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Investing in rural people

Republic of Honduras

Country Strategic Opportunities Programme

2020-2025

Note to Executive Board representatives

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Abbreviations and acronyms

CIAT	International Center for Tropical Agriculture
COSOP	country strategic opportunities programme
ECLAC	Economic Commission for Latin America and the Caribbean
GEF	Global Environment Fund
INE	National Statistics Institute
M&E	monitoring and evaluation
SAG	Ministry of Agriculture and Livestock
SDG	Sustainable Development Goal
SO	strategic objective
SSTC	South-South and Triangular Cooperation
UNDAF	United Nations Development Assistance Framework

Map of IFAD-funded operations in the country



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 | 22-07-2020

Executive summary

1. With 68 per cent of its population living in poverty, the Republic of Honduras has the highest poverty rate in Central America and the second-highest in Latin America. It is one of the most unequal countries in Latin America, with a Gini coefficient of 50.5 (World Bank, 2017). Its Human Development Index is 0.617, placing it among countries with medium-low human development. Honduras is considered a lower-middle-income country, with a per capita GDP of US\$2,594 in 2017. It is one of the nation's most vulnerable to climate change: the Global Climate Risk Index published by the Bonn-based environmental organization Germanwatch ranks it as third among the countries most affected by extreme weather events in the last 20 years (1998-2017). These figures are expected to worsen with COVID-19, tipping the country's economy back into the low-income group.
2. The main strategic policy instruments guiding the country's contribution to the 2030 Agenda are the 2010-2038 National Vision (Visión de País) and the 2010-2022 National Plan (Plan de Nación). A number of other plans, strategies and sectoral policies relating to the Sustainable Development Goals and Nationally Determined Contributions are also relevant to the agricultural and forestry sectors.
3. The overall objective of the 2020-2025 country strategic opportunities programme (COSOP) is to contribute to reducing poverty and rural migration through the promotion of agricultural and non-agricultural rural production systems that are inclusive, efficient, sustainable and resilient while also generating employment. The first of the COSOP's two strategic objectives is to improve the productivity of small-scale rural producers by establishing sustainable and resilient food systems. The second objective is to increase rural employment by promoting agricultural processing, improving market access and generating non-farming rural employment.
4. The target group will comprise families living in poverty in rural areas, including small-scale producers involved in agricultural or non-agricultural activities, individually or through their organizations. Other characteristics of the target population are people with limited access to markets, infrastructure, technical assistance and financial services; and persons affected by COVID-19 and subject to environmental and climate impacts. Particular attention will be given to vulnerable groups including women, young people, indigenous populations and Afro-Hondurans. Support to these groups will be provided by two IFAD projects, PRO-LENCA (Project for Competitiveness and Sustainable Development in the South-Western Border Region), and PROINORTE (Project for the Economic and Social Inclusion of Small Rural Producers in Northeast Honduras). They will be the two main loan instruments during the COSOP.
5. In addition, more than 10 IFAD grant projects are being implemented at regional and national level in support of specific strategic themes such as climate change, rural youth, nutrition and innovation.

I. Country context and rural sector agenda: key challenges and opportunities

1. The Republic of Honduras has the highest poverty rate in Central America and the second-highest in Latin America. Some progress was made between 2002 and 2016, when the number of poor in the population fell from 64.8 per cent to 60.9 per cent, according to the National Statistics Institute (INE). But there was sharp reversal in 2016-2017, when poverty rose to 68.8 per cent at national level and to 69.3 per cent in rural areas caused by a drought and a new disease in coffee plantations.¹ The situation is expected to worsen with COVID-19.
2. In 2018, GDP grew 3.75 per cent thanks to private consumption and a significant increase in remittances,² the country's main source of revenue after exports (respectively 20 per cent and 25 per cent of national income). In 2019, the Economic Commission for Latin America and the Caribbean (ECLAC)³ forecast that GDP would grow 3.5 per cent in 2020. But the severe impact on the pandemic on trade and remittances has since forced a major downward revision. The International Monetary Fund (IMF) updated its growth forecast for Honduras to – 2.4 percent in 2020, while ECLAC projected – 2.8 per cent. The IMF⁴ forecast – 9.4 per cent growth for Latin America and the Caribbean as a whole.
3. The World Bank classifies Honduras as a lower middle-income country, with a Gini coefficient of 50.5 (2017). According to INE, GDP per capita was US\$2,594⁵ in 2017 amid growing inequality. Honduras is one of the most unequal countries in Latin America. In rural areas, approximately one in five Hondurans live in extreme poverty (less than US\$1.90 per day).⁶ According to the United Nations Development Programme (UNDP), the country's Human Development Index in 2018 was 0.617, corresponding to medium-low human development.

Table 1

Honduras – main population statistics 2018

Population 2018	9,587,522
Population distribution	55.8 per cent in urban areas and 44.2 per cent in rural areas
Youth between 12 and 30	35.36 per cent
Rural youth	15.78 per cent
Life expectancy at birth	73.77 years
Population density	78.8 inhabitants/km ²

4. The Global Competitiveness Index⁷ ranks Honduras 96th out of 144 countries. In the "Doing Business" category developed by the World Bank, Honduras was 115th out of 185 countries in 2018. The most significant problems identified include taxation and the amount of time needed to start a business.
5. In recent years, migration has been one of the country's most significant challenges. Migration flows are predominantly from rural areas to more developed areas. They are also directed towards other countries, especially the United States – giving rise in recent years to the well-known phenomenon of "migrant caravans". Honduras has some 650,000 expatriates who generate significant revenue for the country through the remittances. The country also has one of the highest rates of violence in the world, with 43.6 homicides per 100,000 inhabitants in 2017.⁸

¹ <https://www.ine.gob.hn/publicaciones/cifrasdepais/cifras%20de%20pais%202017.pdf>.

² IMF Country Report No. 19/236.

³ Economic Commission for Latin America and the Caribbean 2019.

⁴ IMF World Economic Outlook, 2020.

⁵ <https://www.ine.gob.hn/publicaciones/cifrasdepais/cifras%20de%20pais%202017.pdf>.

⁶ <https://www.bancomundial.org/es/country/honduras/overview>.

⁷ World Economic Forum 2017.

⁸ According to the Violence Observatory at the National Autonomous University of Honduras.

6. The agricultural sector represented 14.6 per cent of GDP in 2017⁹ and although the sector is clearly export-oriented, exports are limited to certain products, including shrimp and other fisheries products, coffee, and bananas. The sector's revenues fell by almost one third of between 1998 and 2018, partly due to a drop in export prices, especially for bananas and coffee.
7. Agricultural production comes mainly from small farms with less than 5 hectares (70.6 per cent of producers) occupying 8.6 of productive land. Another group (4.6 per cent) with 50 to 500 hectares, farms 43.3 per cent of the land, while holdings with more than 500 hectares (0.2 per cent) farm 18.2 per cent.
8. The country's agricultural production and productivity is vulnerable to adverse climate events such as droughts and hurricanes. Production is further affected by limited access to markets and to financial services, now compounded by the economic shutdown due to COVID-19.
9. The country ranks in the world's lowest quartile in terms of rule of law, effectiveness of government and corruption, and lies below the global average in regulatory quality, political stability, participation and accountability. The 2017 Corruption Perception Index placed Honduras 135th out of 180 countries.
10. Honduras scores 0.970 on UNDP's Gender Development Index¹⁰ and 0.479 on its Gender Inequality Index,¹¹ where it ranked 116th out of 162 countries in 2018. According to a 2011 report from ECLAC, violence against women is a serious issue. Rural women and youth are particularly vulnerable.
11. Honduras is facing significant environmental challenges.¹² These include soil degradation as a result of the country's diverse agroecological profile – 61 per cent of the territory consists of very steep mountains.
12. Climate variability has caused significant economic losses. For example, 1,202 negative climate events were reported in 2013, including droughts and landslides (United Nations Office for Disaster Risk Reduction, 2015).¹³
13. Deforestation and forest fires have been consequences of advancing agricultural frontiers and of the complex social problems related to access to land. These issues are exacerbated by COVID-19.
14. Honduras is one of the countries most vulnerable to climate change. According to the Global Climate Risk Index from Bonn-based Germanwatch, it is third on the list of countries most affected by extreme weather events in the decade 1998–2017.¹⁴ A study conducted by UNDP and the International Center for Tropical Agriculture (CIAT) in 2018 projects that by 2100 precipitation during the country's rainy season will decrease by up to 20 per cent. Average monthly minimum and maximum temperatures are expected to increase by 2°C during that period.
15. The general blueprint guiding the country's contribution to the 2030 Agenda is the 2010–2038 National Vision (Visión de País) and the 2010–2022 National Plan (Plan de Nación).¹⁵ IFAD is expected to contribute to two out of four main goals.¹⁶ These plans are not expected to change substantially as a result of COVID-19.

⁹ Institutional Strategic Plan PEI-SAG 2018-2021.

¹⁰ <http://hdr.undp.org/en/content/gender-development-index-gdi>.

¹¹ <http://hdr.undp.org/en/data>.

¹² Country Environmental Profile for Honduras 2013, elaborated with the financial support of the European Commission and presented by the German Agency for International Cooperation (GIZ).

¹³ Hurricanes Mitch and Katrina badly impacted the Honduran economy, causing losses of over US\$4.0 billion. Hurricane Mitch alone destroyed 70-80 per cent of production.

¹⁴ Data from

https://www.germanwatch.org/sites/germanwatch.org/files/Indice%20de%20Riesgo%20Climatico%20Global%202019%20-%20Resumen_0.pdf.

¹⁵ <https://observatorioplanificacion.cepal.org/es/planes/vision-de-pais-2010-2038-y-plan-de-nacion-2010-2022-de-honduras>.

¹⁶ (i) an educated and healthy Honduras, free from extreme poverty, with consolidated social protection systems; and (ii) a productive Honduras that generates opportunities and employment, sustainably uses its resources and reduces environmental vulnerability.

16. The Government's General Coordination Secretariat oversees the coordination, monitoring and evaluation of these policies, ensuring in particular that all instruments are aligned.
17. The Ministry of Agriculture and Livestock (SAG) has an Institutional Strategic Plan for 2018–2021 that keeps the agricultural sector aligned with the Government's plans and long-term policies. The country strategic opportunities programme (COSOP) is aligned with the SAG plan and contributes to its three strategic objectives, which are: increase the productivity of the agrifood sector; diversify the supply of food products; and strengthen the institutional capacity of SAG. Together with other development-oriented institutions, SAG operate under the aegis of the Ministry of Economic Development.
18. With COVID-19, the Ministry has set up a working group with IFAD to develop an agricultural recovery strategy to examine existing interventions and steer future ones. Major impacts on IFAD projects are not expected since they focus on climate change and are therefore fit for purpose under present conditions.
19. As part of its Nationally Determined Contributions (NDCs), Honduras has committed to reducing greenhouse gases by 15 per cent, reforest 1 million ha and reduce domestic firewood consumption by 39 per cent by 2030. In terms of adaptation, commitments include adopting sustainable agricultural and livestock practices, and supporting a better understanding and monitoring of climate indicators.

II. IFAD engagement: lessons learned

20. To date, IFAD has financed 13 projects in Honduras totalling US\$163 million and reaching 176,500 families. PRO-LENCA is at present the only ongoing project while PROINORTE is planned to start execution at the end of 2020. Both projects focus on supporting agricultural production in the context of climate change, including the promotion of diversification, value added, and off-farm income-generating activities. Specific attention is given to youth, women, persons with disabilities and indigenous population. PROINORTE will also target Afro-Hondurans.¹⁷
21. IFAD records show that, in the past 10 years, it took an average 466 days to move from project approval to first disbursement in Honduras. The overall performance evaluation and disbursement rates were moderately satisfactory. The main management issues were related to the availability of fiscal space and official procedures for disbursements, which is why the portfolio was reorganized in 2016. IFAD has learned the following lessons from previous and current operations in the country, as well as from consultations with stakeholders (appendix VII).
 - (i) The project development and implementation process must be more participatory and inclusive. The alignment of national institutions must be promoted in the development and implementation of projects. Coordination and complementarity must also be pursued with other financial and United Nations agencies. Similarly, regional grants must be used to support key project portfolio activities such as nutrition and South-South and Triangular Cooperation (SSTC) activities. Additionally, it is important to improve the participation of local and regional governments in project decision-making.
22. IFAD's support and constant presence in the country strengthens project implementation. IFAD's support, monitoring and continuous presence in the country strengthen programme implementation and highlight the Fund's added value in rural development and project management. Additionally, they foster closer relationships with other national and foreign agencies.
 - (i) Interventions focusing on sustainable agrifood systems and climate change make a greater impact on target populations. Moving from a focus on value

¹⁷ As defined by the Directorate of Indigenous and Afro-Honduran Peoples <http://dinafroh.sedis.gob.hn/>.

chains to emphasis on sustainable food production systems – from environmental, social, nutritional and climate change perspectives – strengthens the impact of the portfolio.

III. Country strategy

A. Comparative advantage

23. IFAD continues to be a key partner of the Government in its efforts to alleviate rural poverty. IFAD's main comparative advantage is its long and rich experience in promoting, supporting and financing the country's rural development. This advantage is complemented by the low cost of IFAD's financing; the allocation of national and regional grants; and the provision of expertise in programme management.

B. Target group and targeting strategy

24. **Target group.** Targeted groups are rural families living in poverty, including small-scale producers engaged in both agricultural and non-farming activities, with limited access to markets, infrastructure, technical assistance and financial services; and families vulnerable to environmental and climate shocks. Particular attention is given to at-risk and historically excluded groups, including women, youth, persons with disabilities, indigenous populations and Afro-Hondurans.
25. The target groups for the 2020–2025 COSOP will reside in the regions¹⁸ of Valle de Sula, Occidente and Valle de Lean (PRO-LENCA), and in the departments of Atlántida, Yoro, Colón and Olancho (PROINORTE).
26. **Targeting strategy.** The new areas of intervention will be defined in collaboration with the Government. The intervention and targeting strategy will be based on poverty drivers such as high rates of migration, high malnutrition, environmental degradation and climate vulnerability, but also on development potential.

C. Overall goal and strategic objectives

27. The new COSOP's strategy is based on identifying challenges to family agriculture such as low productivity and limited resilience to climate shocks, lack of diversification, reduced added value, and, currently, COVID-19. All are causes of rural poverty, unemployment and migration.
28. Against this background, the overall objective of the 2020–2025 COSOP is to contribute to reducing rural poverty and migration through the promotion of sustainable food systems that are inclusive, efficient, sustainable and resilient to the effects of climate change and are able to generate employment. The programme is inclusive in that it invites the participation of vulnerable groups; efficient, in promoting increased productivity, diversification, competitiveness and access to markets; sustainable because it facilitates the generation of alternative sources of income, strengthens social organizations, and promotes healthy nutrition and the improved management of natural resources; and resilient since it fosters development with adaptation measures that can be combined with mitigation actions for climate, social and economic change.

¹⁸ Delineated in the 2010-2022 Plan de Nación addressing regionalization based on the principal water basins as defined in six development regions and 16 subregions.

29. The strategic objectives (SOs) are:

SO1: Improve the productivity of small-scale rural producers by establishing sustainable and resilient food systems.

30. This objective will be achieved by improving smallholders' production systems, livelihoods and food security through actions focusing on climate-smart agriculture, diversified production, added value, and the sustainable management of natural resources. Special emphasis will be placed on activities that promote nutrition and health, prioritizing improved diets and the revaluation of local agricultural products. Furthermore, support will be provided to producer organizations to upgrade their production and facilitate value addition by incorporating new, post-COVID-19 protocols required by buyers to guarantee access to markets.

SO2: Increase rural employment by promoting agricultural processing, improving market access and generating non-farming rural employment.

