none"> Institutional Strengthening for Rural Development / Support to the Sub-Committee on Food Security and Climate Change 	2010-2014	Relevant support for climate change vulnerability reduction
Central American Bank for Economic Integration (CABEI)	<ul style="list-style-type: none"> Social and Productive Infrastructure Agriculture and Rural Development Financial Services 	2010-2014	Cofinancing with IFAD
OPEC Fund for International Development	<ul style="list-style-type: none"> Rural infrastructure / Northern Highway Agriculture/ Rural Development Infrastructure 	2010-2014	Key cofinancing partner of IFAD in Honduras
Inter-American Development Bank	<ul style="list-style-type: none"> Strategy focuses on: (i) public management; (ii) the financial system; (iii) social protection; (iv) health; and (v) energy. Rural Business Development Programme (PRONEGOCIOS) 	2011-2014	Enhanced economic infrastructure and rural competitiveness. Harmonisation at all levels.

Donor/ Development Agency	Priority Sectors/ Relevant Programmes	Period of Current Country Strategy	Complementarities/ Synergy Potential
World Bank/ International Finance Corporation (IFC)	<ul style="list-style-type: none"> ▪ Land Administration ▪ Rural Competitiveness Programme (COMRURAL) ▪ Climate Investment Funds' Scaling Up Renewable Energy Program for Low Income Countries (SREP). ▪ Global trade finance, export guarantees and overall private agribusiness development support 	2012-2014	Highly relevant. Harmonisation at all levels. Key complementarity on land regularization matters.
European Union	<ul style="list-style-type: none"> ▪ Forestry and Natural Resources / PROCORREDOR 	2007-2013	High relevance, particularly in the Mesoamerican Corridor
Canada	<ul style="list-style-type: none"> ▪ Food security through FAO and WFP ▪ Agriculture Value Chain Initiative (cacao) 	2011-2014	Highly relevant
AECID	<ul style="list-style-type: none"> ▪ Sustainable Coffee Development Programme ▪ Special Water Fund 	2011-2013	Highly relevant
USAID	<ul style="list-style-type: none"> ▪ Economic Growth and Prosperity / Feed the Future 	2009-2013	Both programmes offer great potential for complementary action, as they are associated (as it is IFAD) with AGEXPORT's entrepreneurial linkages programme

Key file 4: Target group identification, priority issues and potential response

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	COSOP Response
Subsistence and small agricultural producers	<ul style="list-style-type: none"> ▪ Lack of access to quality social services and productive assets. ▪ Limited production/ productivity of rainfall-based basic grains for self-consumption, in steep-sloped areas, under traditional technology. ▪ Limited land regularization. ▪ Conditions that apply to landless farmers, land renters and rural labourers include low wages and very precarious working and living conditions and exposure to agricultural chemicals. ▪ Environmental vulnerability of communities to climate change and economic isolation from the social and economic mainstream. Lack of access roads. ▪ Weak social cohesion/ organizational levels. ▪ Limited access to production support including agricultural extension and financial services. 	<ul style="list-style-type: none"> ▪ Livelihood based on low input/ output traditional farming for household subsistence. ▪ Some government support (seeds and fertilizer) for basic grains production. ▪ Some assistance from NGOs. ▪ Monetary remittances in some cases. ▪ Seasonal and harvest time work. ▪ Domestic work of female household members in nearby towns. 	<ul style="list-style-type: none"> ▪ Social investments in education, health and nutrition. ▪ Community, producer and economic interest organizational support. ▪ Mechanisms for basic grain production and increased food security, including post-harvest management. ▪ Productivity-enhancing, agricultural and other technical support services. ▪ Rural roads, social infrastructure and housing. ▪ Access to non-refundable productive and natural resource rehabilitation incentives/ investment funds. 	<ul style="list-style-type: none"> ▪ Investments in human and social capital development, including community and production association organisation, and basic social infrastructure (e.g., water harvesting) ▪ Rural access road construction and maintenance. ▪ Rural technical assistance to improve production, income diversification and food security. ▪ Support to micro and small producers (male and female) for the formulation of sustainable production plans (agro-forestry, small livestock); and for land regularization in coordination with specific land programmes of development partners (FAO-PACTA; World Bank Land Administration Project). ▪ Allocation of competitive investment funds for sustainable agricultural production, irrigation and value aggregation, aimed at enhanced resilience to climate change and food security. ▪ Facilitation of access to basic rural financial services (savings and credit associations- Cajas Rurales).
Small agricultural producers, with diverse organizational linkages to markets	<ul style="list-style-type: none"> ▪ Limited access to quality social services and productive assets, including rural access roads. ▪ Limited capitalisation and technology levels of primary agricultural production, and limited value aggregation, processing infrastructure. ▪ Lack of good agricultural manufacturing best practices; and limited exposure to technical, financial 	<ul style="list-style-type: none"> ▪ Some technical support from government and donor programmes. ▪ Migration of family members and monetary remittances. ▪ Some access to rural saving and credit associations (Cajas Rurales). 	<ul style="list-style-type: none"> ▪ Consolidation of producer and commercialisation associations. ▪ Rural roads and production and commercialization infrastructure. ▪ Product quality/ specialised handling; business orientation, market access and 	<ul style="list-style-type: none"> ▪ Investments in human and social capital, including support to the consolidation of producer groups/ associations, and basic social infrastructure (water harvesting, etc.). ▪ Productive infrastructure including micro-irrigation and rural access roads. ▪ Investment funds and

