



Investing in rural people

Executive Board

President's report

Proposed loan

Republic of Honduras

Strengthening Innovation, Resilience and the Sustainability of Agrifood Systems in North Central Honduras (INNOVASAN)

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 70.

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Map of the project area



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 | 26-09-2023

Financing summary

Initiating institution:	International Fund for Agricultural Development
Borrower/recipient:	Republic of Honduras
Executing agency:	Secretariat of Agriculture of Honduras
Total project cost:	US\$60.317 million
Amount of IFAD loan 1:	US\$7.7 million
Terms of IFAD loan 1:	Blend: 25 years, including a grace period of 5 years, with a service charge of 1.39 per cent and interest rate of 1.41 per cent per annum in United States dollars (adjustments for single-currency loans)
Amount of IFAD loan 2:	US\$10 million
Terms of IFAD loan 2:	Ordinary: 25 years, including a grace period of 5 years, subject to interest at a rate equal to the IFAD Reference Interest Rate, including a variable spread
Amount of cofinancing 1:	OPEC Fund for International Development (OPEC Fund): US\$15.00 million
Terms of cofinancing 1:	Ordinary
Amount of cofinancing 2:	Global Agriculture and Food Security Program (GAFSP): US\$18.00 million
Terms of cofinancing 2:	Supplementary funds grants
Contribution of borrower/recipient:	US\$5.92 million
Contribution of beneficiaries:	US\$3.70 million
Amount of IFAD climate finance:	US\$11.14 million

I. Context

A. National context and rationale for IFAD involvement

National context

1. The Republic of Honduras has an agricultural and informal economy, ample production, natural resources and a young population. From 2010 to 2019, the GDP grew at an annual average of 3.6 per cent in real terms. The COVID-19 pandemic and hurricanes Eta and Iota heavily impacted the economy, and in 2020, real GDP contracted by 9 per cent over 2019. In 2021, the economy recovered by 12.5 per cent, reaching the pre-pandemic level. In 2022, despite global challenges and climate impacts, annual real GDP growth stood at 4 per cent.
2. According to the National Statistics Institute (INE), by 2021, monetary poverty rose from 53 to 73.6 per cent and extreme poverty, from 36.7 to 53.7 per cent. In 2022, annual real GDP growth stood at 4 per cent, while unemployment rose by 0.1 per cent and the cost of living, by 9.8 per cent. The agriculture sector has declined from a 21.6 per cent contribution to GDP in the late 1980s to 12.16 per cent in 2022. Food availability is highly dependent on imports of staple goods.
3. The impact of climate change, pandemics, rising prices of agricultural inputs, lack of technical assistance and irrigation and limited access to credit and markets are challenges that affect smallholder farmers' food systems and put their food security at risk. As a result, food and nutrition insecurity is intensifying, because food availability in the country is highly dependent on imports of staple goods. Of the 2 million rural women living in the country, only 14 per cent have land titles, and they lack access to information, productive technologies, financial resources and markets.
4. The key actors in the agriculture sector are: the Secretary of Agriculture and Livestock (SAG); the project management unit of SAG; the Technical Unit for Food Security and Nutrition (UTSAN); and the National Institute of Forest Conservation and Development (ICF).

Special aspects relating to IFAD's corporate mainstreaming priorities

5. In line with IFAD's mainstreaming commitments, the project has been validated as:
 - Including climate finance
 - Including adaptive capacity
 - Nutrition-sensitive
 - Youth-sensitive
6. **Nutrition.** Low income limits economic access and dietary diversification, with 51.3 per cent of the population unable to afford a healthy diet due to its high cost. In addition, physical access to food is difficult due to the lack of shopping centres and proximity to them. Approximately 18.7 per cent of children under 5 years of age are chronically malnourished and stunted. Around 19.6 per cent of rural households are moderately food insecure, 8.5 per cent are severely food insecure, and 30.3 per cent of children under 5 years of age in rural areas are chronically undernourished. At the beginning of 2023, 2.6 million people (28 per cent of the total population) were living in a state of acute food insecurity.
7. **Gender.** Women account for 53.3 per cent of the total population, and 43.3 per cent of them live in rural areas. Their labour force participation rate is 44.6 per cent of the national total and especially low in rural areas, at 35.7 per cent. Their unemployment level exceeds the national average. Lower labour participation has an impact on income, with female heads of household in rural areas earning an average of US\$89 per month, a figure lower than the country

average. An average of 15.6 per cent of women have experienced domestic violence, 2 per cent acknowledge being victims of sexual violence and nearly 6.2 per cent have experienced some type of physical violence.

8. **Youth.** Some 28.2 per cent of the Honduran population are between the ages of 15 and 30, of whom 46.1 per cent participate in the labour market. Only 24.3 per cent of young Hondurans are classified as “studying”, 29.6 per cent are classified as “neither studying nor working” and 44.8 per cent live in rural areas. Migration, especially international, is one of the main problems in rural Honduras, reaching almost 80.5 per cent.
9. **Climate change.** Honduras is part of the Central American Dry Corridor and ranks 44th out of 180 countries on the Global Climate Risk Index due to high exposure and vulnerability to extreme weather events such as hurricanes, droughts and floods.

Rationale for IFAD involvement

10. In 2021, the Government of Honduras requested IFAD to design the Strengthening Innovation, Resilience and Sustainability of Agrifood Systems in North Central Honduras (INNOVASAN) project, to be funded by the Global Agriculture and Food Security Program (GAFSP). The Government of Honduras then requested IFAD to cofinance INNOVASAN, reaching an agreement to design a single operation involving IFAD, the OPEC Fund for International Development (OPEC Fund) and GAFSP.
11. The target groups’ main problems were low income, high vulnerability and food insecurity, exacerbated by external shocks that increase the poverty and inequality of small-scale producers and vulnerable rural populations. Given these needs, IFAD’s involvement in this operation is based on its mission to reduce poverty and food insecurity and on the lessons learned and joint experience of IFAD and the Government of Honduras.
12. In response to the target groups’ most urgent needs, IFAD will promote an approach for strengthening producers’ organizations (POs) through the management and technology transfer, providing technical assistance for nutrition-sensitive value chains, improving business skills, promoting social inclusion in the local economy and strengthening smallholders’ capacity to manage natural resources and deal with climate change.

B. Lessons learned

13. The project builds on lessons learned from previous IFAD operations in the country, including innovative grant-funded initiatives on information and communications technologies for development (ICT4D). Lessons learned from implementing partners such as UTSAN and ICF are also included. They are summarized as follows:
14. **The political agenda influences territorial attention.** The limited objective of the project requires the alignment of local needs with funding agreements. Promotion with local actors at the municipal level is key to guaranteeing the sustainability of joint actions.
15. **Food and nutrition security (FNS).** Increasing access to nutritious foods and their consumption requires an adequate budget. The project will build on successful experiences with the *mancomunidades*¹ and the Honduran *Programa Nacional de Alimentación Escolar* (National School Feeding Program).
16. **Climate adaptation.** In the Project for Competitiveness and Sustainable Development in the South-Western Border Region (PRO-LENCA), the development

¹ A *mancomunidad* is a local entity defined for the purpose of local government, to which municipalities may voluntarily delegate some of their functions and powers.

and application of a digital tool helped develop climate diagnostics for POs and was key to better defining investment plans, thus contributing to the sustainability and greater resilience of units and productive infrastructure to climate events. It also prompted the introduction of climate change adaptation plans in POs.