31. This objective will be achieved through the development of inclusive business and financing models to develop or strengthen entrepreneurship, with an emphasis on markets, financial services and complementary non-agricultural services. Close collaboration with the private sector will be developed. Vulnerable groups will be able to receive training, build capacities and find financing for growing rural enterprises. In addition, rural financial services are expected to include strategies for teaming up with remittances and technology companies (Fintech and Agritech) to attract young people back to agriculture. New skills will also be required to work in a new work environment after COVID-19. IFAD projects will try incorporate this in their technical assistance components.
32. Definitions of the overall and the strategic objectives are based on IFAD's contribution to the Sustainable Development Goals (SDGs), specifically SDGs 1, 2, 5, 8, 10, 13 and 15, as outlined in the Fund's 2016–2025 Strategic Framework and its vision of inclusive and sustainable rural transformation.
33. The strategy is also closely linked to the United Nations Development Assistance Framework 2017-2021 (UNDAF) for Honduras,¹⁹ and especially to strategic area 3,²⁰ and outcome 5.²¹ These are consistent with the SDGs highlighted in IFAD's Strategic Framework, in addition to SDGs 7, 12 and 14.
34. **Mainstreaming themes:** To respond to the mainstreaming themes of IFAD11, the strategy includes and prioritizes: (i) gender, through productive inclusion, rural entrepreneurship and decision-making within organizations; (ii) youth, through education, technical training and the opportunity to create rural microenterprises, and productive inclusion; (iii) food safety, food security and nutrition, through diversification of production systems based on nutritional benefits and the revaluation of local food products; (iv) climate change, through climate-smart agriculture; and (v) active private sector engagement.

D. Menu of IFAD interventions

35. **Loans and grants.** Only one project is currently running in the country, PRO-LENCA, which is active in the country's southwest on a budget of US\$28.8 million, including US\$3 million from the Global Environment Fund (GEF). PROINORTE (US\$47.0 million), finalized in 2018 and approved by the Executive Board in December of that year, is in the process of being approved by national authorities.
36. Honduras has benefited from an innovative portfolio of regional grants – two of these, financing the CIAT and the Regional Programme for Rural Development

¹⁹ <https://honduras.un.org/es/13755-marco-de-asistencia-de-las-naciones-unidas-para-el-desarrollo-manud-2017-2021>.

²⁰ A productive Honduras, generating opportunities and decent employment, which uses its natural resources in a sustainable manner and reduces environmental vulnerability.

²¹ The population in conditions of poverty and vulnerability to food insecurity in the prioritised regions and municipalities has increased their production and productivity, access to decent work, incomes and responsible consumption, taking into account climate change and ecosystem conservation.

Training (PROCASUR) – are noteworthy for their focus on climate change and youth.

37. Achieving strategic objectives. Overall, the main activities to be implemented through IFAD financing will contribute to both proposed SOs. Inclusive rural development through more resilient productive systems will be the focus of the projects, which will be strengthened by regional grants. Key strategic partnerships will be developed with CIAT, the United States Agency for International Development, the Food and Agriculture Organization of the United Nations and the World Food Programme. The private sector will provide complementary technology, training and access to financial services.
38. IFAD is actively participating in the United Nations Country Team (UNCT). The United Nations COVID-19 response has so far largely focused on short-term measures. It is expected that a longer-term vision will be developed in the future, allowing IFAD to participate more actively.
39. At sectoral level, SAG has prepared a preliminary COVID-19 strategy that facilitates access to emergency credit and to fertilizer and other inputs for small farmers. The Government has approved two big loans financed by the World Bank and the Inter-American Development Bank for rural development projects. IFAD was not considered in the first package because it cannot provide the Honduran Government with the budget support it urgently needs to expand medical facilities and services.
40. IFAD has therefore focused on longer-term interventions aimed at restructuring the agricultural sector. Together with the Minister of Agriculture, a new platform has been set up to develop a medium-long-term plan for agricultural recovery with help from consultants and experts. It is expected that the plan, once completed, will draw on IFAD's financial and non-financial instruments.
41. Additionally, three regional grants are being developed to facilitate access to markets by smallholders, improve access to credit, and stimulate youth involvement. E-commerce and access to credit will be financed through IFAD's Rural Poor Stimulus Facility. Fintech and Agritech technologies and the promotion of rural youth employment will be financed through the regular pipeline of grants. IFAD's Agribusiness Capital Fund and the Adaptation for Smallholder Agriculture Programme + (ASAP+) could also intervene.
42. In addition, links with the private sector are being strengthened through complementary activities with Bayer and the Netherlands' Dutch State Mines. Bayer will provide technology, technical assistance and access to credit to the clients of IFAD programmes.
43. **Country-level policy engagement.** The main focus will be to support the implementation of the Government's plans and policies. IFAD projects directly contribute to these, including the new family farming law, which Congress is expected to approve during 2020. The economic inclusion of young people, women, persons with disabilities and indigenous peoples is high on the list of IFAD priorities in the country.
44. **Capacity-building.** This will focus on the technical strengthening of government officials and project staff, with SSTC exchanges playing an important role. In addition, IFAD will promote technological innovation, mainly in monitoring and evaluation (M&E). Reimbursable technical assistance will be offered but it is doubtful that this is an acceptable mechanism for the Honduran Government. External funding will be actively sought.
45. **Knowledge management.** In line with IFAD's knowledge management strategy, it is planned to draw on the experience gained in activities financed by IFAD and its partners. Lessons learned and knowledge generated will be gathered and systematized for use in other operations in the country or region.

46. **South-South and Triangular Cooperation.** SSTC will play an important role in both of the COSOP's strategies. One of the main challenges in Honduras is innovation, not only in production but also in project management and support systems, particularly in light of the effects of climate change.
47. Regarding SO1, potential SSTC partners are the Consultative Group for International Agricultural Research Institutes, especially CIAT in Colombia, as they have a significant body of knowledge and information relating to climate change. A comprehensive SSTC approach for the Honduras COSOP can be found in appendix IX. Key experiences and lessons from other countries fighting COVID-19 will be shared with Honduras to support the country in reactivating its overall economy and agriculture in particular.
48. **Communication and visibility.** It is hoped to coordinate with SAG's communications office to increase strategic positioning at national level. Locally, visibility will be achieved by highlighting investments and outcomes through local media. Within IFAD, digital platforms will be used to share systematizations, studies and other relevant information, creating a repository of the Fund's work in the country.

IV. Innovations and scaling up for sustainable results

49. **Innovation.** The identification, adoption and promotion of innovations that have a direct and indirect impact on the target population's agricultural and non-agricultural activities will be incentivized. Transfers of information and communication technologies will be supported so that these are more accessible and beneficial to the rural poor, and the innovations will be integrated through investments that take climate change and nutrition into account. SSTC will play an important role in helping disseminate innovative good practices from Latin America and Caribbean countries among IFAD's operations in Honduras.
50. **Scaling up.** The innovative technologies and practices identified will be promoted and established with local organizations, which will help to promote them in other communities. Strategic partnerships will be identified and established to support the mass application of the identified technologies.

V. COSOP implementation

A. Financial envelope and cofinancing targets

51. The performance-based allocation system does not allocate resources to Honduras in the 2019-2021 cycle. PRO-LENCA, the project currently being implemented, is cofinanced by the Government, project beneficiaries and a GEF grant. PROINORTE, approved by IFAD in 2018, will be cofinanced by the Government, project beneficiaries and the OPEC Fund for International Development (OFID).

Table 2

IFAD financing and cofinancing of ongoing and planned projects

(Millions of United States dollars)

Project	IFAD financing	Cofinancing		Cofinancing ratio
		Domestic	International	
Ongoing				
PRO-LENCA	20.48	5.35	3.00	
Planned				
PROINORTE	16.33	10.15	20.00	
IFAD grant	0.50			
Total	37.31	15.50	23.00	1:1.03

B. Resources for non-lending activities

52. The following non-lending operations are in effect during the COSOP period: (i) five regional grants totalling US\$11.0 million in IFAD financing and (ii) a national grant for US\$250,000, also financed by IFAD. Four of these operations end in 2020, and the other two in 2022.
53. In terms of establishing strategic partnerships and coordination, four areas have been identified in principle: (i) increasing impact; (ii) technical complementarity; (iii) policy development; and (iv) implementation. With regard to increasing impact, it is anticipated that work will continue with GEF, the Green Climate Fund, OFID and the Central American Bank for Economic Integration as project cofinanciers.
54. It is further proposed to develop a coordination platform led by SAG, to meet every two months, with the participation of the private sector.
55. With regard to UNDAF and UNCT in Honduras, IFAD does not have a permanent presence in the country and participates remotely.

C. Beneficiary engagement and transparency

56. **Beneficiary engagement.** Project beneficiaries have been involved from the beginning of the COSOP's design, with representative groups providing inputs in consultation workshops. Moreover, project users, authorities and representatives of organizations in project intervention areas help select their own investment projects and participate in supervision missions as well as in the evaluation of the goods and services generated by the projects.
57. **Transparency.** The use of available national mechanisms to manage user complaints and grievances will be promoted, incorporating third parties such as the Superior Auditing Court and other audit institutions. Similarly, SAG's institutional visibility strategy will be supported through mass media, which will be used to disseminate information on project interventions, investments and achievements. Furthermore, the projects will be entered into the Access to Public Information Institute of Honduras's online transparency portal, administered by civil society.

D. Programme management arrangements

58. The COSOP will be managed by the Country Director for Honduras with the support of technical and financial staff located in the Panama hub. The hub for regional SSTC and Knowledge Centres based in Brasilia and the Lima Hub (Sustainable Production and Markets), will provide guidance and support. Additional support for the project portfolio will be provided on implementation, procurement and financial aspects by external consultants. The country team will be responsible for direct supervision in collaboration with the Government of Honduras, other partners, and project users.

E. Monitoring and evaluation

59. M&E will consist of promoting knowledge of agricultural impacts to support the Government's efforts to improve results management in development programmes and consolidate the link between decision-making and capacities. It includes strengthening the Programme Administrative Unit and SAG to implement an M&E system that integrates and reports on technical and financial results, while also linking with national M&E systems and the 50x2030 initiative on data-smart agriculture.

VI. Risk management

60. The principal risks in implementing the strategy are listed below, together with proposed mitigation measures.

Table 3
Risks and mitigation measures

<i>Risks</i>	<i>Risk rating</i>	<i>Mitigation measures</i>
Policy/governance	Substantial	Constant coordination with other donors and international financial institutions Support government institutions with technical assistance and capacity-building Fluid communication with different political actors to ensure IFAD's portfolio is always on their agendas
Macroeconomic	Substantial	Promote agricultural productivity and diversification by investing in sustainable agrifood systems, processing, and added value to reduce dependence on international market prices
Sector strategies and policies	Medium	Support the 3R approach (Recovery, Reactivation, Resilience) in the agrifood system after the immediate emergency Support the implementation of the new family farming policy and SAG's Institutional Strategic Plan Coordinate and strengthen partnerships with agencies managing related strategies and policies
Institutional capacity	Substantial	Contracting of project staff through the services of specialized external agencies to ensure the best quality. Enhance institutional capacity-building by comprehensive training for project staff. Strategic partnerships with institutions to build capacities in municipal governments and regional bodies to implement project support activities
Portfolio	Medium	Close monitoring of the progress of project activities Provide constant and timely support for project implementation Use of grants and SSTC resources to support key activities in the project portfolio
Fiduciary – financial management	Medium	Close support and training for administrative and finance staff Constant monitoring of agreements or recommendations from supervision and support missions
Fiduciary – procurement	Medium	Close support and training for procurement staff Constant monitoring of agreements or recommendations from supervision and support missions
Environment and climate	Substantial	Systematic integration of climate change adaptation and mitigation measures in the portfolio Support the government in the search for green financing resources
Social	Medium	Support geared towards creating economic opportunities for vulnerable groups to help reduce migration
Access to market	Medium	Improve the involvement of the private sector to allow access to markets for products from small producers
Economic issues (COVID-19)	Substantial	Improving the resilience of producers is the best way to reduce the risk of an economic slowdown due to health issues
Overall	Medium	Build farmers' resilience by promoting digitalization and financial inclusion, and reducing the cost of remittances to rural areas

COSOP results management framework PROYECTOS (PRO-LENCA Y PROINORTE)

Country strategy alignment	Related SDGs and UNDAF outcomes	Key COSOP results			
		<i>Strategic objectives</i>	Lending and non-lending activities for the COSOP period	<i>Outcome indicators</i>	Milestone indicators
<ul style="list-style-type: none"> • IFAD is contributing to the following objectives of the Visión de País 2010-2038: <ul style="list-style-type: none"> (i) an educated and healthy Honduras free of extreme poverty and with consolidated social protection systems. <u>Objective 1.1</u>; eradicate extreme poverty. <u>Objective 1.2</u>; reduce the percentage of households living in poverty by at least 15 per cent. (ii) a productive Honduras that generates opportunities and employment, sustainably uses its resources, and reduces environmental vulnerability. <u>Objective 3.1</u>; reduce the unemployment rate. <u>Objective 3.4</u>; reach 400,000 hectares of agricultural land with irrigation systems, satisfying 100% of food security. • The Plan de Nación 2010-2022 includes: (i) the population's sustainable development; (ii) poverty reduction, generation of assets and equal opportunities; (iii) the development of rural regions in Honduras; (iv) productive infrastructure as the driver of economic activity; (v) the country's competitiveness, improved image and productive sector development; and (vi) mitigation and adaptation to climate change. 					
	SDGs 2, 5, 12, 13, 15 UNDAF: strategic area 3, outcome 5	SO1: Improve the productivity of rural small-scale producers' food production systems by applying a focus on sustainable and resilient agrifood systems.	PROINORTE A Common Journey, INNOVA grants)	<ul style="list-style-type: none"> • Producers are organised and have the capacities to better access financial services and markets for their products, and they have innovated their production systems and improved their diets. 	<ul style="list-style-type: none"> • No. of producer organisations that have boosted their organisational capacity and economic and social empowerment. • No. of households** reporting the introduction of new improved climate-smart technologies into their production processes (1.2.2.).
			PRO-LENCA (A Common Journey, INNOVA, grants)	<ul style="list-style-type: none"> • Rural organisations are strengthened for the improvement of sustainable productive systems and the generation of market surpluses, facilitating the participation of women, young people and indigenous peoples. 	<ul style="list-style-type: none"> • At least 80% of the beneficiary organisations have increased their organisational capacity and manage their administrative and financial affairs independently (RIMS 2.4.4). • Increased participation of women and youth in decision-making mechanisms in beneficiary organisations by 25% (RIMS 1.6.6). • 80% of the beneficiaries express a greater degree of confidence in the other associated people in their organisation.
	SDGs 1, 2, 5, 8, 13 UNDAF: strategic area 3, outcome 5	SO2: Increase rural employment and incomes through the processing of agricultural products, improved market access, and the generation of alternative rural economic activities.	PROINORTE (PROCASUR, INNOVA, R4YP, Fintech and e-commerce grants)	<ul style="list-style-type: none"> • Rural families have improved their productivity, supply and processing, and they are more resilient to climate change. 	<ul style="list-style-type: none"> • No of households ** that report an increase in productivity (1.2.4.). • % of sales increase by organised producers* in relation to the baseline (2.2.5). • No. of rural producer organisations that build climate change adaptation measures into their agribusinesses.
			PRO-LENCA (PROCASUR, R4YP grants)	<ul style="list-style-type: none"> • Small-scale rural producers improve their socio-economic situation by implementing Investment Plans with access to markets, and technical and financial support services. 	<ul style="list-style-type: none"> • People benefiting from investment plans access new markets and increase revenues by 30% on average. • 35% of supported rural organisations achieve value and business chains and are competitively inserted in local, national and international markets. • 52 rural agribusiness organisations and microenterprises reach important capitalisation processes, through reinvestment in works and equipment for production and marketing.