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	COSOP Response
	<p>and business support.</p> <ul style="list-style-type: none"> Limited market information, commercialization-related organization and access to local and external markets. 	<ul style="list-style-type: none"> Some organization for associated production, volume commercialization and local value added (packaging). 	<p>other technical assistance.</p> <ul style="list-style-type: none"> Investment funds for production and value aggregation/commercialisation. Consolidation of Cajas Rurales and access to financial services. 	<p>overall support to sustainable agricultural production/ diversification and climate change adaptation.</p> <ul style="list-style-type: none"> TA/ training on quality production, value aggregation. Investment funds and overall support to micro-enterprises and market access, including facilitation of access to Cajas Rurales and other rural financial services.
Rural micro-entrepreneurs involved in agricultural and non-agricultural businesses and value chains	<ul style="list-style-type: none"> Limited capitalisation of agricultural and non-agricultural production value chains. Low technological level and limited infrastructure for value aggregation, processing, transformation. Limited access to production, financial and marketing support services. Limited market information, commercialization-related organization and access to local and external markets 	<ul style="list-style-type: none"> Some technical support from government, NGOs and donor programmes. Mostly self-financing of micro businesses / micro enterprises. Monetary remittances and migrant returnee start-ups. 	<ul style="list-style-type: none"> Business development support services Marketing analysis of small rural enterprise opportunities in the context of local and regional markets. Demand-led agricultural and non-agricultural technical support services. Access to rural financial services and investment funds. 	<ul style="list-style-type: none"> Availability of competitive co-investment funds for rural business/ micro-enterprise development. Facilitation of access to technical- and management-support services and continued business "hand-holding support". Facilitation of access to Cajas Rurales and other rural financial services. Productive infrastructure including micro-irrigation and rural access roads. Support to the businesses and micro-enterprises of rural women and young people. Environmental risk and territorial management Market information, private sector alliances and overall market access and export support.

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	COSOP Response
Poor artisans, with incipient organization and weak links to markets	<ul style="list-style-type: none"> ▪ Lack of access to quality social services (health, education) and productive assets. ▪ Inadequate housing and basic infrastructure. ▪ Lack of access to quality social, productive and location-specific assets ▪ Limited linkage to local and external markets 	<ul style="list-style-type: none"> ▪ Livelihood based on traditional abilities transmitted within family traditions. ▪ Some government and NGO support for artisanal fairs and markets. ▪ Domestic work of female household members in nearby towns. 	<ul style="list-style-type: none"> ▪ Specialised fair market access ▪ Access to basic financial services ▪ New design and market/ commercialisation support. 	<ul style="list-style-type: none"> ▪ Investments in human and social capital, including support to the consolidation of producer groups/ associations. ▪ Facilitation of access to technical- and management-support services (e.g., new designs) ▪ Availability of competitive co-investment funds for microbusiness development ▪ Facilitation of access to Cajas Rurales and other rural financial services. ▪ Market access support and connection with cultural and archaeological routes.

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	COSOP Response
Rural women, young people and ethnic groups	<ul style="list-style-type: none"> ▪ High household labour load, including agricultural production. ▪ Lack of income generating opportunities. ▪ Poverty and gender discrimination. ▪ Inadequate housing and basic infrastructure. ▪ Lack of access to specific health care services. ▪ Low educational levels and opportunities. ▪ Limited access of rural/ ethnic women to technical services, productive resources and training 	<ul style="list-style-type: none"> ▪ Low input/ output traditional small-plot farming and limited small livestock for family subsistence. ▪ Traditional handcrafts. ▪ Monetary remittances. ▪ Legal and illegal migration mainly to the USA. 	<ul style="list-style-type: none"> ▪ Domestic time-saving investments and infrastructure (improved firewood-saving stoves, water tanks). ▪ Improved health and nutrition services. ▪ Guaranteed access to education. ▪ Training for labour and productive skills. 	<ul style="list-style-type: none"> ▪ Investments in human and social capital. ▪ Affirmative action and development-triggering investments and training aimed at rural women, particularly heads of household. ▪ Promotion of leaderships and facilitation of participation in community social processes ▪ Scholarships for technical education. ▪ Promotion of youth self-development initiatives. ▪ Access to social, productive and commercialization programmes. ▪ Investment funds and technical and business support to the commercial initiatives and micro-enterprises of rural/ ethnic women and young people. ▪ Promotion of ethnic community cultural assets (tangible and intangible) in social and economic development, e.g., nature-based tourism, cultural routes; traditional gastronomy.