17. **Rural youth.** To support youth inclusion in POs, increase their opportunities for self-employment and employment, develop a strategy that takes cultural and ideological factors and accessibility to technology and ICT4D into consideration, the project will build on: (i) the community bank model, which has proven successful in reaching the poorest farmers, offering savings and loan products; (ii) the Rural Poor Stimulus Facility agri-digitalization grant, implemented from 2021 to 2022, which enabled POs to access markets through e-commerce companies and created employment opportunities for young migrants; and (iii) the ICT4D grant, which increased financial inclusion and improved education, enabling users to make informed financial decisions.

II. Project description

A. Objectives, geographical area of intervention and target groups

18. The project's development objective is to improve the income, FNS and climate resilience of the families of small-scale rural producers living in poverty and vulnerable rural populations through the development of nutrition-sensitive, climate-resilient agrifood systems. Its goal is to contribute to poverty reduction and equal opportunities for these groups in the North Central region of Honduras.
19. **Geographical area of intervention.** Since this operation is based on the INNOVASAN project presented to GAFSP, the targeting criteria used at the time were retained, namely: departments with the most reported cases of COVID-19; most deaths from COVID-19; highest reported agrarian losses and agrarian damage due to the impact of Eta and Iota; high percentage of population experiencing food emergency; high percentage of population experiencing food crisis; and municipalities most affected by floods. These criteria were reviewed, updated and validated with the Government during design. The municipalities were selected through a very thorough geographic information system (GIS) analysis.
20. As a result, the intervention area that was identified includes 4 departments and 21 municipalities in the North Central region of the country.
21. A total of 34,688 families of small-scale rural producers living in poverty and families from vulnerable rural populations, or 138,752 family members, are expected to receive the promoted services.

B. Components, outcomes and activities

22. **Component 1: Investments in social, economic and natural human capital of smallholder families living in poverty.** The objective of this component is: to support small-scale producers, rural families in vulnerable conditions and young rural entrepreneurs in making the transition to sustainable agrifood systems. The expected results are for the target groups to improve their agrifood systems to make them nutrition-sensitive, sustainable and competitive; for small-scale producers and the rural population to increase their capacity for disaster risk reduction, increase their climate resilience, reduce water insecurity and improve their food and nutrition security; and for rural youth to increase its capacity for employment.
23. **Subcomponent 1.1: Investments in production, value added and marketing, with a focus on food security, nutrition and environmental and climate change risk management.** The project will help POs identify nutritious, gender- and youth-sensitive, climate-resilient value chain business plans, including specialized technical assistance with an organizational strengthening plan, based on

the beneficiaries' needs. The planned activities foresee investments in rural businesses (production, value added and/or marketing) to achieve the subcomponent's objective.

24. **Subcomponent 1.2: Investments in gray and green infrastructure and microwatershed management for drinking water supply and production.** The project will include investments in physical and natural infrastructure to reduce climate change impacts on target populations. A comprehensive approach will be implemented at the microwatershed level, including small- and medium-scale infrastructure works. The planned activities will involve investments in gray infrastructure and disaster risk reduction, microwatershed management and green infrastructure (reducing the vulnerability of agroforestry ecosystems and forests) and the rehabilitation of household sanitary and hygienic conditions and production for self-consumption.
25. **Subcomponent 1.3: Strengthening the capacities of rural populations, with emphasis on women and youth.** The project will aim to build the capacity of beneficiaries, especially those at risk of food insecurity and climate events, by diversifying their diet, providing adequate management of climate change risks and proper use of information and communication technologies. Planned activities include: (i) strengthening rural populations' capacity in biosecurity, sustainable food and rural risk and climate change management; (ii) increasing social inclusion; and (iii) the youth training and employability programme to support youth employability.
26. **Component 2: Strengthening the capacities and coordination of the Government and other stakeholders in the territory.** This component seeks to improve the institutional framework and coordinate public policy instruments and the development and implementation of systemic solutions to improve the delivery of services to POs during their transition to sustainable resilient agrifood systems. The expected results are: strengthened public and private institutional capacity for territorial management of food and nutrition security and climate change; small-scale rural producers' access to financial and non-financial services; and improved marketing services for small-scale POs.
27. **Subcomponent 2.1: Strengthening governance and institutional capacity in food and nutrition security and climate change.** The project will strengthen the governance and capacity of public, private or civil society institutions at the national and local level to implement public policy on food and nutrition security and climate change applied to the agrifood sector, and at the same time create the enabling conditions to implement the activities of component 1. Planned activities foresee: institutional capacity-building in food and nutrition security and climate change; and improved territorial management.
28. **Subcomponent 2.2: Strengthening financial, non-financial and ICT services for development.** The project will seek to improve access to credit and other financial and non-financial services through partnerships with financial institutions (FIs), especially non-bank FIs, offering financial services tailored to the beneficiaries and closer to project areas, and improving the adoption and use of ICTs. Planned activities foresee: the mapping of remittance companies operating in the area; remittance financial products and possible business/investment opportunities to channel remittance funds to productive activities; and the creation of rural banks as a mechanism for permanent self-managed financing. A partnership will be sought with the INNOVATECH 2 grant to finance enterprises that provide non-financial services. Additionally, the project will invest in the refurbishing of municipal markets, mobile fairs and central supply centers.
29. **Component 3: Management and administration.** This component will coordinate the project's management and administration to ensure its effective implementation within the framework of a results-based approach and knowledge

generation. It will include monitoring and evaluation, knowledge management and communication activities.

C. Theory of change

30. The rural population of Honduras is marked by low income, high vulnerability and food insecurity, leading to high levels of poverty and inequality exacerbated by the effects of climate change and the economic and COVID-19 crises of recent years.
31. INNOVASAN will address the root causes of the current situation through two complementary development activities: on one hand, by investing directly in poor small-scale producers and vulnerable rural populations to create the conditions for reducing food insecurity and malnutrition, increasing income and employment generation opportunities, increasing resilience to climate change and access to quality water; and on the other, by strengthening the capacity and coordination of government and local actors and providing financial and non-financial services to beneficiaries.
32. Component 1 is expected to improve the target groups' agrifood systems to make them nutrition-sensitive, sustainable and competitive; mitigate the negative impact of disasters and climate change; reduce water insecurity; improve food and nutrition security; and increase the youth employment rate.
33. Component 2, strictly linked with component 1, will focus on: (i) strengthening national and local institutional capacity and improving governance in food and nutrition security and climate change adaptation; and (ii) supporting public and private service providers (financial, non-financial and marketing) and promoting ICT solutions.
34. The expected outcomes are: improved incomes, assets and employment through the development of nutrition-sensitive, climate-resilient agrifood systems to reduce poverty and malnutrition, and to guarantee equal opportunities for smallholders and vulnerable rural populations in the North Central region of Honduras.