Transition scenarios

1. Three different transition scenarios with different macroeconomic projections have been developed for the duration of this COSOP 2020-2025. Base scenario is considered the most likely one and it assumes GDP growth is projected at - 2.8 per cent in Honduras for 2020 due to COVID 19 pandemic impacts (ECLAC, 2020²²), following a global decline that averages -3.5 per cent in LAC. Recent IMF projections anticipate that the economy is expected to contract by 3.3%²³ and ECLAC (2020) also highlights that fiscal measures in Honduras account for 2.2% of GDP. Scenarios are defined based on projections on impacts on remittances flows (which accounted for 20% of total GDP in 2018); recovery period (unlikely to be short-termed only); and government´s coping capacity to keep macroeconomic variables under control, mobilizing the necessary public and private financing to solve temporary imbalances.
2. The World Bank estimates²⁴ a global decline in remittances to low- and middle-income countries due to COVID by 19.7% and the fall is estimated at 19.3% for the LAC region. The ECLAC also forecasts drastic changes in GDP growth projections in LAC: according to the UN regional Economic Commission, this year´s average growth is expected to be negative at -5.3 per cent in the region, while Honduras can expect a negative -2.8 per cent growth in 2020. It is likely that Honduras´ main export markets and remittances flows will face substantive economic downturns in 2020, with negative effects on the country´s per capita income, investments and growth.
3. According to the INFORM COVID Risk Index (April 2020), the country ranks 61 out of 189 with medium risk level (4.9 on a scale of 10), with particular concerns in items like "COVID 19 lack of coping capacity" (7.1 / 10), which includes Health response capacity specific to COVID and operational readiness Index.
4. While there is no current PBAS allocation under IFAD11, as a new project has been recently approved in the country and there is still an on-going one, lending terms and conditions wouldn´t be modified under any of the scenarios. The low scenario presents the worst projected conditions for co-financing opportunities and private sector engagement. National counterpart co-financing could present substantial risks, given major budgetary constraints. The COSOP's strategic priorities, outcomes and ToC shouldn´t be modified under the base or high scenarios. However, as Government priorities and policy-level engagement strategy could also change due to the pandemic crisis, synergies between Government emergency responses and rural investment projects will have to be maintained under any scenario. Project-level restructuring could be envisaged under certain circumstances. In addition, the low and base-case scenario project a reduction of the potential articulation with remittances to leverage private investment in rural areas.
5. **Base scenario: Short-term shocks due to COVID 19 and unemployment raising in U.S. have negative impacts on terms of trade, employment and remittances flows in 2020. A "new normal" is reached in 2021 where trade, fiscal and financial tensions are maintained, but macroeconomic imbalances are temporally covered and no substantive negative shocks are expected in the medium to long-term.**
 - a) Negative global and regional growth in the short-term - and higher unemployment in the United States (that raised to 14.7% in April 2020) - weaken remittances flows, tourism and domestic consumption, aggravating fiscal revenues. Negative growth at -2.8 per cent is expected in 2020, but gradually converge towards its potential over the medium term.

²² <https://www.cepal.org/es/temas/covid-19>.

²³ IMF. Press release N°20/210, May 2020.

²⁴ World Bank, Press release N°2020/175/SP, 2020.

- b) Tightening global financial conditions trigger financial stress and capital outflows, with negative impacts on external funding for public investment in development projects and social spending, which may have negative impacts on the possibility to increase policy engagement and government counterpart financing.
 - c) Declining terms of trade in agriculture with low international coffee prices and slow recovery from coffee rust. As a result, living conditions worsen in rural areas where coffee is being produced (producers incurring in losses), and the impact on low-income farmers further increases migration pressures on the U.S
6. COSOP's priorities are not modified but the social situation worsens and the relative weight of remittances is substantially reduced, while the demand for social safety nets sharply increases. Resources being diverted towards short-term response to COVID may have negative impact on co-financing opportunities and government contributions. Policy engagement shifts in the short-term towards emergency demands, but long-term commitments to sustainable and inclusive rural transformation are still a priority in the government agenda. However, co-financing opportunities, government contribution and policy engagement are at substantial risk.
7. **Low scenario: Negative shocks in the short-term due to COVID 19 pandemic are maintained in the mid-term with a slow recovery pathway of remittances, exports and domestic consumption.**
- a) GDP recovery is slower than expected as external demand and employment rates in U.S. are not recovered in 2021, prolonging impacts of slowdown in remittances, tourism, domestic consumption, hence national GDP growth.
 - b) Slowdown in remittances have negative impacts on family incomes and poverty levels if no compensatory action is taken. Estimates provided by UNDP highlight that a 25% decrease in monthly family incomes due to the slowdown in remittances would increase extreme poverty and moderate poverty by 8.8% and 9.3% respectively²⁵.
 - c) Slow GDP growth recovery is expected for 2022, under aggravated fiscal conditions due to decreased fiscal revenues and the increased debt to cover macroeconomic imbalances in 2020 and 2021.
 - d) Government priorities, strategies and public spending are oriented to short-term response, social safety nets and emergency needs, leaving little room for policy-level engagement strategies and rural development investments.
8. A low case scenario may include project-level restructurings to align IFAD involvement with new Government's priorities under unfavorable circumstances. Potential articulation with remittances to leverage private investment in rural areas is reduced and the extension of cash transfer programs may be required to reduce impacts on poverty levels (UNPD 2020²⁶).
9. **High scenario: Short-term negative shocks in trade, exports and remittances are reverted in 2021. Agricultural prices recover, U.S growth picks up again from 2021 onwards. There are no significant changes in U.S. migration policies in the medium term.**
- a) Remittances flows grew by 13% in Honduras in 2019. US unemployment rate slows-down quickly in 2021 and COVID 19 impacts are reflected in decreased growth levels, but no negative growth values.
 - b) Temporal macroeconomic imbalances due to COVID 19 remain under government's control.

²⁵ PNUD, 2020. El impacto económico y social de la pandemia COVID-19 y recomendaciones de política para Honduras. PNUD LAC C19 PDS No. 4.

²⁶ Idem.

- c) Government remains engaged with rural development investments as synergies are promoted between increased social spending to cover emergency needs and public investment for medium- to long-term development and related projects in rural areas, which are not compromised.
- d) Even if migration pressures to the United States remains, growth recovery and opportunities in the agricultural sector enable and foster the increase in public investment for rural development and social spending, leading to reduced poverty and migration.
10. The COSOP's priorities remain unchanged, but remittances-generated opportunities become a high-level priority. There is an opportunity to increase both policy and private sector engagement. New co-financing opportunities arise.

Table 1

Projections for key macroeconomic and demographic variables^a

Case	Base	High	Low**
Average GDP growth	1.6-0%	2.6%	- 1.1%
GDP per capita U\$S (2025)	2.536	2.688	2.461
Public debt (% of GDP) (2019.- 2025)	47.7%-60%	41.8%-39.9%	47.7%-75%
Debt service ratio (2020)	18	15	25
Inflation rate (%) (2020)	3%	3%	4%
Rural population	9.587.522 (2019) 10,039,862 (2025) – INE projections. Annual growth rate: 0.8%		
Investment climate for rural business	(2/6) The investment climate is difficult in the country. It is ranked 121 out of 189 in the World Bank Doing Business index for 2019. The biggest difficulties involve opening a new business (154 out of 189) and taxation (164 out of 189).		
Vulnerability to shocks	(3/6) Honduras is highly vulnerable to climate change as it was noted by Germanwatch. Together with Puerto Rico and Myanmar, Honduras is one of the countries most affected by extreme weather events in the last 20 years, period 1998-2107. However, food price shocks and political risks are moderate. According to the INFORM COVID Risk Index (April 2020), the country ranks 61 out of 189 with medium risk level (4.9 out of 10) and particular concerns in items like COVID 19 lack of coping capacity (7.1 out of 10) which includes ratings like Health capacity specific to COVID and operational readiness Index.		

^a IIMF Country Report No. 19/236- Article IV consultations, with 2-year projections

** These forecasts may change substantially as a consequence of the current pandemic crisis. While there is still no source of information available to substantiate a different forecast, there is a high probability of occurrence of a low or lower-case scenario with worst economic indicators than the ones projected here.

Agricultural and rural sector themes

Economy and poverty

1. Honduras made progress in reducing **poverty** between 2002 and 2016. According to INE, the poverty rate decreased from 64.8 per cent in 2002 to 60.9 per cent in 2016, and in rural areas it decreased from 71.3 per cent to 62.9 per cent in the same period. However, between 2016 and 2017 the poverty rate increased considerably, from 60.0 per cent to 68.84 per cent of households, and from 62.9 per cent to 69.3 per cent of households in rural areas,²⁷ regressing to almost the same percentages as in 2002. These numbers indicate that Honduras is the country with the highest poverty rate in Central America, and the second highest in Latin America, surpassed only by Haiti. The COVID 19 emergency and its socio-economic repercussions are expected to deepen these gaps (see Appendix II above).
2. Economically, in 2018 GDP growth was 3.75 per cent, due to private consumption and a significant increase in remittances (IMF).²⁸ The country's principal sources of revenue are exports and remittances; in 2018 these accounted for approximately 25 per cent and 20 per cent of the country's GDP, respectively. ECLAC²⁹ estimates a GDP growth of 3.5 per cent in 2019, which represents a mild economic downturn. However, GDP growth has not translated into improvements for people living in poverty. Furthermore, the economy in 2020 is being hit much harder, with negative growth expected between -2.8% (ECLAC) and -3.3% (IMF) this year.
3. The World Bank (2016) has classified Honduras as a low middle-income country. According to INE, its per capita GDP in 2017 was US\$2,594.³⁰ The inequality gap has continued to grow and, as a result, Honduras is classified as one of the most unequal countries in Latin America. According to the World Bank, its Gini coefficient in 2017 was 50.5.
4. The Global Competitiveness Index (World Economic Forum 2017) ranks Honduras 96th out of a list of 144 countries. In the "Doing Business" category developed by the World Bank for 2018, Honduras ranks 115th out of 185 countries. The most significant problems identified include taxation and the amount of time that it takes to legally establish a business.

Population and migration

5. In 2018 the country's estimated population 9,587,522 inhabitants and life expectancy at birth was 73.77 years. Population density is 78.8 inhabitants per km², and 46 per cent of Hondurans are economically active. The population's distribution in urban areas and rural areas is 55.8 per cent and 44.2 per cent, respectively, with those in rural areas having scarce and limited basic services. In rural areas, approximately one in five Hondurans live in extreme poverty (less than US\$1.90 per day).³¹ According to the United Nations Development Programme in its 2018 Human Development Report, the 2018 Human Development Index for Honduras was 0.617, ranking the country 133rd out of 196 countries and situating it among countries with medium-low human development. Honduras continues to have one of the highest rates of violence in the world, with 43.6 homicides per 100,000 inhabitants in 2017 according to the Violence Observatory of the Autonomous National University of

²⁷ <https://www.ine.gob.hn/publicaciones/cifrasdepais/cifras%20de%20pais%202017.pdf>.

²⁸ IMF Country Report No. 19/236.

²⁹ Estudio Económico de América Latina y el Caribe • Economic Commission for Latin America and the Caribbean (ECLAC) 2019.

³⁰ <https://www.ine.gob.hn/publicaciones/cifrasdepais/cifras%20de%20pais%202017.pdf>.

³¹ <https://www.bancomundial.org/es/country/honduras/overview>.

- Honduras. In terms of education, the population's average number of years of schooling is 7.7.
6. In Honduras, the population is considered young when it is between twelve (12) and thirty (30) years of age (Article 2, Ley Marco para el Desarrollo Integral de la Juventud, 2006). According to the "Population Projection" made by the National Institute of Statistics of Honduras (INE) for 2020, there are approximately 3,276,150 people between the ages of 12 and 30, which represents 35.36 per cent of the total population. The total population living in rural areas, 35 per cent are between the ages of 12 and 29. That is, about 15.78 per cent of the total population of Honduras belongs to the category of Rural Youth. Of this total number of young people in rural areas, some 753,883 are men (51%) and 708,283 are women (49%), which means that some 8.14% of the country's population is made up of young rural men and some 7.64 per cent of young rural women. These data show us a young country that, taking into account that 60.1 per cent of people in poverty live in rural areas (INE, 2020), implies wide possibilities to formulate actions related to the support of vulnerable rural youth by IFAD.
 7. In Honduras there are nine culturally differentiated indigenous peoples and Afro-Hondurans: Lencas, Tolupanes, Chortís, Garífunas, Pech, Tawahkas, Misquitos, Nahua and Afro-Hondurans. These groups are dispersed in different parts of the territory and they are characterised by a rich ethnic, cultural and linguistic diversity. Almost 60 per cent of the ethnic Honduran population lives in rural areas.
 8. The territory claimed by the indigenous peoples accounts for approximately 2 million hectares out of a total national land mass of 11.2 million. Only 10% have a guaranteed property title. Honduras has ratified the ILO Convention 169 (1994) and voted in favour of the Declaration on the Rights of Indigenous Peoples (2007).³²
 9. In recent years, one of the country's most significant challenges, and one that has captured the world's attention, is migration. Migratory flows move from rural areas to more developed areas, mainly the capital city and others such as San Pedro Sula, the main industrial city. Migration also takes place towards other countries, especially towards the United States, which in recent years has given rise to the well-known "migrant caravans". Most migration is motivated by the desire for better conditions and development opportunities, but also by issues related to different types of violence. Over past decade, the number of Hondurans living abroad and especially in the United States has increased each year. According to the most recent data published by the United Nations, Honduras has 648,520 expatriates who generate significant revenue for the country through remittances that account for 20 per cent of domestic GDP. In addition, a study³³ conducted by the Center for Latin American Migration Studies (CEMLA, for its Spanish acronym) and the Inter-American Development Bank (IDB) has found that in one third of households receiving remittances, these represent their main source of income.
 10. According to the 2018 FAO study "Mesoamerica in Transit", emigration from Honduras is correlated with lack of opportunities, poverty, violence and the environmental vulnerability affecting the country's south-central zone. It is estimated that the five-year net outmigration rate is -1.25; of these, it is thought that more than half are young people. The main causes of migration reported in the study are in the following order: lack of employment or economic crisis in their place of origin; very low incomes and/or poor working conditions; violence and insecurity; and family reasons.³⁴ Promoting concrete actions to allow the population to find opportunities in rural areas and avoid migration is one of the main challenges and

³² IWGIA. Source: <https://www.iwgia.org/en/news-alerts/archive?view=article&id=747:indigenous-peoples-in-honduras&catid=143>.

³³ Migración Internacional, remesas e inclusión financiera. El caso de Honduras. CEMLA and IDB. 2017.

³⁴ Desarrollo, integración e igualdad, La respuesta de Centroamérica. Coloquio Centroamérica y México en la Encrucijada Hoy. ECLAC Alicia Bárcena. October 2018.

opportunities, but another is the increasing number of “deported” people as a result of migration policies that have been adopted by countries such as the United States.

Food security

11. Food and nutrition insecurity among the most vulnerable populations has worsened due to continued droughts (WFP, 2018); 12 per cent of households suffer from food insecurity (FAOSTAT, 2015).
12. The country's basic grain production is concentrated in the North zone (21 per cent), in the departments of Cortés, Santa Bárbara and Yoro, also those areas link commercial products such as sugarcane, banana and coffee with the production of basic grains. In the West of the country, in the departments of Lempira, Ocotepeque and Copán (18 per cent) and Centro Occidental region (Intibucá, La Paz and Comayagua) with 15.7 per cent, areas that are also dedicated to the production of potatoes and eastern vegetables between others to export. Furthermore, industrial and artisanal aquaculture activities are important sources of income and employment, a high percentage of men and women depend on fishing (in particular shrimp) to meet the costs of education, health and other family costs.³⁵
13. IFAD initiatives in the country have supported value-added processes for products such as coffee, cocoa and shrimp. They also encourage the diversification of production in other items geared towards higher-income production.

Agricultural sector

14. The agricultural sector represented 14 per cent of GDP in 2016; this sector is clearly export-oriented, but limited to certain products (seafood products, coffee and bananas, and rising cacao exports). This makes the country vulnerable to external shocks that impact the sector and the country's economy; for example, the agricultural sector lost almost one third of its revenue in the last two decades (1998–2018), due in part to a decrease in the prices of exports, especially bananas and coffee, as well as the impact of climate variability which, in addition to affecting families' food security, also worsens the situation of people living in poverty, especially in rural areas.
15. The agricultural sector is very important to the national economy, as 26 per cent of the country's territory is dedicated to agricultural activities (41 per cent to agriculture and 59 per cent to livestock activities). In addition, the sector makes a significant contribution to reducing rural poverty, since it employs approximately 28 per cent of the economically active population. Furthermore, almost 80 per cent of poor households earn income from agriculture, versus only 35 per cent of non-poor households.
16. The country's **agricultural production and productivity** is vulnerable to adverse climate events (droughts and hurricanes) and to external factors because it exports mainly primary products that are subject to volatile international prices, in addition to challenges such as the lack of qualified labour and limited investments in appropriate and innovative productive technologies that facilitate the optimisation of the country's agricultural potential. Other limitations and/or challenges faced by the country's agricultural sector are limited links to markets and lack of (or limited) access to financing; therefore, it is necessary to design and implement inclusive financial mechanisms for productive activities.
17. Despite these limitations, the country's agricultural sector has high development potential due to its more than two million hectares of lowlands with strong potential

³⁵ FAO Fishery Country Profile Honduras. Source: <http://www.fao.org/fi/oldsite/FCP/es/HND/profile.htm>.

for the development of agricultural projects with investments in irrigation systems. It should also be remembered that the agricultural sector is one of the country's main sources of employment and revenue.³⁶

Natural resources and climate change

18. Honduras is facing significant environmental challenges, according to the Country Environmental Profile.³⁷ These include soil degradation due to the country's varied agro-ecological territorial profile; 61 per cent is comprised of steep mountains with slopes of more than 40 per cent, and it is in the context that an export-oriented agricultural model is being developed. Deforestation and forest fires, as consequences of the advancing agricultural frontier and complex social problems related to access to land, negatively impact forest resources and natural resources in general. From 2017 to 2018 the pine weevil plague caused significant damage and losses to the forestry sector.
19. In addition to the above, limited access to water and water contamination are the results of neglect and lack of social and institutional management of micro water basins, which impacts productive systems. Agrobiodiversity is affected by the agricultural production model and by the limited recognition and promotion of its nutritional heritage. The CEP confirms that, although Honduras has decreased its "ecological footprint and is stable", its biocapacity has decreased.
20. Honduras is one of the most vulnerable countries to climate change. According to the Global Climate Risk Index (Germanwatch), it has been, along with Puerto Rico and Myanmar, one of the most affected by extreme weather events in the last 20 years (1998-2017).³⁸ A study conducted by ECLAC-CCAD-DFID (2010) examined various climate scenarios between now and 2100 in Honduras; these show temperatures increasing by between 2°C and almost 5°C, and potential decreases in rainfall of between 15 per cent and 50 per cent. Agricultural production, being highly dependent on the climate, would be significantly affected. The ECLAC study analysed the possible impacts on three crops (beans, coffee and maize) under the scenarios projected up until 2100 and determined that production would be adversely affected in the medium and long term. Coffee is an important crop for the country, and Honduras has been ranked among the top five coffee-producing countries in the world; however, given these scenarios, the sector could be significantly affected by pests and diseases and the reduction in the optimal area for its production, which could affect thousands of small-scale producers.
21. Finally, the vulnerability of the agricultural sector and low productivity are increased by insufficient level of human capital development, agricultural risk and limited productive investment, for which reasons it is a priority to develop agricultural and environmental policies to better address the effects of climate change.
22. In gender themes, Honduras has a 2010-2022 **Gender** Equality and Equity Plan, developed by the National Institute for Women. This policy contemplates the main needs and demands of women, as subjects of rights with the vision of moving substantively towards full equality between women and men. The Plan has been developed with wide participation of women's movements, civil society, and municipal governments and has had the support of international agencies such as AECID, UNFPA and UNDP.

³⁶ Government Strategic Plan 2018-2022, p. 51.

³⁷ Country Environmental Profile for Honduras 2013, elaborated with the financial support of the European Commission and presented by the German Agency for International Cooperation (GIZ).

³⁸ Data from

https://www.germanwatch.org/sites/germanwatch.org/files/Indice%20de%20Riesgo%20Climatico%20Global%202019%20-%20Resumen_0.pdf

23. According to the Gender Gap Index, Honduras has a gender gap of 70.6%, 68th position in the classification. According to CEPAL 2011 study on women and development in Honduras, violence against women is a serious issue, which not only affects violations of their human rights but also on the economic, productive life as it increases women's life costs. Rural women and youth are particularly vulnerable population, impacted by violence, migrations and poverty. In Gender Development Index³⁹, Honduras has a value of 0.970 and in the Gender Inequality Index⁴⁰ a value of 0.479, ranking it 116 out of 162 countries in the 2018 index.
24. Based on INE 2011, 50% of rural population is composed of women but only 27% of this population is economically active. Never the less women are involved in much lesser extent in agricultural activities with limited access to land or financing. There is an "invisibility" phenomenon of the contributions women do in agriculture "hidden" by the domestic tasks they have to engage in. Rural women combine agriculture activities (mostly related to subsistence production and taking care of nutrition with their households) with other the economic activities. The domestic work also includes different tasks related to the whole production cycle. Additionally rural women have achieved greater educational results which unfortunately have not decreased the gender gaps, nor has it contributed to increased opportunities for rural women. Strong "macho" culture on national level and particularly in the rural areas continues to prevent rural women from reaching their economic autonomy. Poverty in rural areas has affected the rural women run households (hogares jefatura de mujer) in a disproportional manner.
25. There are two framework laws that regulate the considerations and benefits for youth in Honduras, (I) "The Framework Law for the Integral Development of Youth" (January 16, 2006) which establishes the legal, political and institutional framework for the full development of young people, and provides guidance for actions by the state and society to promote active participation and guarantee the fulfillment of the population's rights. And (II) the "National Youth Policy" (2007-2021) which, according to Country Vision 2010-2038 and Nation Plan 2010-2022, formulates strategic guidelines for the appropriate implementation of actions concerning young people, and which indicates in its point 4 (Decent work and development), the recognition of the need to have better personal and economic resources for their social development. It places special emphasis on (b) Support for programmes and projects aimed at employability, decent employment and youth entrepreneurship for the creation of productive opportunities; (c) Promotion of rural productivity to prevent the migration of young peasants; (d) Generation of ecotourism and craft projects involving young indigenous people, people of African descent and the disabled; (f) Promotion of inter-institutional funding bodies with low-cost micro-credits for young entrepreneurs who have graduated from vocational and technical training; and finally (l) Promotion of vocational training modalities with a gender equity and equality approach, flexible schedules and income opportunities.
26. **Indigenous peoples.** There is a variety of ethnic groups present in the zone, predominantly the Garífuna, Pech, Tolupán and Lencas peoples. Others are of Maya-Chortí, Nahua and Miskito ethnic origins. They total approximately 1.27 million inhabitants, divided between the following groups: Lenca, 720,000; Garífuna, 380,000; Miskito, 87,000; Tolupan, 47,500; Nahua, 20,000; Chortí, 10,500; Pech, 3,800 and Tawahka, 1,50041; and many of them are dispersed throughout the territory, forming communities with the Ladina population; however, they represent more than 70 per cent of the inhabitants of some municipios' rural zones. Access to and the protection of their land are important to these groups, as well as the sustainable management of their territory. Leadership has limited capacities in managing organisations and, in their own way, they are familiar with the theme of

³⁹ <http://hdr.undp.org/en/content/gender-development-index-gdi>.

⁴⁰ <http://hdr.undp.org/en/data>.

⁴¹ <https://www.iwgia.org/en/news-alerts/archive?view=article&id=747:indigenous-peoples-in-honduras&catid=143>.

protecting ecological areas. They also have organised governing bodies that coordinate their work with municipal governments, agricultural producer committees, water committees, and organised groups of indigenous women

SECAP background study

Introduction

1. The goal of this preparatory study is to provide an analytical foundation for the social, environmental and climate sustainability of IFAD investments over the next investment cycles through the provision of strategic options as inputs for the development and decision-making process in the design of the RB-COSOP for the Republic of Honduras.
2. The purpose of this study is to help understand the development context for IFAD's strategy for Honduras for its two investment cycles (2020-2025) that permits the adequate identification of current/potential environmental and climate problems; addressing key tendencies; and evaluating the viable and sustainable environmental, social and climate options (in other words, proceed with caution, or prevent risks and stimulate opportunities) that will achieve the RB-COSOP's strategic objectives.
3. It is important to underscore that SECAP's preparatory study is not a substitute for a project's specific environmental, social and climate assessment, but it can reduce the need for information, outline the project's scope, and give IFAD a frame of reference for interventions at the country and project levels.
4. The main priority for the design of the RB-COSOP's social, environmental and climate dimensions is based on national programmes, strategies, policies or priorities of the Republic of Honduras that address the environment, natural resource management and climate change, and take into account the focus on poverty reduction and rural development that are present in current national strategic frameworks. Therefore, it is important to promote policy dialogue between stakeholders.

Part 1 - Situational analysis and main challenges

1.1 Socio-economic situation and underlying causes

5. **Poverty.** According to the World Bank (2019), Honduras is a low middle-income country that is facing significant challenges, with close to 66 per cent of the population living in poverty. In rural areas, approximately one of every five Hondurans lives in extreme poverty, or on less than US\$1.90 per day.
6. After the 2008-2009 economic crisis, the country experienced a moderate recovery due to public investments, exports and remittances. However, despite having good growth prospects, Honduras has some of the highest levels of economic inequality in Latin American and the Caribbean (World Bank, 2019).
7. Furthermore, the country is vulnerable to external changes and impacts. For example, the agricultural sector has lost up to one third of its revenue in the past 20 years as a result of low export market prices. In addition to market factors, climate issues have contributed to this vulnerability: droughts and hurricanes have led to losses in production and have affected the population's living conditions.
8. **Gender.** According to the Food and Nutrition Security Technical Unit [Unidad Técnica de Seguridad Alimentaria y Nutricional], climate events such as droughts increase women's vulnerability. Decreases in the quantity and distribution of rainfall lead not only to failed crops, but also to fewer employment and income opportunities, price increases, and changes in the consumption patterns of the most vulnerable population. Therefore, the most impacted families are landless producers or those with small plots dedicated to subsistence farming, day labourers and women heads of households, and the most

significantly affected are definitely pregnant women, breastfeeding women and children under the age of 5 (Oseguera de Ochoa *et al*, 2009).

9. Youth and child labour. In Honduras young people are defined as the population between the ages of 12 and 30, and they represent 38 per cent of the total urban and rural population. Young people face limitations related to organisation, political advocacy, and limited access to economic and social growth opportunities, especially in the country's rural areas. In 2016 the Ibero-American Youth Pact was approved, as well as the need to update the National Youth Policy, a process that is being supported by the National Youth Institute and the Government's General Coordination Secretariat. In this framework, the National Youth Institute and SAG, with IFAD's support, are working on a National Action Plan for Honduran Rural Youth. In 2017, the government made a significant progress in efforts to eliminate the worst forms of child labour. The government has established policies that are consistent with relevant international standards on child labour. Among other things, legal protections were strengthened for children by the published list of hazardous occupations prohibited for children and increasing penalties for violations. 20 percent of the Honduran population is of indigenous or African descent and children from these groups are particularly vulnerable to child labour, including its worst forms. Despite the labour and criminal law enforcements from 2017, gaps exist that may hinder adequate labor and criminal law enforcement, including with regard to human resources, agency capacity and financial resources. The agricultural sector stands for 57,5 per cent of the child labour (age 5-14).

10. Persons with disabilities. In 2013 the rights-based approach to improving the living conditions of persons with disabilities became a national priority for the government and a policy was adopted on social inclusion for persons with disabilities. It was estimated that between 11 and 15 per cent of the population were persons with disabilities and in 2016, about \$10 million had been allocated for their care and support. The "Honduras for All" programme (an integrated system of social protection) started in 16 and through which the public policy on disability is being implemented. It assesses the needs and capacities of persons with disabilities in a multidisciplinary way and empower them to participate in their own development.

11. Nutrition. Infant mortality has decreased from 26 (2009) to 22 (2013) deaths per live births (UN Inter-agency Group for Child Mortality), and 10 per cent of newborns have low birth weight. The prevalence of growth delays in children under the age of 5 has fallen from 46 per cent in 1994 to 23 per cent in 2012 (World Health Organization [WHO], 2014). However, more than 50 per cent of children between the ages of 6 and 24 months, and 18 per cent of women of reproductive age, are anaemic (WHO, 2014). Furthermore, 11 per cent of children under the age of 5 suffer from vitamin A deficiency. There are great disparities in nutrition according to socio-economic levels: children living in the poorest households are eight times more likely to suffer from growth delays than children in the wealthiest households.

12. Marginalised groups. Marginalised groups in Honduras are those described in this section: young people without employment and development opportunities; people with disabilities, socially, culturally and economically vulnerable women who are marginalised within family units and communities; and indigenous peoples without access to healthcare and land, resources and economic alternatives.

1.2 Environment and climate context, trends and implications

13. Environment and natural resources. Approximately 48 per cent of the country's territory, or 5.7 million hectares, is covered in the following different types of forests: 57.5 per cent hardwood forest; 36.3 per cent coniferous forest; 5.3 per cent mixed forest; and 1.0 per cent mangrove forest.

14. The main factors leading to the degradation of natural resources are: (i) firewood extraction is the principal pressure on forest resources, exceeding even industrial consumption; (ii) outbreaks of bark beetle, which affected approximately 500,000 hectares of natural forests between 2016 and 2017; (iii) forest fires, which are closely correlated to prolonged droughts and increasing changes in soil use (either due to urbanisation or agricultural use); (iv) the advancing agricultural and livestock frontier, which is worsening in protected areas that house invaluable biodiversity; (v) the extraction of wood for construction and household consumption; (vi) soil loss due to runoffs in the rainy season in deforested or degraded areas, especially on hillsides; and (vii) the contamination of water resources due to the excessive use of synthetic agrochemicals in agriculture, deposits of solid organic waste and untreated wastewater discharges (MiAmbiente, 2019).

15. **Climate context.** Climate variability in Honduras is determined by atmospheric and ocean circulation processes. The relevant processes are: (i) the Intertropical Convergence Zone (ITCZ); (ii) cold fronts from the north; and (iii) el Niño-Southern Oscillation (ENSO), in both its warm and cold phases (El Niño and La Niña). The ITCZ is the region of the globe where trade winds from the northern hemisphere converge with those of the southern hemisphere, causing a wide low-pressure belt that creates favourable conditions for tropical storms and cyclones.

16. The country's climate is characterised by thermal and precipitation patterns from the northern Caribbean and southern Pacific (Figure 1). Average temperatures in December, the coldest month, range from 8°C in the mountains to 28°C in the southern valleys. In April, the warmest month, temperatures range from 10°C to 31°C (Argeñal, 2010) (Figure 2). The greatest effects of high precipitation levels are seen between September and October, causing intense precipitations and the risk of flooding, especially in the country's southern region, and high levels of vulnerability in the northern Caribbean region due to the presence of hurricanes and lowlands, principally in areas adjacent to the most voluminous rivers.

Figure 1. Average annual temperature in Honduras. Source: SCASA/SAG/MTCC. 2014.