D. Alignment, ownership and partnerships

35. INNOVASAN will contribute to the achievement of Sustainable Development Goals (SDGs) 1 and 2, while also supporting SDGs 4, 6, 7, 8, 9, 10 and 13.
36. The project is aligned with the strategic objectives of the 2020–2025 COSOP, the overarching commitments of the Twelfth Replenishment of IFAD's Resources and the following national policies: the National Plan for the Refoundation of Honduras (2022–2026), the National Family Farming Strategy (2017–2030) and the National Food and Nutrition Security Policy and Strategy (2023). The project is also aligned with the United Nations Sustainable Development Cooperation Framework in Honduras (2022–2026).
37. The project will rely on an effective context of ownership in national and local institutions and private sector, for which framework agreements/letters of understanding will be prepared, specifying roles, responsibilities and contributions among partners.

E. Costs, benefits and financing

Project costs

38. The project has a total cost of US\$60.317 million for a period of eight years. In line with the multilateral development banks' methodologies, the total amount of IFAD climate finance is estimated at US\$11,142,000 and does not include staffing costs or associated operating expenses. Project components 1 and 2 are partially counted as climate finance.

Table 1

Project costs by component and financier

(Thousands of United States dollars)

Component	IFAD performance-based allocation system (PBAS)		IFAD Borrowed Resource Access Mechanism (BRAM)		GAFSP		OPEC Fund		Borrower/recipient			Beneficiaries			Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Cash	In-kind	%	Cash	In-kind	%	Amount	%
Component 1	5 000	12.2	6 600	16.0	11 400	27.7	10 600	25.8	3 849	-	9.4	1 477	2 216	9.0	41 142	68.2
Component 2	1 600	13.1	2 000	16.3	4 600	37.5	2 400	19.6	1 652	-	13.4	-	-	0.0	12 252	20.3
Component 3	1 100	15.9	1 400	20.2	2 000	29.3	2 000	29.3	316	108	6.2	-	-	0.0	6 924	11.5
Total	7 700	12.8	10 000	16.6	18 000	29.8	15 000	24.9	5 817	108	9.8	1 477	2 216	6.1	60 317	100

Table 2

Project costs by expenditure category and financier

(Thousands of United States dollars)

Expenditure category	IFAD PBAS		IFAD BRAM		GAFSP		OPEC Fund		Borrower/recipient			Beneficiaries			Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Cash	In-kind	%	Cash	In-kind	%	Amount	%
Investment costs																
1. Transfers	900	4.8	1 200	6.5	6 700	36.1	5 500	29.6	591	-	3.2	1 477	2 216	19.8	18 584	30.9
2. Training, technical assistance and service contracts	3 900	20.0	5 000	25.6	5 500	28.2	2 500	12.8	2 620	-	13.4	-	-	0.0	19 520	32.4
3. Equipment, materials and vehicles	400	13.0	400	13.0	1 000	32.6	800	26.0	472	-	15.2	-	-	0.0	3 072	5.1
4. Infrastructure works	1 800	12.7	2 400	17.0	3 600	25.5	4 200	29.7	2 133	-	15.0	-	-	0.0	14 133	23.5
Total investment costs	7 000	12.7	9 000	16.3	16 800	30.4	13 000	23.5	5 816	-	10.5	1 477	2 216	19.8	55 309	91.9
Recurrent costs																
5. Salaries and operating costs	700	14.3	1 000	20.4	1 200	24.5	2 000	40.8	-	108	2.2	-	-	0.0	4 900	8.1
Total recurrent costs	700	14.7	1 000	21.1	1 200	24.5	2 000	40.8	-	108	2.2	-	-	0.0	4 900	8.1
Total	7 700	12.8	10 000	16.6	18 000	29.8	15 000	24.8	5 816	108	9.8	1 477	2 216	6.1	60 317	100

Table 3

Project costs by component and project year (PY)

(Thousands of United States dollars)

<i>Component</i>	<i>PY1</i>		<i>PY2</i>		<i>PY3</i>		<i>PY4</i>		<i>PY5</i>		<i>PY6</i>		<i>PY7</i>		<i>PY8</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
Component 1	2 252	47.0	7 431	67.8	9 631	68.6	10 267	74.3	4 255	67.5	3 711	73.3	3 357	80.0	259	22.4	41 163
Component 2	1 190	24.8	2 766	25.2	3 654	26.0	2 393	17.3	1 328	21.0	737	14.6	142	3.0	71	6.2	12 282
Component 3	1 354	28.2	760	7.0	762	5.4	1 159	8.4	725	11.5	617	12.1	671	17.0	824	71.4	6 872
Total	4 796	8.0	10 957	18.2	14 047	23.3	13 819	22.9	6 308	10.5	5 065	8.4	4 170	6.9	1 154	1.9	60 317

Financing and cofinancing strategy and plan

39. IFAD will finance US\$17,700,000 (29.3 per cent of the total), US\$10 million of it under BRAM resources, and US\$7.7 million through a loan under PBAS. GAFSP will contribute US\$18 million (29.8 per cent of the total) and the OPEC Fund, US\$15 million (24.9 per cent of the total). The Government of Honduras will provide US\$5.92 million (9.8 per cent of the total), US\$5.8 million of it in cash by way of tax exemptions for certain project items. Beneficiaries are expected to contribute US\$3.7 million (6.1 per cent of the total), US\$1.5 million of it in cash.

Disbursement

40. Financial resources will be received in three designated accounts, one for each cofinancier, in United States dollars, and for their execution, transfers will be made to the project in local currency, primarily using the interbank transfer modality to ensure traceability. Disbursements will be made to designated project accounts specific to each financier under the advance-of-funds modality; no direct payment is anticipated.
41. The main aspects will be described in the Project Financial Management and Financial Control Arrangements Letter. For management and control of the borrower's counterpart funds, an Integrated Financial Administration System (SIAFI) operational passbook will be opened.
42. IFAD will manage the resources from GAFSP and the OPEC Fund. A preliminary agreement with the OPEC Fund stipulates that the operating costs will be distributed in proportion to each party's contribution; the same holds true for GAFSP funds.

Summary of benefits and economic analysis

43. The project will benefit 35,000 households.
44. The results of the analysis show that the project is economically feasible and a good investment for the Government of Honduras. The economic internal rate of return is 26.2 per cent, with a 15-year cash flow. The expected net present value of the incremental net benefit is 2.233 million Honduran lempira, and the benefit-cost ratio is 3.4. The project's results are robust, since none of the scenarios yields an internal rate of return below the discount rate (8 per cent).

Exit strategy and sustainability

45. INNOVASAN's exit and sustainability strategy is based on three complementary elements: (i) strengthening participatory territorial governance and local institutions to create a lasting enabling framework; (ii) supporting POs to enable them to become sounder and more mature organizations capable of providing services to their members and interacting with other public and private actors in the agrifood system; (iii) encouraging strategic partnerships with existing private sector entities for the delivery of inclusive financial and non-financial services.
46. The project will establish a connection between agribusiness and the financial sector, including its ICT-driven players, products and services that respond to the specific needs of POs and rural businesses.
47. This project is conceived as a tool for implementing the national food and nutrition security policy and as such, has great potential for scaling up to more beneficiaries in the project's intervention area and/or replication in other territories.

III. Risk management

A. Risks and mitigation measures

48. INNOVASAN has an overall moderate risk. However, two areas pose substantial risks that require mitigation measures:

49. **Institutional capacity for implementation and sustainability.** Historically, the Ministry of Agriculture (SAG) has been the implementing agency for IFAD projects in Honduras. Since 2014, SAG has had a Project Administration Unit (PAU), which needs to capitalize on lessons learned over the years in the execution of international cooperation projects to improve efficiency and impact. The project will strengthen the SAG in administrative, financial and follow-up management, in line with IFAD procedures, thus reducing implementation risks.
50. **Financial management.** The main risks are associated with flow of funds, disbursements, internal control and external audit, the latter two having been rated high-risk in previous projects. As yet, government cofinancing is not confirmed (as it is part of the financial agreement negotiations), and cofinancing arrangements with the OPEC Fund are not finalized. A mitigation plan to reduce risks associated with SAG's limited capacity to exercise internal control has been prepared and includes innovative country risk mitigation elements such as the involvement of the government department responsible for auditing projects and programmes financed with funds from international organizations, and the hiring of an administrative and financial processes technician to bolster the internal control system and ensure that funds reach the beneficiaries.

Table 4

Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Moderate	Moderate
Sector strategies and policies	Moderate	Moderate
Environment and climate context	Substantial	Substantial
Project scope	Low	Low
Institutional capacity for implementation and sustainability	Substantial	Substantial
Financial management	Substantial	Substantial
Project procurement	Moderate	Moderate
Environment, social and climate impact	Moderate	Moderate
Stakeholders	Moderate	Moderate
Overall	Moderate	Moderate

B. Environment and social category

51. The environment and social risk category is moderate, considering that any possible environmental effects that may arise during project implementation are temporary and reversible. External factors are expected to be mitigated through the Environmental, Social and Climate Management Plan (PGSAC), the Free, Prior and Informed Consent (FPIC) plan and the grievance redress mechanism.

C. Climate risk classification

52. The project's climate risk category is "substantial," since there is the potential for floods, droughts and tropical depressions (storms and hurricanes) to have widespread adverse effects on project activities. Nevertheless, the project envisages investments to increase the climate resilience of beneficiaries and strengthen disaster risk reduction at the national and local level.

D. Debt sustainability

53. The country's risk of external debt distress is low, while the risk of overall public debt distress is moderate. Honduras maintains a strong debt-carrying capacity, and while none of the external debt burden indicators breach their respective thresholds, the present value of public debt-to-GDP ratio breaches its threshold under the most severe stress test scenario.

54. Going forward, the authorities should remain committed to prudent policies, including by continuing to strike a healthy balance between addressing Honduras' social and investment needs and preserving fiscal and debt sustainability. Sustained efforts to develop the domestic debt market, improve debt management practices, enhance monetary and foreign exchange policy frameworks and strengthen the energy sector are important safeguards for debt sustainability. The debt sustainability outlook remains vulnerable to policy slippages and the risk of exogenous shocks, such as adverse weather events and a deterioration in the global outlook.

IV. Implementation

A. Organizational framework

Project management and coordination

55. INNOVASAN will be implemented by SAG, which delegates the administrative-financial responsibility and follow-up to the PAU/SAG. The latter will be responsible for strategic, operational, technical and financial execution. Execution will adhere to the public administrative requirements of the Government of Honduras and IFAD. Implementation will be accompanied by co-executing partner entities and others contracted to provide specialized services – i.e. for the execution of technical activities defined in the components. The INNOVASAN project management unit (PMU) will enter into the necessary agreements with local, national, public and private entities. The PMU will have a headquarters located in the municipality of Yoro, Department of Yoro.

Financial management, procurement and governance

56. **Financial management.** SAG has a fiduciary responsibility through the PAU/SAG regarding the administration of externally financed projects. Project implementation will be delegated to the PMU, which will be in charge of direct execution in coordination with the PAU/SAG. Coordination between the PAU/SAG and the PMU will be carefully defined during the start-up mission to ensure streamlined processing and effective management. The reporting of resources will be transferred to organizations.
57. **Procurement.** Project purchases, both those required for project operations and those required for activities other than those of POs, will be made in accordance with IFAD's procurement rules and regulations, using its procedures, standard documents and systems. The procurements required by the POs supported by the project will be made by the organizations themselves, which will receive training in this regard.
58. A specific operational manual for POs, part of the project implementation manual, will clearly establish procedures and thresholds for each type of procurement, in keeping with IFAD's procurement regulations.
59. **Governance and anticorruption.** Programme staff, beneficiaries and all bidders, suppliers, contractors and consultants under IFAD-financed contracts are expected to observe the highest standard of ethics and integrity. IFAD will not finance expenditures for goods, works or consulting services that have not been procured in accordance with the IFAD Project Procurement Guidelines and financing agreement. This will be reinforced by the Superior Court of Accounts.
- #### **Target group engagement and feedback and grievance redress**
60. In accordance with IFAD's social and environmental policies, a grievance redress mechanism will be set up to reach mutually agreed solutions for people participating in the implementation of the programme, i.e. POs and their members. A mechanism to address the social risks identified in the Social, Environmental and Climate Assessment Procedures (SECAP) will be set up and include IFAD's Policy to

Prevent and Respond to Sexual Harassment, Sexual Exploitation and Abuse, addressed to recipients of IFAD funds and third parties contracted with such funds.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

61. The project will have a monitoring and evaluation (M&E) system and plan to measure project progress and support informed decision-making. The plan will include the strategic, management and operational guidance to: (i) ensure relevant, timely and reliable information on project performance and the target population; (ii) provide accountability for transparency to all stakeholders; and (iii) disseminate results for learning and scaling up.
62. During the first year, the project will prepare a knowledge management and communication (KMC) plan as part of the M&E plan, based on a study of project staff and executing agencies, with a cross-cutting element to strengthen a KMC organizational culture.

Innovation and scaling up

63. Innovation will be promoted through ICT4D activities under component 2. INNOVASAN will build on the Innovatech grant experience, which focused on transformation of agro-industry through innovation, financial services and access to technology.
64. The scaling up will be both geographical and functional, with key partners such as central and local government, the private sector and POs.

C. Implementation plans

Implementation readiness and start-up plans

65. The project implementation manual includes terms of reference for key service providers. The Government of Honduras will be encouraged to initiate the procurement processes in advance of project effectiveness.

Supervision, midterm review and completion plans

66. The project will be supervised by IFAD, in agreement with the Government of Honduras, and in accordance with IFAD's existing criteria and procedures. Supervision will verify implementation progress towards project objectives, with one supervision and one implementation support mission per year, a midterm review between the third and fourth year of implementation and a preparatory mission for the completion of the project.