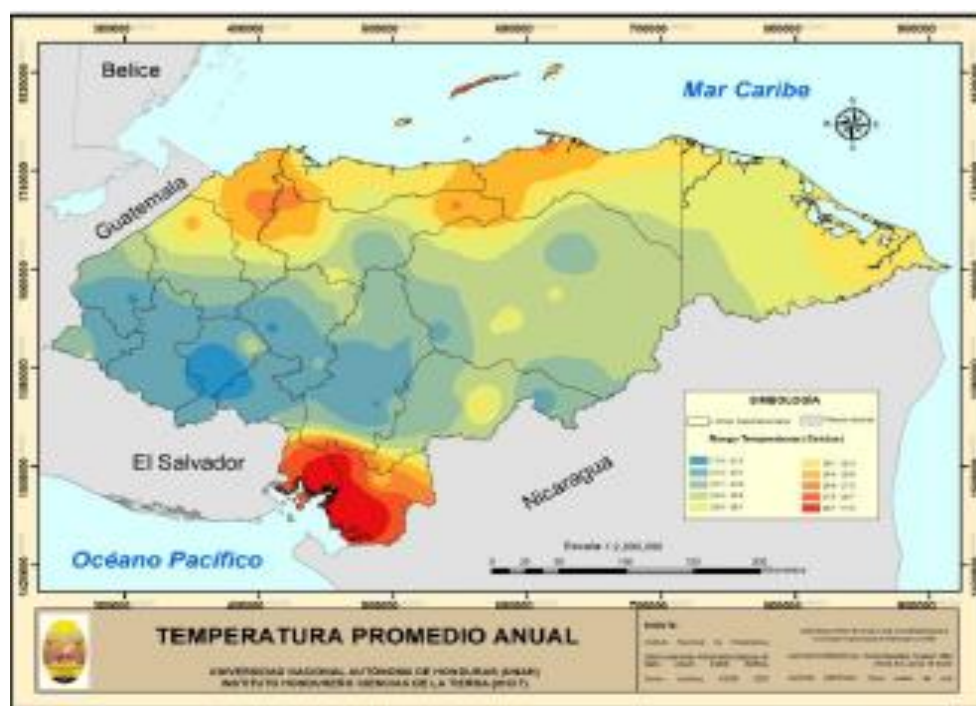
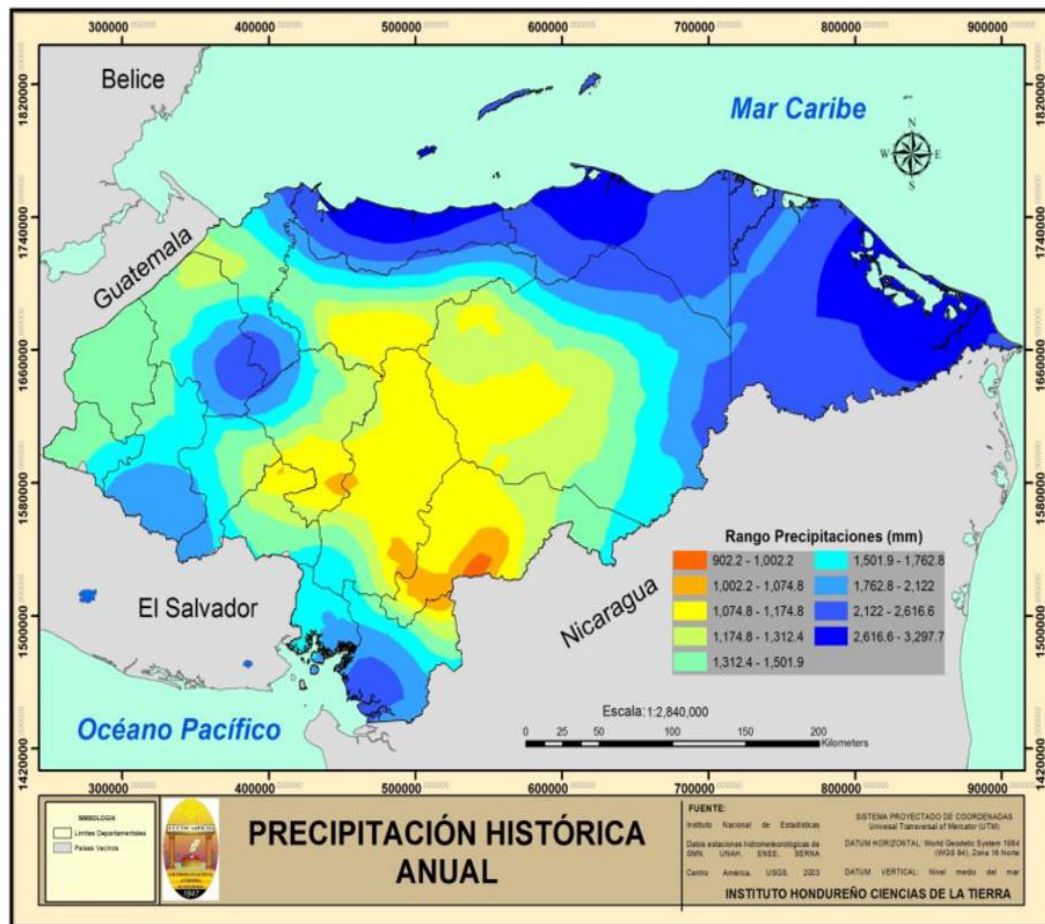
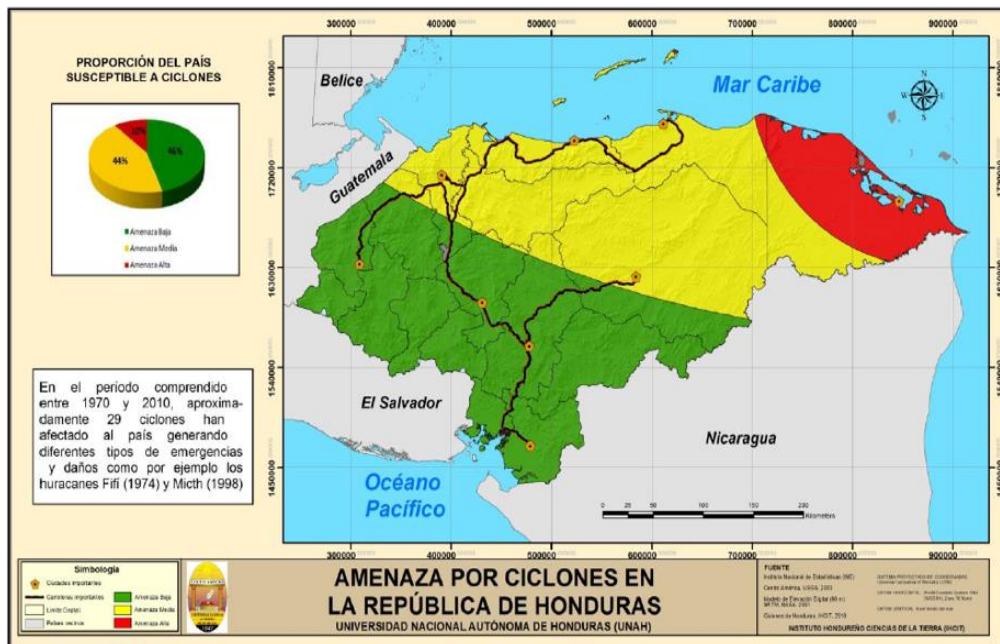


Figure 2. Historic annual precipitation levels for Honduras. Source: SCASA/SAG/MTCC. 2014



17. The ENSO phenomenon occurs every four to seven years and lasts from 12 to 18 months. In Honduras, ENSO causes periods of drought, heavy rains, flooding and landslides. The El Niño phenomenon decreases the cyclone season in the Caribbean and the Atlantic, while La Niña brings a high incidence of tropical cyclones that cause heavy rains throughout the country. From 1900 to 2013, droughts and other extreme weather events have caused significant economic losses. Hurricanes, tropical cyclones (Figure 3) and floods (Figure 4) have represented up to 75 per cent of the total of 67 events considered disasters during this period.

Figure 3. Cyclone threats in Honduras. Source: SCASA/SAG/MTCC. 2014



18. The effects of climate variability have caused significant economic losses. For example, 1,202 events were reported in 2013, of which 368 events were due to droughts that caused losses and 254 events were landslides, according to the United Nations Office for Disaster Risk Reduction (2015). Hurricanes Mitch and Katrina caused over US\$4.0 billion in damage to the Honduran economy. Hurricane Mitch alone caused agricultural losses through the destruction of 70-80 per cent of production, resulting in an estimated economic loss of US\$1.0 billion.

Figure 4. Flooding threats in Honduras. Source: SCASA/SAG/MTCC. 2014



Part 2 -Institutions and legal framework

2.1 Institutions

19. The institutions responsible for the country's environmental and climate agenda are concentrated within two entities: the Ministry of Natural Resources and Environment and the President's Climate Change Plus (Clima+) Office.

20. MyEnvironment [MiAmbiente] is the government agency responsible for promoting the sustainable development of Honduras through the formulation, coordination, implementation and evaluation of public policies that aim to preserve natural resources and the environment, and that contribute to improving the quality of life of the country's inhabitants through actions that are framed within the principles of honesty, responsibility, commitment, efficiency and transparency.

21. Clima+, as an independent agency affiliated with the Presidency of the Republic, with national jurisdiction, is responsible for acting as a higher-level authority that, in a collegial and representative manner, is responsible for the approval and coordination of climate-change related public policy and investments in Honduras.

22. In addition to MiAmbiente and Clima+, there are other institutions actively involved in the country's environment and climate public policy: (i) SAG's Agro-environmental, Climate Change and Risk Management Unit [Unidad de Agroambiente, Cambio Climático y Gestión del Riesgo], (ii) Forestry Conservation Institute [Instituto de Conservación Forestal], and (iii) Permanent Commission of Contingencies [Comisión Permanente de Contingencias].

2.2 Policy and regulatory frameworks

23. The policy, legal and regulatory frameworks in effect in the country that govern its **environmental and climate agenda** are: General Environmental Law (1992); Land-use Law (2003); Environmental Policy of Honduras (2005); State Policy for the Agrifood Sector and Rural Areas of Honduras (2004-2021); Forestry, Protected Areas and Wildlife Law (2007); General Water Law (2009); Law for the Establishment of a Country Vision, and the adoption of a National Plan for Honduras (2009); Climate Change Law (2013); National Climate Change Strategy (2010); National Strategy for Environmental Goods and Services (2009); National Risk Management System Law (2009); the State Law for Integral Risk Management (2013); National Climate Change Adaptation Strategy for Honduras's Agrifood Sector 2014-2024; National Action Plan to Combat Desertification and Drought; and the Groundwater Regulations. At the local level, municipalities have the Municipal Environmental Unit. At the territorial level, MiAmbiente has delegated the process for obtaining environmental licences to regional offices, in order to be more accessible to the population and prevent the need for travel to central offices in Tegucigalpa.

24. The Government has now developed its principal public policy instrument to implement the national agenda and international commitments in the environmental and climate agenda: the Plan ABS will act as the physical-territorial support for the National Economic Development Programme for Honduras 2020, which responds to three processes: (a) governance, (b) knowledge management, and (c) the implementation of sustainable practices. Plan ABS will be the regulatory and strategic framework for the COSOP's environmental agenda (including natural resources) and climate agenda. Furthermore, the country has a Climate Change Law, National Climate Change Strategy and National Adaptation Plan, which all establish the regulatory and strategic framework for Plan ABS.

25. As shown a policy and regulatory framework is in place but coordination and planning, between all organizations and plans is very poor and as a result most actions and initiatives

are fragmented and with little impact. Regulation is difficult mainly caused by an ineffective judicial framework.

26. No clear grievance redress mechanisms are in place in Honduras, not at the ministry level, nor at regional or local government level. There are social society grievance redress organization like the consumer protection organization. These organizations can generate attention to specific problems but as mentioned before the ineffective judicial framework does not permit to advance a specific case. Therefore most programmes with international financing implement their own grievance and redress mechanisms.

Gender

27. IFADs Gender Equality and Women Empowerment Policy (GEWE) as well as the 2019-2025 Action Plan for the systematic incorporation of the transformative approach to gender within and in all IFAD operations assures that essential part of IFADs corporate mandate is to integrate gender mainstreaming as a strategy to advance equity. This also requires addressing the root causes of gender gaps that generate and reproduce economic, social, and political problems and inequities.

28. IFAD's corporate policy for GEWE intervenes in three dimensions: economic empowerment of women and men, participation and leadership in public spheres of women and man as well as equity in the workload and the equal distribution of social and economic benefits.

29. To be fully mainstreaming IFADs gender mainstreaming approach must be integrated into all projects and project components, including institutional mainstreaming and reducing gender gaps within the institutions. The strategies are operationalized through the allocation of human and financial resources and ensuring the incorporation of technical specialists, both nationally and regionally and locally. IFAD plans to go further and proposes a transformative approach to gender in 25% of its new projects and ensure mainstreaming in 90% of its projects, ending in IFAD11.

2.3 Programmes and partnerships

30. The Project for Competitiveness and Sustainable Development of the Southwestern Border Region (PRO-LENCA) is currently being implemented, and it is financed by IFAD and GEF with the objective of increasing the climate resilience of agricultural value chains in the projects' area of intervention, protecting the target population and their production from the impacts of climate change (this through GIF financing). This project can contribute lessons learned, methodologies and instruments that incorporate the climate dimension for projects that will be designed and implemented in the current COSOP investment cycle.

31. IFAD has designed the Project for the Economic and Social Inclusion of Small Rural Producers in Northeast Honduras (PROINORTE) with the goal of increasing the incomes and improving the nutrition of small-scale producers and their families, improving their productivity, diversification, processing and commercialisation capacities, incorporating them into the prioritised value chains, and increasing their resilience in the context of climate change. This project's implementation has not yet begun, but it represents an opportunity to integrate lessons learned and the country's new environmental/climate provisions and priorities.

32. In regard to international financing, in June 2019 the GCF approved the project “Promoting Climate-resilient Forest Restoration and Silviculture for the Sustainability of Water-related Ecosystem Services” which will be implemented by the Inter-American Development Bank (IDB) and the Ministry of Finance of the Government of Honduras. This project can establish partnerships and interinstitutional coordination to scale up the anticipated impacts of IFAD’s project portfolio’s climate-change agenda.

33. These projects are important; therefore, IFAD must establish strategic partnerships with MiAmbiente, because it is the Government’s point of contact with the GEF and GCF, in addition to guiding and ensuring the fulfilment of environmental and climate legal policies, strategies, plans and regulations, especially Plan ABS. Another fundamental agency is Clima+, because it is the higher-level authority for the approval and coordination of climate-related public policy and investments.

34. In addition to MiAmbiente and Clima+, it will be key to coordinate actions with United Nations agencies in Honduras, to link IFAD’s actions and results with SDGs, as well as to align IFAD’s interventions with other United Nations agencies, mainly with FAO and the WFP.

Part 3 - Strategic recommendations

3.1 Lessons learned

35. Lessons learned from IFAD’s operations in the country are outlined in Section III of this document (IFAD engagement: lessons learned). Lessons learned in the area of environment and climate change are the following:

36. **Lesson 1: Improve targeting of the projects’ target population and areas of intervention.** Make a greater effort to generate information relating to the projects’ area of intervention to improve social, economic, organisational, productive and climate characterisation.

37. **Lesson 2: Incorporate climate information in project implementation.** Generate climate information by using at least regional, national and subnational information complemented by specific technical criteria.

38. **Lesson 3: Simplify the logical framework.** In project design, simplify the elaboration of logical framework indicators in their different hierarchical levels.

39. **Lesson 4: In cases of projects that need to be redesigned, invest in complementary studies.** In redesigned projects, prioritise the hiring of consultants to generate information for improved project targeting and intervention in the first year of implementation.

40. **Lesson 5: Simplify processes and support agencies implementing financing during project start-up.** With IFAD’s support, before or shortly after the start-up workshop, elaborate Terms of Reference for contracting the project’s climate change specialist, to be hired during the project’s first year of implementation. When agencies responsible for the project have an administrative unit that is external to the project management unit, it is recommended that, in collaboration with the project’s implementing agency (the Government) and IFAD, a space or mechanism be established that allows corrective measures to be taken when situations are identified that complicated processes.

41. Lesson 6: Design a protocol for the mitigation of short-term institutional changes in direction. For changes in institutional authorities that take place in very short periods of time (at least one year), a protocol must be established that outlines the measures to be taken by the government and IFAD to ensure that processes and decision-making do not create delays in project implementation, including in the Plan of Action and Project Oversight Committee.

3.2 Strategic orientation

42. This section describes how the results of the COSOP 2020-2025 contribute to the priorities and international commitments of the Government of Honduras. In this sense, the COSOP's strategic objective #1 (SO1) is aligned with Plan ABS's "Implementation processes for sustainable practices" strategic guidelines, which is the Government's main priority for the environment and natural resource sector. For social issues, the COSOP contribute to the SG 5 on gender, which will contribute transversally to the two strategic objectives of COSOP.

43. It is important to indicate that Plan ABS establishes international cooperation as part of the key actors in its implementation, through the programmes and projects that the agencies manage or implement in the country, and for this reason it is IFAD's reference framework in this national environment and climate agenda.