V. Legal instruments and authority

67. A financing agreement between the Government of the Republic of Honduras and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement will be delivered to Executive Board representatives at least five business days prior to expiry of the 21 days following delivery to those representatives of the President's report and the project design document.
68. The Government of the Republic of Honduras is empowered under its laws to receive financing from IFAD.
69. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

70. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of Honduras in an amount of ten million United States dollars (US\$10,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a loan on blend terms to the Republic of Honduras in an amount of seven million seven hundred thousand United States dollars (US\$7,700,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

(to be presented to the Executive Board representatives)

Logical framework

Jerarquía de los resultados	Indicadores				Fuente de verificación			Supuestos
	Nombre	Línea de base	Medio término	Meta final	Fuente	Frecuencia	Responsabilidad	
Alcance	1 Número de personas que reciben los servicios promovidos o apoyados por el proyecto				Registro sistema S&E	Anualmente	UEP	
	Hombres - Hombres	0	22973	30946				
	Mujeres - Mujeres	0	21163	27910				
	Jóvenes - Jóvenes	0	10023	13627				
	Población indígena - Población indígena	0	2476	3497				
	Número total de personas que reciben servicios - Número de personas	0	44136	58856				
	1.b Estimación correspondiente del número total de miembros del hogar				Registro sistema S&E	Anualmente	UEP	
	Miembros de los hogares - Número de personas	0	97662	138752				
	1.a Número correspondiente de hogares beneficiarios a los que se ha prestado apoyo				Registro sistema S&E	Anualmente	UEP	
	Hogares encabezados por mujeres - Hogares	0	11564	16450				
	Hogares no encabezados por mujeres - Hogares	0	12440	18238				
	Hogares - Hogares	0	24770	34688				

Meta Contribuir a la reducción de la pobreza, la generación de activos y la igualdad de oportunidades de los pequeños productores rurales, de los jóvenes y de las mujeres en condición de pobreza en la región norte central de Honduras	(IE) Familias de pequeños productores rurales en condición de pobreza que reportaron una reducción en la pobreza (monetaria)(ODS1) (PN,EJ)* 80%			Encuesta evaluación y encuesta de hogares (INE)	Inicio, Final	Evaluador externo	Continuo crecimiento económico del país. Ausencia de shocks económicos, sociales, sanitarios y climáticos no esperados.
	Households - Número	0	4424	8596			
	(IE) Familias de pequeños productores rurales en condición de pobreza y población rural en condición de vulnerabilidad que incrementan los activos en un 20% (ODS1) (PN,EJ, FVSP, FIG) *80%			Encuesta de evaluación de impactos-FIDA	Inicio, medio término y final	Evaluador Externo	
	Households - Número	0	9304	14700			

<p>Objetivo de desarrollo Mejorar los ingresos, la seguridad alimentaria y nutricional y la resiliencia al cambio climático de las familias de los pequeños productores rurales en condición de pobreza y población rural vulnerable, con el desarrollo de sistemas agroalimentarios sensibles a la nutrición y resilientes al cambio climático</p>	<p>(IE) Familias de pequeños productores rurales en condición de pobreza y otra población rural vulnerable que reducen la inseguridad alimentaria (PN, EJ, FVSP)*80%</p>			Household Food Insecurity Experience Scale (FIES) - FAO	Inicio, medio término y final	Evaluador externo	El país mantiene un crecimiento económico positivo y continuo. Ausencia de shocks económicos, sociales, sanitarios y climáticos que impacten de forma drástica al país. Las políticas sociales y agropecuarias del país continúan priorizando al pequeño productor y a la población rural más vulnerable. El nivel de seguridad y violencia en el país se mantiene en continua mejora.
	Households - Número	0	5224	9396			
	<p>1.2.9 Hogares cuyos conocimientos, actitudes y prácticas en materia de nutrición han mejorado (KAP)</p>				Encuesta COI	Inicio, medio término y final	Evaluador externo
	Hogares (número) - Hogares	0	5224	9396			
Hogares (%) - Porcentaje (%)	0	80	80				

Miembros de los hogares - Número de personas	0	20896	37584				
(IE) Familias de pequeños productores rurales que incrementaron sus ingresos en un 25% (PN, EJ,FCR)* 80%				Encuesta	Inicio, medio término y final	Evaluador externo	
Hogares - Hogares	0	4592	8764				
Número de personas que han mejorado la resiliencia al cambio climático en un 25% (PN,EJ,MC, PSH,VSP)*80%				Metodología RMDT -FIDA	Inicio, medio término y final	Evaluador externo	
Personas - Número	0	8853	13706				
2.2.1 Personas con nuevos trabajos / oportunidades de empleo				Encuesta COI	Inicio, medio término y final	Evaluador externo	
Hombres - Hombres	0	594	972				
Mujeres - Mujeres	0	474	751				
Población indígena - Población indígena	0	50	78				
Jóvenes - Jóvenes		465	917				
Número total de personas con nuevos trabajos/oportunidades de empleo - Número de personas	0	1068	1723				
SF.2.1 Hogares satisfechos con los servicios apoyados por el proyecto				Encuesta COI	Inicio, medio término y final	Evaluador externo	
Miembros de los hogares - Número de personas	0	79266	111000				
Hogares (%) - Porcentaje (%)	0	80	80				
Hogares (número) - Hogares	0	19817	27750				
SF.2.2 Hogares que declaran que pueden influir en la toma de decisiones de las autoridades locales y de los proveedores de servicios apoyados por el proyecto				Encuesta COI	Inicio, medio término y final	Evaluador externo	

	Miembros de los hogares - Número de personas	0	22032	38947				
	Hogares (%) - Porcentaje (%)	0	80	80				
	Hogares (número) - Hogares	0	5508	9737				
Efecto directo 1.1 Las familias de los pequeños productores rurales en condición de pobreza y sus organizaciones mejoran sus sistemas agroalimentarios para que sean sensibles a nutrición, sostenibles y competitivos	1.2.2 Hogares que declaran haber adoptado prácticas, tecnologías o insumos nuevos o mejorados				Encuesta COI	Inicio, medio término y final	Evaluador externo	Empresas comerciales realizan acuerdos comerciales con las organizaciones
	Miembros de los hogares - Número de personas	0	17696	34384				
	Hogares - Porcentaje (%)	0	80	80				
	Hogares - Hogares	0	4424	8596				
	I.E - Pequeños productores rurales en condición de pobreza que incrementan su productividad de un 25%.				Encuesta	Inicio, medio término y final	Evaluador externo	
	Total - Número	0	4424	8596				
	Hombres - Número	0	2629	5372				
	Mujeres - Número	0	1795	3704				
	Jóvenes (PN) - Número	0	1744	3235				
	Jóvenes (EJ) - Número	0	252	252				
Población indígena - Número	0	209	454					
2.2.5 Organizaciones de productores rurales que señalan un aumento de las ventas				Encuesta COI	Inicio, medio término y final	Evaluador externo		

	Porcentaje de organizaciones de productores rurales - Porcentaje (%)	0	0	0				
	Número de organizaciones de productores rurales - Organización	0	196	308				
Producto 1.1.1 Pequeños productores rurales y sus organizaciones fortalecidas (inversiones y capacitación)	(IE) Organizaciones de pequeños productores en condición de pobreza implementan PN/PF (100%), según tipo de organización				Registro Sistema S&E	Anualmente	UEP	Existen políticas que favorecen el cambio de sistemas convencionales a sistemas agroalimentarios sostenibles
	Total OPP - Número	0	140	280				
	Avanzada - Número	0	28	56				
	Consolidada - Número	0	42	84				
	Básica - Número	0	42	84				
	Incipiente - Número	0	28	56				
	Total EJ - Número	0	105	105				
	(IE) Pequeños productores rurales en condición de pobreza que transitan a sistemas agroalimentarios sensibles a nutrición y sostenibles (PN x80%)				Evaluación	Inicio, medio término, final	UGP	
	Total - Número	0	5215	10430				
	Hombres - Número	0	3129	6258				
	Mujeres - Número	0	2086	4172				
	Jóvenes - Número	0	1565	3129				
Población indígena - Número	0	261	522					

Efecto directo 1.2. Familias de pequeños productores y la población rural vulnerable mejoran sus capacidades para la reducción de riesgos de desastres, CC e inseguridad hídrica	(IE) Familias de PP en condición de pobreza y población rural vulnerable que reportan cuentan con capacidades mejoradas para la GRD, CC e inseguridad hídrica (PN,EJ, FIG,VSP,PMCX)*80%			Encuesta	Inicio, medio término y final	Evaluador Externo	Instituciones vinculadas con la GRD, ACC y seguridad hídrica a nivel nacional y local participan y acompañan las acciones
	Total familias de PP productores - Número	0	4424	8596			
	Total Familias población rural vulnerable - Número	0	5164	6445			
	Total de hogares - Número	0	9588	15041			
Producto 1.2.1 Inversiones en infraestructura gris y reducción de riesgos de desastres	(IE) Infraestructura relacionada con el agua potable y el saneamiento construida/rehabilitada			Reportes de S&E	Anual	UGP	
	Pozos de agua familiar por municipio - Número	0	45	63			
	Pozos hidromecánicos/ sistema agua potable por mancomunidad - Número	0	6	6			
	Sistema agua potable por mancomunidad - Número	0	3	3			
	Sistema de tratamiento / desinfección agua - Número	0	40	42			

	Obras protección de caminos y estabilización de laderas - Número	0	3	3				
	Sistema de aguas seguras/riego/caudal - Número	0	5	5				
	Familias de productores con equipos de riego - Número	0	210	210				
	Reestructuración de ecosistemas para la reducción de riesgos de desastres				Evaluación	Inicio, medio término y final	UGP	
	Hectáreas restauradas para la reducción de riesgos de desastres - Superficie (ha)	0	100	200				
Producto 1.2.2 Inversiones en gestión de microcuencas e infraestructura verde	(IE) Planes de manejo de microcuencas implementados				Registro de S&E	Anual	UGP	
	Planes de manejo - Número	0	5	6				
	(IE) Provisión de servicios hidrológicos				Registro Sistema S&E	Anual	UGP	
	Número de hectáreas conservadas - Superficie (ha)	0	50	100				
Efecto directo 1.3 Familias de pequeños productores	(IE) Familias de población rural vulnerables que reportan han mejorado condiciones higiénico sanitarias de sus hogares para la SAN				Encuesta	Inicio, medio término y final	Evaluador Externo	

y población rural vulnerables con condiciones mejoradas de SAN, rehabilitación de condiciones higiénico-sanitarias de los hogares y producción de autoconsumo	Total de hogares - Número	0	750	1000				
Producto 1.3.1 Inversiones en rehabilitación de condiciones higiénico sanitarias de hogares para mejorar la seguridad alimentaria y nutricional	(IE) Hogares que rehabilitaron condiciones higiénico-sanitarias para mejorar SAN				Registro Sistema S&E	Anualmente	UEP	
	Hogares con mejoras - Número	0	750	1000				
	Hogares con sistemas de cosecha de agua - Número	0	375	500				
	Hogares con unidades de producción agrícola y pecuaria - Número	0	375	500				
	(IE) Familias de población rural capacitados en género, juventud, inclusión social				Registros sistema de S&E	Anual	UGP	
	Familias de PP rurales con PN /EJ - Número	0	5530	10745				
	Familias de población rural vulnerable - Número	0	1000	1000				
Producto 1.3.2 Capacitación en bioseguridad y alimentación saludable	(IE) Familias de pequeños productores rurales en condición de pobreza y la población rural capacitados en bioseguridad y alimentación sostenible				Registros sistema de S&E	Anual	UGP	
	Familias de PP en condición de pobreza (PN) - Número	0	5530	10745				
	Familias de escuelas beneficiadas - Número	0	1000	1000				

	Familias de población rural vulnerable (VSP) - Número	0	750	1000				
Producto 1.3.3 Capacitación en gestión de riesgos del clima	3.1.2 Personas a quienes se prestan servicios de información sobre el clima				Registros sistema de S&E	Anual	UGP	
	Hombres - Hombres	0	3129	6258				
	Mujeres - Mujeres	0	2086	4172				
	Jóvenes - Jóvenes	0	1565	3129				
	Población indígena - Población indígena	0	261	522				
	Personas provistas de servicios de información climática - Número de personas	0	5215	10430				
	3.1.1 Grupos que reciben apoyo para gestionar de manera sostenible los recursos naturales y los riesgos relacionados con el clima							
	Tamaño de los grupos - Número de personas	0	5040	9703				
	Grupos que reciben apoyo - Grupos	0	511	623				
	Hombres - Hombres	0	3317	6416				
Mujeres - Mujeres	0	1723	3287					
Jóvenes - Jóvenes	0	1880	3444					
Población indígena - Población indígena	0	261	522					
Efecto directo 1.4 Los jóvenes rurales mejoran sus capacidades para el empleo	(IE) Jóvenes rurales con capacidades mejoradas para el emprendedurismo y el empleo				Encuesta	Inicio, medio término y final	Evaluador Externo	Personas jóvenes con disposición a invertir y formarse y no a migrar
	Total - Número	0	492	732				
	Mujeres - Número	0	246	366				
	Hombres - Número	0	246	366				

Producto 1.4.1 Programas de capacitación para el empleo de jóvenes	(IE) Jóvenes participando en programas de capacitación para el empleo			Registro sistema S&E	Anual	UGP	
	Males - Número	0	0	300			
	Females - Número	0	0	300			
	Total - Número	0	0	600			
Producto 1 - Personas apoyados para mejorar su estado nutricional (se vincula a OD)	1.1.8 Hogares que recibieron apoyo específico para mejorar su estado nutricional			Registro Sistema S&E	Anualmente	UEP	Familias asisten a capacitaciones y/o talleres sobre nutrición
	Número de personas que participan - Número de personas	0	12656	18375			
	Hombres - Hombres	0	6857	10307			
	Mujeres - Mujeres	0	5799	8068			
	Hogares - Hogares	0	11880	19375			
	Miembros de los hogares beneficiados - Número de personas	0	47520	73500			
	Población indígena - Población indígena	0	594	919			
	Jóvenes - Jóvenes	0	6857	5123			
Efecto directo 2.1 Instituciones públicas y privadas fortalecen sus capacidades para la gestión territorial de SAN y CC	(IE) Instituciones públicas y privadas fortalecidas para la prestación de servicios en SAN y riesgos del cambio climático			Encuesta	Inicio, medio término y final	Evaluador Externo	
	Instituciones gubernamentales impactadas (SAN/UTSAN/UAP; SERNA; ICF; SED; SESAL; IHMA) - Número	0	6	6			
	Gobiernos municipales - Número	0	21	21			