Table 1. Alignment of the COSOP's strategic objectives with NDCs of Honduras

Objectives of COSOP 2020-2025	Water, Forest and Soil Master Plan (Plan ABS)
<p>Overall objective: Contribute to reducing rural poverty and migration through the promotion of rural agricultural and non-agricultural productive systems that are inclusive, efficient, sustainable, resilient to the effects of climate change, and that generate employment.</p>	<p>Country vision: Honduras is a highly productive country that manages and uses water, forest and soil resources in an integral manner, with community participation driving sustainable human and economic development that are able to address climate change risks to the benefit of all Hondurans.</p>
<p>Strategic objective #1 (SO1): Improve the productivity of small-scale rural producers' food productive systems through the application of a focus on sustainable and resilient agrifood systems.</p>	<p>Strategic guideline C1: Conservation, protection, restoration and sustainable use of water, forests and soil.</p> <p>Strategic guideline C2: Development of infrastructure for the efficient treatment, use and reuse of water (rainwater, groundwater, wastewater, others).</p> <p>Focus for both strategic guidelines: (a) sustainable forest, agricultural and livestock management; (b) risk management; and (c) integrated water basin management.</p>

44. In the international context, IFAD can help the country to achieve the mitigation and adaptation goals of its NDCs through its specific objective (SO1). It is important to highlight that the strategic actions and goals of the country's NDCs are about to undergo a review process and may change in 2020, a situation that must be considered during the COSOP's mid-term review.

Table 2. Alignment of the COSOP's strategic objectives with the principal strategic guidelines of Honduras's NDCs.

COSOP strategic objectives	Nationally Determined Contributions	
	Mitigation	Adaptation
<p>Strategic objective #1 (SO1): Improve the productivity of the food production of small-scale rural producers through the application of a focus on sustainable and resilient agrifood systems.</p>	<ol style="list-style-type: none"> 1. Reduction of 15% emissions relative to the BAU scenario by 2030 in the ensemble of sectors contained in this BAU scenario. 2. In addition, the Republic of Honduras commits to, as a sectoral objective, the forestation/reforestation of one million hectares of forest by 2030. 3. Through the efficient stoves NAMA,⁴² firewood consumption by families is expected to decrease by 39%, thus contributing to the fight against deforestation. 	<ol style="list-style-type: none"> 1. Change in agricultural practices. 2. Change in livestock practices. 3. Strengthening of research capacities. 4. Society and legislation. 5. Prioritisation of marine-coastal sector.

45. **Transformative approaches in the agenda of gender**, mean changing existing attitudes, practices, and norms, working at the community and participatory level with home-based methodologies. They include the implementation of initiatives to review, update and design new police officers, based on the evidence produced as a result of the interventions. It promotes alliances between traditional counterparts such as Ministries of Agriculture with the National Institutes of Women.

3.3 Strategic actions and targeting

46. Based on the COSOP's overall objective and strategic objective #1, the regulatory framework, and the Government of Honduras's national and international goals, the following strategic recommendations are being made on actions and concepts that the COSOP must consider during its implementation period.

47. **Strategic recommendation #1, environment and natural resources:** For the implementation of future projects, ensure that producer organisations have their environmental licence pursuant to current legislation (Ministerial Agreement No. 0740-2019). Ensure that the development of investment plans incorporates an environmental and natural resource section, in which the measures to be implemented are aligned with the activities recommended in the Plan ABS and the National Programme for the Recovery of Degraded Ecosystems' Goods and Services.

48. Furthermore, it is recommended that the possibility of coordinating the COSOP with the Sowing Life Programme [Programa Sembrando Vida] be explored, for which purpose the Government of Mexico has provided a grant of US\$30.0 million to the Government of Honduras to establish agroforestry systems, diversify family farming production, and reduce migration. This represents an opportunity in the coming years for IFAD to offer opportunities to the Government of Honduras to implement this programme, since Mexico will be part of the programmes that will be financed in the next investment cycle; this would imply a regional focus in Mesoamerica for IFAD, generating a possible innovation in strategic orientation.

⁴² Nationally Appropriate Mitigations Action (NAMA).

49. Strategic recommendation #2, climate change: This recommendation is presented along two lines of action: (a) at the level of investment plans, which must be incorporate climate section including a vulnerability assessment and a definition of practices, measures and/or technologies to mitigate greenhouse gas emissions (mitigation), increase resilience and manage climate risks (adaptation); and (b) at the level of international climate financing, manage financing focused on the adaptation sector, specifically in the area droughts because it is currently under-addressed by the Government and other international agencies in the country. This financing would be through the GCF, GEF or the Adaptation Fund, which would be linked to MiAmbiente and Clima+, in addition to other key ministries, such as the Ministry of Agriculture and Livestock, and the Ministry of Finance.

50. Strategic recommendation #3, gender and youth: According to the social, economic, cultural, demographic and geographic conditions and characteristics, specific investment plans could be developed for women and young people in order to create economic, labour or job access opportunities in the rural sector, especially in the northeast and southern, the most socially, economically, environmentally and climate-vulnerable regions, to promote social inclusion, generate incomes and reduce migration in the rural sector. In cases where conditions are a limiting factor to achieving the development of specific investment plans for women and young people, a women and youth sector can be incorporated into the investment plans.

51. All actions proposed in the COSOP related to gender and social inclusion, will be revised during the Mid Term Review (MTR) of the COSOP, based on national priorities, to be determined by the Government of Honduras

52. Strategic recommendation #4, indigenous peoples and Afro-Hondurans: In accordance with the demographic, cultural, economic and geographic aspects of indigenous peoples and Afro-Hondurans, specific investment plans can be developed with the goal of generating economic development, labour, access or inclusion opportunities for the population that is located in the most socially, economically, environmentally and climate-vulnerable regions, to promote social inclusion, generate incomes and reduce migration in the rural sector. Indigenous peoples and Afro-Hondurans has been central to the portfolio support in Honduras, this is due to the level of vulnerability and need for development assistance. Main challenges includes tenure rights, food security, health and access to basic social services. Pathways out of poverty for these vulnerable groups will demand strong participatory approaches and partnership with relevant stakeholders in order to strengthen the self-driven development agenda of these groups.

53. It is important that IFAD and the Government, before implementing the projects, seek the Free, Prior and Informed Consent pursuant to national policies and IFAD's policies.

3.4 Monitoring

54. In order to ensure that the anticipated social, environmental and climate results are achieved, it is important that a social and environmental management plan is developed and implemented in the project portfolio in accordance with IFAD's guidelines and procedures (SECAP).

55. To monitor the progress and results achieved in the COSOP 2020-2025 cycle in relation to gender, youth, indigenous peoples and Afro-Honduras, environment (including natural resources) and climate, key performance indicators will be established in the COSOP's Results Management Logical Framework, which is attached to this report.

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COVID MITIGATION STRATEGY

1. Honduras' economy under COVID-19 pandemic

2. IMF predicts a potential drop of 3.5% in Honduran GDP for 2020. For its part, the Central Bank of Honduras initially estimated a growth of GDP between 2.7% to 3.1% for 2020, but now with COVID-19, it estimates a drop of between 1.5-2.5% for 2020. Implying a significant drop in income and employment in the formal but especially the informal sector, which is a big part of the economy in Honduras. ECLAC projects an average fall of up to 5.3% in GDP in LAC during 2020 and this will affect seriously the exports of Honduras to neighboring countries.
3. FAO and ECLAC (2020), classified Honduras according to the flow of trade as Medium High Risk country in the LAC context. They also pointed out the potential threats to the agri-food exports on which Honduras depends. The, potential disruption in the logistics chains, and reduction of purchasing power of importing countries like the US are expected to have important impacts especially for small farmers. Important value chains to be impacted are coffee, melon, bananas and fresh vegetables. From an IFAD operation perspective, the strengthening of the production of small farmers producing basic grains, vegetables, fruits, bananas and cassava, which are important in terms of achieving nutritional security, will be a first priority.
4. According to the International Labor Organization (ILO), there will be a massive loss of income that affects 80% of informal workers in LAC. This due to the COVID-19 pandemic itself and the measures to control the spread of the disease. The loss of jobs and income will result in an increase in the poverty rate, which according to first estimations of ILO will especially affect the informal sector. In this sector, poverty is expected to increase from 36% to 90% after COVID19.
5. A CABEI study (2020), highlights the impact on tourism, which currently represents 8.3% of GDP, this sector will be heavily affected mainly due to the closure of borders, temporary closure of tour operators and airlines that directly affect the inflow of tourism to the country. The World Tourism Organization projects for LAC, a drop-in tourist visits of up to 30%, an impact that could even extend to periods after the crisis caused by the pandemic. Furthermore, it estimates that in Honduras the main activities affected will be, in order of importance; commerce, construction, financial intermediation (remittances), hotels and restaurants (associated with tourism), and transportation. These sectors represent 33% of GDP; according to the presented scenarios, its impact on growth could be -1.8% to -3.5%.
6. Initially maintenance or reestablishment of the agri food systems are a priority to face the pandemic in the rural areas, to at least generate food security and potentially maintain some kind of income. However small farmers face many restrictions in terms of transport of agricultural products because of mobility restrictions to and from all cities and towns along the country, as well as the procurement of production inputs. For the future, important safety and traceability will be demanded by consumers, which will force small producers to take additional measures in the short term to avoid possible negative impacts when marketing.

7. Many small farmers in Honduras are involved in coffee production and this shows their exposure to the international trade. It is difficult to predict what will happen with this price globally but certainly will have important impacts and a redirection of these production systems will be required.
8. According to reports from the National Emergency System (SINAGER for its Spanish abbreviation), the pandemic affects the entire national territory, with the highest number of cases concentrated in the departments of Cortés, Francisco Morazán, and Colon. Two of these departments concentrate the largest urban populations in the country with high levels of poverty. For the farmer organizations actually supported by the IFAD portfolio, it will be a challenge to mobilize products from the rural areas to these principal cities, considering the transportation restriction that have been implemented by the government. Together with the Livestock and Agriculture Secretary, the IFAD program is coordinating efforts to facilitate logistics for transporting food to the main markets.

9. IFAD contributions during and after COVID-19

10. IFAD currently participates actively in the UNCT and in the Humanitarian Country Team, made up of UN Agencies, Funds and Programs, as well as non-governmental and international cooperation organizations.
11. This space is primarily intended for the humanitarian response with food provision. The UN response up to now is very much orientated towards the short-term response. It is expected that in the future this agenda will have a more long-term vision, permitting IFAD to more actively participate through its programs and grants.
12. At sectorial level, the Livestock and Agricultural Secretary has prepared a preliminary strategy, which enables it to respond at short term. The strategy includes facilitating access to emergency credit and the provision of fertilizer and other inputs to small farmers. Additionally, the government has approved two big loans for rural development projects financed by the World Bank and the IADB. IFAD was not considered in this first package because it cannot provide budget support to the Honduran Government that is now urgently needed to scale up medical facilities and services.
13. IFAD therefore has focused its effort on the midterm and long-term restructuring of the agricultural sector. Together with the minister of agriculture, a new platform was setup to develop a midterm long-term recuperation plan for the agricultural sector. IFAD is leading this effort through the provision of consultants and intellectual leadership. It is expected that this midterm and long-term sectoral recuperation plan will generate spaces for the IFAD's financial instruments to play an active role.
14. Additionally, three regional grants were developed to generate better access to markets for small-scale farmers (e commerce), generate youth employment and to improve access to credit. One is part of the general pipeline of grants and was approved at all levels, except by the president and two were presented to the IFAD emergency fund.
15. In addition, the relationship with the private sector is being strengthened. IFAD is actively pursuing a complementary activity with Bayer. Bayer will provide new technology, technical assistance (TA) and access to credit to the clients of its programs.

Agreement at completion point NOTA REVISIÓN DE GOBIERNO

COSOP preparation process

1. The elaboration of this COSOP was a very participative process involving Government of Honduras officials, especially the Minister of Agriculture and Livestock, Minister of Finance and Minister of Environment-MiAmbiente; current project staff in Honduras; and current project beneficiaries and producer organisations. It also included the participation of the private sector; United Nations organisations present in Honduras, especially those based in Rome; other support agencies such as CIAT, USAID, IICA, and IFAD cofinancers, such as CABEI. The process was led by the country team, based on a duly approved work plan, with the support of the Panama HUB and the IFAD country office in Guatemala. Support was also provided by the Evaluation Cooperation Group (ECG) and the Sustainable Production, Markets and Institutions Division (PMI), through the support of specialised consultants in the case of the ECG, or active participation in the case of the PMI.
2. The formulation team was comprised of Arnoud Hameleers, Country Director for Honduras; Enrique Hennings, PMI; Paolo Silveri, Regional Economist for LAC; Luisa Migliaccio, Portfolio Advisor LAC; Dario Rimedio, FMD; Raul Espinoza Bretado ECG consultant, and the country team comprised of Juan José Pineda Mejía, René López Steiner and Perla Carias Mossi. Thereafter ??????
3. The formulation process had 4 phases: (i) a phase for receiving and studying relevant documents on the country (5 to 18 August 2019), (ii) a discussion phase with development partners in the country (19 to 24 August 2019), (iii) a consultation and validation phase (2 to 7 September), and (iv) a document elaboration phase (9 to 17 September). The document study phase benefitted from the recent COSOP Completion Review, the recent design of the new programme, specific studies on climate change that had been carried out, and the EmprendeSur programme closing process, which included validation processes with beneficiaries and specific impact, financial-economic, and socio-environmental studies.
4. The second phase was based on a mission in the country that generated many discussions on the current country programme and future interventions. Specific development partners participated in this process such as ministries, project teams and potential cofinancers. This phase ended with the preliminary elaboration of the new COSOP's overall objective and strategic lines. The third phase involved direct consultations through visits with FAO, WFP, several ministries, and technical and cofinancing partners. A site visit was also carried out to consult with current and potential beneficiaries and, finally, this phase ended with a validation workshop involving broad participation (see below for details). During phase 4, and with all these inputs, the COSOP was elaborated and it has culminated in the present document.
5. The context and lessons learned from current projects and the previous COSOP were important inputs for this COSOP, but its most important guiding themes are the new themes relating to migration and climate change.

Main issues collected in the consultation process with stakeholders.

Innovación; Gestión del conocimiento y Escalonamiento

- Sistematización de experiencias.
- Asignar fondos en los proyectos para propuestas innovadoras.
- Mayor cobertura de los proyectos FIDA.
- Sistemas de extensión agrícola a nivel municipal. Algunas municipalidades están financiando técnicos agrícolas para brindar servicios de extensión agropecuaria y es una vía para enlazar cooperación técnica en los territorios.
- Descentralizar procesos de legalización y actualización legal de organizaciones de productores.
- Planificación territorial, regional y municipal.
- Impulsar proyectos productivos con alta inversión en energía alternativa con alianza de organismos especializados.
- Priorizar inversiones a proyectos estratégicos (mayor impacto) y las oportunidades para jóvenes deben ser más atractivas, más que producción primaria agropecuaria.
- Buscar a nivel local y nacional prácticas innovadoras puntuales al territorio, los cuales deben estar presente en todos los planes y proyectos que se deriven en la estrategia.
- Es oportuno aprovechar las IT Ag. Digital.
- Incluir el concepto de reforestación por el de restauración. (potencial de restauración nacional según la agenda 2030 es de 3 millones de ha).
- En las intervenciones apoyar la coordinación entre agencias para el manejo de datos de los beneficiarios para medir el impacto a nivel micro de las intervenciones y un mejor manejo de los recursos destinados.
- Alianzas y coordinación con entes interesados y que desarrollan innovaciones para la ejecución de los proyectos.
- Involucrar universidades, instituciones de la sociedad civil. Estos actores deben estar en coordinación con los proyectos financiados por la cooperación internacional.
- Fortalecer la investigación en sistemas de producción agrícola, incluyendo los institutos de educación, gobierno e iniciativa privada en este proceso.
- Fortalecer y actualizar la academia encargada de la formación de profesionales en agricultura para mejorar la asistencia técnica a los productores.
- En los proyectos incorporar el enfoque de restauración de paisajes ecosistémicos bajo modelos de forestería comunitaria.
- Desarrollar investigación aplicada, participativa e incluyente (academia y comunidades).
- En los proyectos integrar el manejo de microcuencas para revertir o adaptarse a escenarios climáticos extremos.

Sector Privado; Cooperación SUR-SUR y Servicios Financieros

- Potenciar la ejecución e impacto de los proyectos fomentar el intercambio de experiencias exitosas con otros entre países donde se ejecutan proyectos FIDA.
- Fomentar la institucionalización, certificación y uso del sistema de cajas rurales existente en el país, como alternativa de financiamiento al sector rural.
- Considerar al sector privado como beneficiario de los proyectos.
- Promover mecanismos como asociaciones público privadas para el manejo de cuencas y temas forestales, así como proyectos de turismo.
- Formular proyectos productivos y de acceso a mercados, con garantías distintas a la tierra.
- Impulsar estrategia de forestaría comunitaria con organizaciones agrícolas y forestales.
- Promover el intercambio de experiencias en los temas anteriores, incluso entre comunidades locales.
- La vinculación de las cajas rurales a la red bancaria nacional o promover modelos de negocio innovadores para este grupo.
- Se recomiendan alianzas regionales en la zona del triángulo norte.
- Tomar en cuenta los organismos acreditados nacionales ante el FVC para canalizar fondos (SEFIN y BANPROVI)
- Implementar seguros para pequeños productores incluyendo el financiamiento de las primas a los pequeños productores.
- Establecer alianzas con empresas privadas para la prestación de servicios durante las intervenciones.

Gestión de conocimiento

- Incluir a la academia en estas tareas de investigación, estudios y otras actividades de gestión de conocimiento

Escalamiento

- Una base de organizaciones que produzcan materias primas, lo debería impulsar el escalonamiento de las actividades de otras empresas dedicadas a agregar valor.
- Diseñar programas enfocados y diferenciados con metodologías de enseñanza participativa que respeten la cultura, así como la regionalización productiva.
- Mayor articulación con los gobiernos locales y municipales, involucrándolos en la implementación del proyecto a través de sus unidades técnicas. Apoyar el fortalecimiento de capacidades locales de estos gobiernos.

Innovación

- Fortalecimiento de los centros regionales de investigación para que pueda desarrollar y adaptar nuevas tecnologías de producción, conservación de recursos (agua, suelo, bosque).
- Conocer experiencias de otros actores en agregar valor, especialmente tecnologías que no son usadas en el país, servicios de intercambio de experiencias sur- sur.
- Buscar formas de financiamiento al sector privado pero que conlleve el compromiso social de respetar los recursos naturales "sello verde: Infraestructura verde!
- Promover y financiar seguros productivos, micro seguros agrícolas, seguros con índice climático.
- Coordinar y armonizar las intervenciones de la cooperación internacional para el desarrollo de manera de hacer más efectividad la ayuda.

Sector Privado

- Aprovechar las experiencias y capacidades del sector privado para lograr fortalecer la asistencia técnica a los productores. Privatizar la asistencia técnica.

Servicios Financieros

- Diseño de productos financieros accesibles y de acuerdo a las necesidades de los productores de la agricultura familiar (traje a la medida, inclusión financiera, garantías recíprocas)

Sector Privado; Cooperación SUR-SUR y Servicios Financieros

- Impulsar SFR a mayor escala, desarrollando nuevos servicios en territorios desatendidos
- Promover mayor cobertura en estrategias de cajas de segundo piso para una mayor cobertura de beneficiarios
- Mayor acceso a riego agrícola

Alianzas

- Promover el modelo cooperativo como garante de desarrollo
- Articulación de políticas públicas relacionadas al desarrollo rural integral.
- Transformar los sistemas actuales de producción en modelos productivos sostenibles con el uso racional de los recursos naturales.

Políticas

- Promover la ley de Agricultura familiar
- Flexibilizar leyes para incentivar la inversión y exportación

Financiamiento Climático

- Banco de Desarrollo deben dar un enfoque y apoyar al tema

Construcción de capacidades

- Buscar soluciones compartidas
- Capacitación en agricultura climáticamente inteligente
- Fortalecer las capacidades de la Secretaría de Relaciones Exteriores para diseñar y ejecutar instrumentos de financiamiento que permita integrar a la iniciativa privada en el marco de las acciones de la Cooperación Sur-Sur.
- Fomentar el financiamiento para la adopción de nuevas tecnologías para la producción sostenible.
- Financiamiento para el fomento de la producción de cultivos no tradicionales.
- Promoción de servicios financieros que permitan desarrollar emprendimientos verdes.
- Impulsar y promover el apalancamiento de recursos financieros al sector forestal mediante el diseño de productos financieros.
- Impulsar y desarrollar negocios verdes comunitarios bajo el sistema social forestal, buscando incentivar a los pequeños productores (basados en la experiencia de Colombia).

Alianzas Políticas; Financiamiento climáticos y Construcción de capacidades

- Involucrar a la academia y a la empresa privada en las formulaciones de proyectos y apoyos del FIDA.
- Impulsar la definición de una estrategia nacional para el financiamiento climático.
- Apoyar financieramente la aplicación de políticas y estrategias nacionales, como la de agricultura familiar.
- Fortalecer más las capacidades organizativas de los beneficiarios.
- Fomentar proyectos de cosechas de agua.
- Considerar integrar SEMPRENDE, como nueva política presidencial para articular los emprendimientos y pequeños negocios.
- Servicios públicos de extensión a través de los institutos técnicos comunitarios, como espacio de formación y aprovechamiento de capacidades de técnicos en los territorios, pensando en integrarlos para proveer servicios en los territorios.
- Un verdadero fortalecimiento para regionalizar la SAG, y capacitar a sus técnicos.
- Fomentar el desarrollo de productos financieros de bajo costo para proyectos agroforestales, pensando en el cumplimiento a las metas país y a la generación de ingresos alternativos.
- Ver los análisis de evaluaciones de las políticas realizadas por centros de investigación, universidades, CEPAL, otros.
- Reclutar recurso humano por méritos y no por política.
- Incluir el tema de cambio climático en todas las operaciones a fin de que se puedan alinear con el tema de financiamiento climático. Se espera que a partir del 2020 los fondos climáticos aumenten y estos serán concursables para los acreditados.
- Se recomienda tomar en consideración los gobiernos locales para canalizar financiamientos (2).
- Alianzas con agencias del SNU y/u otras organizaciones vinculadas a proyectos de emergencia para identificar y financiar intervenciones enfocadas en resiliencia y nutrición
- Banca financie organizaciones de la sociedad civil, organizaciones de pequeños productores y pequeños y medianas empresas para impulsar la producción sostenible.
- Para la nueva cartera de proyectos FIDA, establecer alianzas estratégicas con actores clave que contribuyan en brindar servicios de asistencia técnica, construcciones de capacidades y financiamiento climático, con el objetivo que las organizaciones de pequeños productores sean sostenibles.
- Incorporar las lecciones aprendidas en la implementación de proyectos de pequeña agricultura.
- Financiar proyectos para fortalecer alianzas público-privadas para la producción del país.
- Impulsar el desarrollo de centros de capacitación a productores agrícolas para la innovación tecnológica.
- En el COSOP integrar como parte del marco regulatorio que rige el sector forestal la Política Nacional Forestal.
- En construcción de capacidades desarrollar aspectos de acceso a mercados y comercialización.
- Simplificar los procesos y requerimientos legales por parte del Estado para incentivar el desarrollo rural.

Strategic partnerships

<i>Partnering objectives</i>	<i>Partners/networks/platforms</i>	<i>Partnership results and outcomes</i>	<i>Justification for partnership</i>	<i>Monitoring and reporting (to be completed for CRR and CCR)</i>
Engaging in policy and influencing development agendas	UNCT Honduras Agricultural coordination platform with the Ministry of Agriculture	Presentation and discussion of COSOP New UNDAF with IFAD participation New family farming law implemented	Increase the importance of rural development in agendas Increase the focus of Ministry strategies and actions on small-scale producers	CCR and CRR
Leveraging cofinancing	OFID and CABEI GCF	At least one cofinanced project or a project with GCF funds	Increase impact of IFAD operations	CRR
Enabling coordinated country-led processes	Agricultural coordination platform with the Ministry of Agriculture UNCT	Improved coordination and complementarity between organisations supporting the Ministry of Agriculture Increase monitoring of UNDAF implementation	Increase impact of each project's activities and exchange experiences Improved indicator data available to monitor COSOP	CCR AND CRR
Developing and brokering knowledge and innovation (including SSTC)	WFP and FAO CIAT Rural Entrepreneurship Development Foundation [Fundación para el desarrollo empresarial rural] (FUNDER)	At least two innovations generated by WFP and/or FAO are incorporated into IFAD projects. IFAD project producers provide products to the WFP. CIAT supports the implementation of at least one IFAD project by introducing LINK technique, applying their knowledge on climate change, and strengthening nutrition aspects. FUNDER strengthens rural credit unions and supports the development of credit models that are appropriate for these types of organisations.	These two organisations with a presence in Honduras have a great deal of knowledge that is not being mobilised for IFAD projects. CIAT has a presence in Honduras and received an IFAD grant to support the implementation of a project.	CCR CCR and CRR CCR
Strengthening private sector engagement	Honduran Council of Private Businesses [Consejo Hondureño de la Empresa Privada] (COHEP)	At least 8 businesses establish active partnerships with IFAD projects.	One of the problems that IFAD-generated businesses have is their links to the market.	CRR
Enhancing visibility	Ministry of Agriculture's Communications Unit	Yearly press route	IFAD has a serious recognition problem in Honduras.	CCR and CRR

South-South and Triangular Cooperation strategy

Introduction

1. South-South and Triangular Cooperation (SSTC) has been increasingly embedded in IFAD's business model as a way of maximizing impact and has evolved from a series of ad hoc activities to a clear corporate approach. The Fund recognizes SSTC as a key modality to share innovative rural development solutions, promote investments among a wide range of stakeholders and establish novel partnerships and other forms of collaboration that allow the involved parties to develop the terms of their cooperation, taking into consideration their distinctive capacities and comparative advantages. The Fund is also seeking to pilot and scale-up new approaches to promote financial cooperation in areas such as business-to-business linkages and investments brokerage between developing countries.
2. The COSOP preparation process provides a unique opportunity to conduct an analysis of the economic and development context of the country and to better understand the thematic areas of focus for SSTC activities. Also, it is useful to understand the country's engagement in SSTC and its experience in exchanging knowledge, expertise and/or resources with other southern countries. Most countries are identifiable as both a provider and receiver of knowledge.
3. Embedding SSTC into the new COSOP provides opportunities to tap into the experiences or resources from other countries, and for Honduras to share its own experiences and resources with others. SSTC is not only an instrument through which knowledge is shared among countries but also a means for promoting investments and financial flows to help countries in their development.
4. In the context of the new Honduras COSOP for 2020-2025, SSTC is acknowledged as a key element to boost the results of rural development initiatives focus on smallholder farmers, in particular to vulnerable and historically excluded groups such as women, young people, indigenous peoples and Afro-Hondurans. This appendix presents potential areas for SSTC engagement in Honduras, based on the sectors of relevance to the country, as well as partnerships opportunities to be explored during the COSOP period.
5. An important step is the initial mapping of stakeholders and potential partners (i.e. international organizations, research institutions, academia, IFIs, etc.) to be involved in the identification and implementation of SSTC activities, and the identification of countries to either draw experience/financing from or share experiences/financing with. It is important to indicate potential areas for the development of SSTC activities, including some examples of the type of activities envisioned. It is crucial to ensure that the main thematic areas identified are aligned with key ongoing policies and programmes where the Government is focusing its investments.

SSTC in Honduras

6. SSTC has been identified by the Government of Honduras as an important learning tool in terms of capacity building involving the sharing of experience, technologies and solutions. A recent review⁴³ conducted by the Ibero-American General Secretariat (SEGIB) showed that Honduras was involved in 114 South-South Cooperation initiatives in 2016, been 43.3% under a bilateral modality, 36% were

⁴³ Report on South-South Cooperation in Ibero-America 2018 <https://www.informesursur.org/en/informe-de-cooperacion-sur-sur-en-iberoamerica-2/>.

regional and one in five were triangulations. The same study also indicated that Honduras acted as a recipient of SSTC in most of the cases.

7. While the cooperation received by Honduras was very strongly oriented towards strengthening its capacities in the Social (Health and other social policies) and Economic (Agriculture) sectors, the one it offered was geared towards support for public institutions and Extractive sectors. Mexico and Colombia stood out as Honduras's main SSTC partners in 2016. SSTC activities in 2016 aligned mainly with SDG 2 (Zero Hunger) and SDG 3 (Good Health and Well-being).
8. **Strengthening Forestry Policy through SSTC** - Between 2015 and 2018, Honduras received Mexico's support to strengthen technical and institutional capacities for controlling the pest caused by the pine bark beetle and applying phytosanitary measures. The pest affected more than 600 thousand hectares and resulted in a declaration of Forest Emergency and Risk Zone. Honduras has 5.3 million hectares of forestlands, which cover almost half of the country's total area. In 2016 Honduras and Mexico agree to strengthen their cooperation on forestry, tourism, gender equality and combating droughts.
9. In the same area, collaboration with Chile took place between 2015 and 2016, when Honduras requested Chile's support on sustainable forest production. More specifically, the aggregation of small and medium-sized forest producers in associations to enabled the implementation of a sustainable, high-performance forest plantation program to restore degraded forestlands and raise public and private awareness towards the sustainability of the forest business
10. In 2016, Paraguay provided technical assistance to Honduras to install and launch their own online systems to track compliance with international Human Rights recommendations and the Sustainable Development Goals (SDGs). It provided training for government staff aimed at strengthening the capacity of Honduran's institutions in terms of monitoring and implementation of these commitments.
11. Also in 2016, Honduras also received support from Costa Rica, through a Triangular Cooperation with Spain, to implement an initiative to protect the environment by empowering civil society through the establishment of National Water Laboratory. The cooperation focused, among other things, on adapting the Blue Flag Ecological Program to the Honduras context, reviewing the existing legislation, promoting specific criteria on water quality, education and environmental management on Honduran beaches and establishing a training program for local committees.

IFAD – Honduras SSTC Engagement

12. Honduras has the highest poverty rate in Central America and the second highest in Latin America, surpassed only by Haiti. In rural areas, approximately one in five Hondurans live in extreme poverty. In addition, Honduras is facing significant environmental challenges. It is one of the most vulnerable countries to climate change and one of the most affected by extreme weather events in the last 20 years (1998-2017). Soil degradation and deforestation are also matters of concerned due to the export-oriented agricultural model, the advancing agricultural frontier and complex social problems related to access to land.
13. The assessments conducted during the last COSOP Result Review and prior to the formulation of the new COSOP clearly indicates that the agriculture sector has a high development potential due to the country's more than two million hectares of lowlands with strong potential for agricultural projects with investments in irrigation systems. It should also be recalled that the agricultural sector is one of the country's main sources of employment and revenue. The new COSOP's strategy is based on

the identification of the rural agricultural sector's challenges; these are, mainly, low productivity and the productive systems' limited resilience to the effects of climate change. The principal impacts of these issues are poverty, unemployment and migration.

14. To date, IFAD and the Government of Honduras have jointly invested US\$163 million in rural people to strengthen inclusive and environmentally sustainable economic growth, embodied in 13 projects and several grants, reaching 176,500 families within the country's poorest areas. This collaboration has yielded several operations at field level that can and should be shared, replicated and scaled up. The same can be said for knowledge and technologies developed in other countries that Honduras might benefit from.
15. Among the lessons learned from IFAD's operations in the country is the need to ensure that project development and implementation process must be more participative and inclusive. Enhance coordination and complementarity with other financial and United Nations agencies, especially Rome-based agencies, with operations in the country is crucial. Similarly, regional grants must be used to support key project portfolio activities. SSTC can support the establishment of a working model to improve cooperation and complementarity with institutions.