	Mancomunidades - Número	0	3	3				
	Escuelas - Número	0	42	42				
	Mesas Regionales Municipales - Número	0	2	2				
	Centros de Salud - Número	0	63	63				
Producto 2.1.1 Inversiones y capacitación institucional para apoyo a la SAN	(IE) Escuelas con infraestructura construida/rehabilitada para atención de dieta de estudiantes				Registro Sistema S&E	Anual	UGP	SED y gobiernos municipales participan en la mejora de la infraestructura
	Total - Número	0	22	42				
	(IE) Personal de instituciones (locales, nacionales, proyecto) capacitado en SAN				Registro Sistema S&E	Anual	UGP	
	Beneficiarios programa de capacitación en vigilancia nutricional sector salud - Número	0	315	315				
	Beneficiarios programa de capacitación en nutrición/lactancia materna - Número	0	315	315				
	Beneficiarios programa planificación municipal en SAN - Número	0	126	126				

	Beneficiarios programa educación alimentaria para docentes - Número	0	1000	1000				
Producto 2.1.2 Inversiones y capacitación institucional para apoyo a la gestión de riesgos del cambio climático y de desastres	(IE) Inversiones y capacitaciones institucionales para CC y RRD realizadas				Registro Sistema S&E	Anual	UGP	
	Equipamiento de estaciones metereológicas municipales - Número	0	21	21				
	Personas locales formados en agrometeorología - Número	0	50	100				
	Técnicos formados en medidas de ACC (50% mujeres) - Número	0	100	100				
	Técnicos formación en EGI (50% mujeres) - Número	0	100	100				
	Sistemas de apoyo al CC y recursos naturales diseñados/funcionando (ACC; alerta) - Número	0	2	2				
Producto 2.1.3 Inversiones institucionales de apoyo a la producción (TIC4D)	(IE) Sistemas de información de apoyo a producción diseñados y/o operando (AT y trazabilidad)				Registro Sistema S&E	Anual	UGP	
	Total - Número	0	2	2				
Efecto directo 2.2 Familias de PP y	(IE) Familias de PP y poblacion rural que acceden a servicios financieros				Registro Sistema S&E	Anual	UGP	

población rural acceden a servicios financieros y no financieros	Total - Número	0	10112	11676				
Producto 2.2.1 Personas de las zonas rurales capacitadas en servicios financieros	1.1.7 Personas de las zonas rurales capacitadas en alfabetización financiera o en el uso de productos y servicios financieros, o en ambos				Registro Sistema S&E	Anual	UGP	
	Hombres - Hombres	0	20372	23501				
	Mujeres - Mujeres	0	18659	20745				
	Jóvenes - Jóvenes	0	9250	10814				
	Población indígena - Población indígena	0	1952	2212				
	Personas de las zonas rurales capacitadas en alfabetización financiera o en el uso de productos y servicios financieros, o en ambos - Número de personas	0	39031	44246				
Efecto directo 2.3 Organizaciones de PP fortalecidas en servicios de comercialización	(IE) Pequeños productores rurales en condición de pobreza que diversifican canales de comercialización				Registro Sistema S&E	Anual	UGP	
	Total - Número	0	5159	10318				
	Pequeños productores cuentas con Plan de negocio - Número	0	2608	5215				
	Pequeños productores sin Plan de Negocio - Número	0	2552	5103				
Producto 2.3.1 Inversiones en comercialización	(IE) Inversiones en sistemas de comercialización				Registro Sistema S&E	Anual	UGP	
	Sistema regional y centro de acopio de granos básicos rehabilitado - Número	0	3	3				

	Mercados construidos - Número	0	5	5				
	Soluciones de canales de comercializacion operando - Número	0	5	5				

Integrated project risk matrix

Risk categories and subcategories	Inherent	Residual
Country context	Moderate	Moderate
Political commitment	Moderate	Moderate
Risk(s): There is currently a high political commitment to the Project, and there is a risk of delay in the approval and implementation of the Project due to changes in authorities (presidential elections in November 2025).		
Mitigations: IFAD maintains a constant dialogue with government authorities (central and local) and other stakeholders (producers' organizations, civil society, NGOs, academia, cooperants), to socialize and position the project, based on national policies and international agendas, which emphasize the role of agri-food systems in boosting the local economy and addressing the effects of adverse weather conditions.		
Governance	Moderate	Moderate
Risk(s): The management of public institutions may be affected by political conflicts (change of government, strikes, protests), which limits governance and articulation between government institutions at different levels, affecting project implementation (mobilization, response times).		
Mitigations: The active role of the Steering Committee to ensure transparent and effective project management. The PMU maintains a broad base of participation with institutions and spaces for dialogue at the local and national levels, with the aim of promoting and supporting exchanges among the various stakeholders. Optimal functioning of the project's physical and financial monitoring system for transparency and accountability. Establishment of a project complaints and grievance mechanism.		
Macroeconomic	Moderate	Moderate
Risk(s): An economic slowdown in 2023 may affect Honduras' debt status. Economy vulnerable to external and internal shocks (high fiscal deficit, tax policy under review, informal employment/unemployment, external indebtedness, etc.) that could affect the national counterpart contribution and poverty reduction.		
Mitigations: Follow-up on macroeconomic policies for joint decision making with the Government on the impact on project implementation.		
Fragility and security	Substantial	Substantial
Risk(s): The country is currently in a social crisis due to problems with organized crime and corruption. The state of emergency in several districts of the capital and other districts in more than 70 municipalities does not yet affect the project area, which should be monitored in the future for the possibility of limiting project activities. Natural disasters (e.g. IOTA, ETA), forest fires and other natural phenomena affect the project area on a cyclical basis, which could have a negative impact on the activities of the producers and their sustainability.		