I. Opportunities for rural development investment promotion and technical exchanges

16. SSTC will have to play an important role in this COSOP's two strategic objectives. One of the main problems in Honduras is related to innovation and access to innovation in all its dimensions, from productive innovation to project management and innovation in support systems, particularly for small-scale producers, especially given the significant impact that climate change is having and will continue to have in Honduras.
17. In SO1, the main goal is promote SSTC to strengthen research centres so that they can develop and adapt new production technologies and promote the correct management of natural resources (water, soil, forest). SSTC initiatives will encourage the involvement of academia in research exchanges and other knowledge management activities as a strategy to promote ownership and ensure future disseminate to a wider range of beneficiaries.
 - Specific areas for collaboration and key partners:
 - Climate-smart agriculture: CIAT and EMBRAPA
 - Sustainable livestock: FAO and CATIE
 - Access to Water: Brazil and other countries in the Dry Corridor and Gran Chaco
 - Nutrition and food security: WFP, FAO, Mexico and Brazil
18. SO2, the main goal is use SSTC to shift the focus from value chains to sustainable food production systems, not only from an environmental perspective but also with a comprehensive focus on social, nutritional and climate-change themes.
 - Specific areas for collaboration and key partners:
 - Post Harvesting and Processing: EMBRAPA/Brazil, FAO
 - Green Forest Businesses: FAO, Bolivia, Colombia and Mexico
 - Private Sector Engagement: ITC, Global Compact and Nicaragua
 - Inclusive Rural Economies: PROCASUR
 - Monitoring and Evaluation: Brazil and regional grants

19. The SSTC work and targeting will be strongly oriented towards vulnerable and historically excluded rural groups including women, young people, indigenous peoples and Afro-Hondurans, as they are strategic crosscutting pillars and essential to contribute to reducing poverty and migration. IFAD country and regional grants are expected to support the work on these areas.
20. There is a need to establish partnerships with institutions in other countries and continents (e.g. Africa and Asia) that have expertise in rural financial services, especially in terms of digitalising and adapting small-scale rural producers to these services. Moreover, there is a need to create exchanges and learning paths on producer organisation models, rural entrepreneurship, and how to incorporate nutrition into intervention models.

II. Partnerships and initiatives

21. South-south cooperation and the triangulation of cooperation are fundamental to fulfil the strategic objectives. This mechanism will be used to broaden the collaboration of some current partners on themes relating to sustainable agrifood systems, nutrition and climate change (CIAT appears as a potential partner), and with the Swiss Agency for Development and Cooperation for the diversification of crops, the use of adequate production and post-harvest technologies, and the identification of some value chains or products in the country with which these organisations can collaborate, such as potatoes, avocados, dragon fruit, cashews, among others.
22. In terms of entrepreneurship, capacity-building, information technology and rural financing, there is an opportunity to develop exchanges with other countries in the region that have obtained positive results in these areas. A partner for this has not yet been determined. In regard to market access and certifications, work with the ITC is proposed.

Conclusion

23. South-South and Triangular Cooperation responds to the rising interest of developing countries to share lessons learned through knowledge, technology and expertise sharing, as well as promoting trade and investments. In this context, Honduras can certainly benefit from both the technical cooperation and investment promotion aspects of SSTC.
 24. The new Honduras COSOP delivers a great chance for the country to progress further on greater impact for rural poverty reduction, where SSTC can be used for stronger results. Honduras has already develop interesting SSTC initiatives in the last years and should try to build on existing experiences to scale-up new intervention. In this regard, it will be crucial to mobilize supplementary funds targeting SSTC initiatives.
1. Taken into consideration the Agenda 2030 - and especially SDG 1 and 2 - and recognising the high demand for technical knowledge and investment alternatives expressed by governments, IFAD is ready to continue to act as knowledge broker and to support the sharing of good practices and investment opportunities throughout the implementation period of the new COSOSP.

Country at a glance

[Source: Country portfolio summary]

Region	Latin America & the Caribbean
Country	Honduras
Lending Terms	Blend

Rank within region	12
Rank all countries	55

Last RB-COSOP Approved AVP/PMD	
First Project Approved	19-Dec-79
Last Project Approved	08-Dec-18

Project Status Desc	Number of projects	Approved Amt IFAD
Board/President Approved	1	16,330,000
Signed	1	250,000
Available for Disbursement	1	14,293,029
Project Completed	1	10,000,348
Financial Closure	27	123,210,665

24 Country Summary Sheet

BU	Country	Project status	Project id	Project Name	Approval	Entry into Force	Board - Eif (months)	Extension (Years)	IFAD Amount	Disbursed %	
CONV BU	Honduras	Financial Closure	1000003404	DERECHOS TERRITORIALES Y CULTURALES Y SOBERANIA ALIMENTARIA	13-May-09	21-Oct-09	5	0	0	100%	
		Average					5.00	0.00	0		
Average							5.00	0.00	0		
LAC	Honduras	Available for Disbursement	1100001682	Project for Competitiveness and Sustainable Development in the South-Western Border Region	17-Aug-13	3-Mar-14	7		20,484,969	32%	
			2000000160	FSS 5 - SCCF05 FG 51005	30-Nov-15	3-Oct-13	-26		0	48%	
			2000000219	EB Lapse of Time 17 AUG 2013	17-Aug-13	3-Mar-14	7		14,293,029	35%	
		Average						-4.00		11,592,666	
		Board/President Approved	2000001489	Project for the Economic and Social Inclusion of Small Rural Producers in Northeast Honduras	8-Dec-18	31-Oct-19	11			16,330,000	0%
			2000002594		8-Nov-16	31-Jul-19	33			0	0%
			2000002595		8-Nov-16	31-Jul-19	33			16,330,000	0%
		Average						25.67		10,886,667	
		Entry into Force	2000001252			12-Sep-15	22-Dec-16	15		6,191,940	16%
		Average						15.00		6,191,940	
		Financial Closure	1000000266	HONDURAS, ELABORACION DEL PLAN DE ACCION NACIONAL (PAN) DE LUCHA CONTRA LA DESERTIFICACION Y SEQUIA	8-Mar-04	8-Mar-04	0	0	0	0	100%
			1000000474	FINANCE DRINKING WATER SUPPLY STUDY WESTERN REGION RURAL DEVELOPMENT PROJECT AREA (COMPONENT LOAN NO. 29 HO).	19-Dec-79	2-May-80	4	0	350,000	100%	
			1000000594	HONDURAS - PROYECTO DE CREACION Y FORTALECIMIENTO DE LAS CAJAS RURALES DE AHORRO Y CREDITO	18-Dec-97	29-Sep-98	9	0	70,000	100%	
			1000000618	EMERGENCY ASISTANCE REHABILITATION OF AGRICULTURAL PRODUCTION OF LENCA COMMUNITIES AFFECTED BY HURRICANE MITCH	23-Dec-98	31-Aug-99	8	0	75,000	100%	
			1000000635	PROYECTO DE APOYO PRODUCTIVO A FAMILIAS POBRES AFECTADAS POR EL HURACAN MITCH	23-Aug-99	30-Nov-99	3	0	75,000	100%	
			1000001308	PROGRAMA DE DESARROLLO RURAL DE LA REGION DE OCCIDENTE	7-Jun-01	7-Jun-01	0	0	12,000	92%	
			1000001752	PROGRAMA NACIONAL DE DESARROLLO LOCAL	26-Apr-01	7-Jan-02	8	0	0	91%	
			1000001803	DESARROLLO RURAL EN LA REGION CENTRO-ORIENTE	19-Mar-97	25-Sep-97	6	0	95,000	100%	
			1000001853	DESARROLLO RURAL EN EL SUR-OCCIDENTE DE HONDURAS	17-Dec-98	7-Apr-99	4	0	65,000	100%	
			1000001869	FONDO NACIONAL DE DESARROLLO RURAL SOSTENIBLE - FONADERS	8-Dec-99	18-Feb-00	2	0	200,000	100%	
			1000002069		29-Apr-87	19-Aug-88	16	0	4,179,000	67%	
			1000002164		19-Dec-79	2-May-80	4	0	8,219,000	99%	
			1000002216		15-Sep-93	28-Nov-94	14	0	7,681,983	100%	
			1000002338		29-Apr-97	18-Feb-98	10	0	12,284,000	98%	
			1000002394		3-Dec-98	30-Jun-99	7	0	19,300,178	99%	
			1000002419		8-Dec-99	3-Jul-00	7	0	16,500,292	98%	
			1000002465		26-Apr-01	5-Oct-01	5	0	20,000,000	92%	
			1000002654		14-Sep-82	3-Feb-84	17	0	2,769,000	23%	
			1000003007		13-Dec-07	17-Nov-08	11	0	6,990,110	0%	
			1000003195		11-Mar-08	17-Nov-08	8	0	2,249,895	81%	
			1100000029	Rural Development Project for the Western Region	19-Dec-79	2-May-80	4	2	8,569,000	99%	
			1100000099	Santa Barbara Rural Development Project	14-Sep-82	3-Feb-84	17	2	2,769,000	23%	
			1100000203	Intibucá-La Paz Rural Development Project	29-Apr-87	19-Aug-88	16	5	4,179,000	67%	
	1100000336	Agricultural Development Programme for the Western Region (PLANDERO)	15-Sep-93	28-Nov-94	14	2	7,681,983	100%			
	1100001032	Rural Development Project in the Central Eastern Region (PRODERCO)	29-Apr-97	18-Feb-98	10	0	12,284,000	98%			
	1100001087	Rural Development Project in the South-Western Region	3-Dec-98	30-Jun-99	7	0	19,300,178	99%			
	1100001128	National Fund for Sustainable Rural Development Project (FONADERS)	8-Dec-99	3-Jul-00	7	3	16,500,292	98%			
	1100001198	National Programme for Local Development	26-Apr-01	5-Oct-01	5	2	20,000,000	92%			
	1100001407	Project for Enhancing the Rural Economic Competitiveness of Yoro	13-Dec-07	17-Nov-08	11	1	9,240,005	81%			
	1100001595	Northern Horizons-Competitiveness and Sustainable Rural Development Project in the Northern Zone	29-Aug-11	21-Feb-12	6	-1	1,570,000	15%			
Average						8.00	0.53	6,773,631			
Project Completed	1000003806			16-Sep-10	1-Feb-11	5	0	10,000,348	95%		
	1000004074			29-Aug-11	21-Feb-12	6	0	1,570,000	15%		
	1100001535	Sustainable Rural Development Programme for the Southern Region	16-Sep-10	1-Feb-11	5	2	10,000,348	91%			
	2000000345	PROGRAMA DE DESARROLLO L1418P	1-Feb-12	13-Sep-12	7	0	0	89%			
Average						5.75	0.50	5,392,674			
Signed	2000001838	Institutional Strengthening to UAP-SAG Honduras.	14-Dec-17	30-Jan-18	2			250,000	60%		
Average						2.00		250,000			
Average						8.21	0.53	7,110,942			
PMI	Honduras	Financial Closure	1000002981	INTEGRANDO A LAS MUJERES LENCAS A LOS PROCESOS DE DESARROLLO EMPRESARIAL MEDIANTE EL FOMENTO DE CAJAS RURALES, AGRONEGOCIOS Y MICROEMPRESAS RURALES	3-Dec-07	3-Dec-07	0	0	15,000	100%	
		Average					0.00	0.00	15,000		
Average						0.00	0.00	15,000			

Financial management issues summary

[1,000 words] Prepared by the Financial Management Services Division.

FIDUCIARY SUMMARY OF COUNTRY PORTFOLIO



COUNTRY	HONDURAS	COSOP
<u>COUNTRY</u> – Fiduciary KPIs:		
Fiduciary Inherent Risk:	HIGH	<p>Honduras ranked 146th out of 180 countries surveyed in 2019 in the Corruption Perception Index from Transparency International with a low score of 26 (high risk). Government strongly influenced by business interests, traditional political elites and organised crime that complicates efforts to address corruption.</p> <p>RSP rating of 4 (medium risk). PEFA 2017-results not published. No use of country systems in IFAD projects.</p> <p>Honduras has achieved second highest growth rates of GDP in Latin America in 2017 and 2018 and sustained reduction of fiscal deficit and stabilization of public debt (World bank).</p> <p>Despite this positive performance, poverty rates in Honduras are second highest in the region. In 2013, almost 65 percent of households lived in poverty and 43 percent lived in extreme poverty, including two out of three in rural areas. Need to tackle crime and violence as well as the challenges that emerge from high migration and remittances flows as identified as key policy areas to make progress on eliminating poverty (World bank – Global partnership Framework)</p> <p>Since 2014 reduced macroeconomic imbalances and groundwork laid for modernized monetary policy Framework. Attention points remain transparency and governance budgets and anti-corruption initiatives. (IMF)</p> <p>Risk Debt distress ranked by IMF in 2019 as low – upgrade compared to Medium risk in 2018.</p> <p>Financial Management constraints identified during supervisory missions are: (i) New administrative team in place with limited knowledge IFAD policies and procedures (ii) Possible delays in Withdrawal Application – only one authorized signature (ii) Persistent inconsistencies in Financial Reports submitted to IFAD.</p> <p>In addition qualified audit opinions in 2018/2019 pointing to weaknesses in Financial Management</p> <p>Follow-up Actions by Secretaria de Agricultura y Ganaderia (SAG) (i)Invest in training for project personnel both at to SAG, project administration unit and PMU in particular financial systems (ii) Address management letter points audits 2017/2018</p>
Disbursement - Profile	Moderately unsatisfactory	
⁴⁴ Disbursement - Ratio Rolling Year	12.3%	
Pending Obligations and Contributions	USD 100K RPL11 pending	
Counterpart Funding - Profile	Moderately unsatisfactory	
PBAS - available allocation:	IFAD 11 USD 0M	

⁴⁴ Disbursement RATIO = DISBURSEMENT (12 months period)/ DISBURSABLE (available at beginning of the period).

		<p>EMPRENDESUR (iii) Address issues around accounting system and inconsistent financial reporting to IFAD</p> <p>Mitigation actions IFAD (i) Close follow up by IFAD (ii) Small grant USD 250 K approved for institutional strengthening of its Project Administration Unit (training of personnel, strengthening systems and procedures)</p> <p>Cofunding national government & beneficiaries below target in Project Design and not materializing during course of projects.</p>
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Existing Portfolio:

Project	Financing instrument	FLX Status ⁽¹⁾	Lending Terms	Currency	Amount (million)	Completion date
PRO-LENCA	200000125200	DSBL	BLENDED TERMS	XDR	4.51	30/03/2022
PRO-LENCA	L-I--899-	DSBL	BLENDED TERMS	XDR	9.54	30/03/2022
PRO-LENCA	G-G-FSS-5-	DSBL	ECD GRANTS	USD	3.00	29/06/2020
PROINORTE	200000259500	APPR	BLENDED TERMS	USD	16.33	
Strengthening UAP-SAG	200000183800	DSBL	IFAD FUNDED GRANTS	USD	0.25	29/09/2020

(1) APPR – SIGN – ENTF – DISB – EXPD – SPND

B. PORTFOLIO, FM RISK & PERFORMANCE

Project	Financing instrument	Curr.	Amount (million)	PSR quality of FM	PSR audit	PSR disb. rate	Disbursed to approved
PRO-LENCA	200000125200	XDR	4.51	Mod. unsatisfactory	Mod. unsatisfactory	Mod. unsatisfactory	26 %
PRO-LENCA	L-I--899-	XDR	9.54	Mod. unsatisfactory	Mod. unsatisfactory	Mod. unsatisfactory	45 %
PRO-LENCA	G-G-FSS-5-	USD	3.00	Mod. unsatisfactory	Mod. unsatisfactory	Mod. unsatisfactory	75 %
PROINORTE	200000259500	USD	16.33				0 %
Strengthening UAP-SAG	200000183800	USD	0.25	Mod. satisfactory			60 %

Emprende Sur – Financial Close pending (closing date for IFAD was 30 Sep 2019 and is 31 Dec 2019 for OFID)

Financial Management issues identified failure to comply with agreements accounting system, internal control weaknesses and changes in finance staff during closure. Qualified audit opinion 2018: Issues around reporting (classification by category and reconciliation) and recoding of tax exemptions. Lessons Learned: Decentralized set up caused delays in implementation, ensure funds are available to cover co financing commitments. Qualified opinion Final Audit Report due to previous year's adjustments and unreconciled balances designated account, which indicate weaknesses in financial management. Final justifications submitted in March 2020 with significant delays and small remaining outstanding balance of US\$55K remaining to be justified or reimbursed.

Contract finance staff now renewed after evaluation by IFAD upon request Ministry. Concerns around quantity and capacity of new staff, incorrect use of accounting system, delays in budget approvals and issues around resource mobilization cofunding government and beneficiaries. **Qualified Audit opinion:** Financial reports not reconciled to Financial System, Unexplained Differences in Designated Account reconciliation, in kind contribution(taxes) not included in Financial Report

PROINORTE

Approved by Executive Board in December 2018 – not yet signed due to issues around fiscal space – please note that if not approved within 18 months project will be cancelled (old policy applies)

Strengthening UAP-SAG

Grant for strengthening administrative unit. First disbursement delayed but effected in August 2019. 6 Months extension approved.

Prepared by: A. Herremans
Date: 30 March 2020