Risk categories and subcategories	Inherent	Residual
Mitigations: Coordination at the territorial level, with local structures (institutional and civil society) for social, environmental-climatic and security emergencies, for the planning and implementation of preventive and risk mitigation measures. Coordination at the national level (COPECO/CENAOS, the Climate Change Unit/SAG, ICF and others) of recommendations and action measures in the event of possible changes that could jeopardize the safety of the project team and users, affecting project activities. Communication with cooperation agencies with actions in the territory, to exchange information for risk management.		
Sector strategies and policies	Moderate	Moderate
Policy alignment	Moderate	Moderate
Risk(s): In general, the agricultural and rural sector policy framework favors the target group. The main problem is the limited implementation of policies (e.g., water use, environmental inspection and licensing), which may affect the implementation of risk management and natural resource management measures from the project. In the case of land tenure policies, there is a regulatory framework that needs to be updated, in addition to the delays in the legalization and land purchase processes.		
Mitigations: The project will make investments with organizations and families with land (legal or in the process of legalization), and with some system of leasing or long-term land transfer (e.g. commodatum).		
Policy development & implementation	Moderate	Moderate
Risk(s): Political bias from the central and local level; as well as limited resources for policy formulation and implementation may affect the target group and cause loss of project relevance.		
Mitigations: The proper functioning of the Project Steering Committee ensures political commitment and follow-up on project relevance. IFAD maintains constant monitoring of the project's policy framework as part of supervision missions and evaluations. The project maintains greater coordination between central level institutions (SEDESOL) and local governments through the sectoral roundtables in the territory and AMHON.		
Environment and climate context	Substantial	Substantial
Project vulnerability to environmental conditions	Moderate	Moderate
Risk(s): It is possible that project activities could lead to the acquisition and release of agrochemicals (fertilizers, pesticides and herbicides) to be applied in the agricultural production units, which could generate contamination in soil and surface and groundwater, which could increase the vulnerability of the project's agrifood systems and the ecosystem services on which the families of small producers and the associations of which they are a part depend. The project could lead to a moderate demand for water consumption for agricultural and/or livestock activities, which could generate a pressure factor on surface and groundwater.		
Mitigations: The project design includes: the production of bio-inputs based on agroecological techniques; the implementation of		

Risk categories and subcategories	Inherent	Residual
<p>good agrochemical management practices; and the purchase of agrochemicals that are prohibited by current national legislation and international treaties signed by Honduras will not be financed. To reduce the risk of overexploitation of surface water, hydrological studies will be conducted at the microbasin level and will be complemented with the use of technologies for efficient water use (infiltration, water recharge, irrigation, and rainwater harvesting systems).</p> <p>These mitigation measures will be incorporated into the Environmental, Climate and Social Management Plan (ESCMP), which will be the main instrument for monitoring their implementation and evaluating whether they are contributing to risk reduction.</p>		
Project vulnerability to climate change impacts	Substantial	Substantial
<p>Risk(s): The impacts caused by tropical storms and depressions, hurricanes and droughts generate damage and losses in food production among small agricultural and non-agricultural producers, with the subsequent loss and reduction in income generation. The factors that affect the vulnerability of small producers and their production units to such climatic events are low adaptive and disaster risk reduction (DRR) capacities.</p>		
<p>Mitigations: Reduce vulnerability through: (i) construction or rehabilitation of productive agricultural/livestock infrastructure (primary production units and storage and processing centers); (ii) protect, rehabilitate or conserve natural resources at the landscape level through practices or technologies applying the Nature-based Solutions (NBS) approach; and (iii) strengthen the knowledge and skills of small producers on climate change and DRR.</p> <p>The ESCMP incorporates these mitigation measures and is the main instrument for monitoring their implementation and assessing whether they are contributing to maintaining or reducing risks.</p>		
Project scope	Low	Low
Project relevance	Low	Low
<p>Risk(s): Project objectives and interventions are fully aligned with IFAD and country development priorities, and respond to the needs and priorities of the target group, so the risks associated with low relevance are low.</p>		
<p>Mitigations: The project has been aligned with relevant long-term policies, which are in force and followed by the SAG (e.g. Long-term National Food and Nutrition Security Policy (PSAN), National Food and Nutrition Security Strategy (ENSAN): Pyensan 2030, Country Vision 2010-2038 and National Plan 2010-2022 of Honduras), as well as with the National Strategic Opportunities Program of the Republic of Honduras (COSOP 2020-25).</p>		
Technical soundness	Low	Low
<p>Risk(s): IFAD's focal areas represent priority areas for work in agrifood systems. The selected municipalities provide conditions for implementation, the target group is clearly defined and the activities can be implemented; as well as guaranteeing the sustainability of the planned actions. The design was carried out in a participatory manner, with the support of government specialists in FNS, CC, agrifood systems and marketing, reflecting</p>		

Risk categories and subcategories	Inherent	Residual
national conditions and taking into account the needs, opportunities and comparative advantages of the implementing partners.		
Mitigations: Strict application of geographic and social targeting strategies by the project. Follow up on the geographic and social targeting and intervention strategies by IFAD and UAP.		
Institutional capacity for implementation and sustainability	Substantial	Substantial
Implementation arrangements	Substantial	Substantial
Risk(s): The SAG has been an executing agency for IFAD projects in the country and since 2014 it has had a Project Management Unit (UAP), which needs to capitalize on the lessons learned over the years in the implementation of international cooperation projects to improve efficiency and the achievement of objectives.		
Mitigations: The strengthening of SAG in administrative, financial and follow-up management, in accordance with the characteristics of IFAD-financed projects, will reduce risks regarding implementation mechanisms. Likewise, joint IFAD-SAG/UAP participation in monitoring and supervision will favor the implementation of the planned execution mechanisms.		
M&E arrangements	Moderate	Moderate
Risk(s): Monitoring and evaluation has been one of the limitations that have impacted previous projects. There have been no functional systems in the PMU to provide timely and reliable information for decision making. In addition, a culture of SE has not been fostered, there is no digitalization of instruments for information gathering, analysis, presentation and dissemination of results.		
Mitigations: Ensure that the project develops adequate M&E tools from the outset (M&E plan, indicator system, AOP, etc.). Promote South-South and triangular cooperation to take advantage of the experiences of other IFAD projects (Colombia) in the development of M&E information systems. Encourage the use of digitized M&E tools for information gathering, as well as the use of open source software for analysis and dissemination of results. Define (MOP) clear roles of the PMU M&E team in M&E and SAG/UAP, promoting complementary and effective roles. Train PMU staff in M&E.		
Procurement	Moderate	Moderate
Legal and regulatory framework	Moderate	Moderate
Risk(s): Project procurement may be impacted by provisions that are not clearly defined in the law and its regulations regarding precise deadlines for submitting and opening bids, challenge and grievance procedures, anti-corruption, and environmental and social risk management. The institutions executing projects financed with bilateral and multilateral resources have mitigated these risks by applying the funder's regulations, an aspect contemplated in national legislation, which establishes that the provisions agreed upon with international financing agencies prevail over national ones.		
Mitigations: The legal framework lacks a procurement manual that organizes and regulates procurement procedures and establishes clear and specific provisions for the entire		

Risk categories and subcategories	Inherent	Residual
procurement process, including challenges and complaints. Procurement management will be strengthened by: 1. Establishing the use of IFAD regulations and its standardized documents for Project procurement; 2. Training and accompanying Project procurement staff in the application of IFAD's procurement rules, systems, documents and tools; and 3. 3. For procurement by beneficiary organizations, the Project will provide training and support to the organizations and will develop an Operational Manual for the Organizations, which will include procurement management, taking into account IFAD regulations.		
Accountability and transparency	Moderate	Moderate
Risk(s): Accountability, transparency and oversight provisions are partially sufficient to safeguard the integrity of procurement and contracting and compliance with project contracts, which may result in procurement and contracting of goods and services without regard to time, cost and quality requirements.		
Mitigations: (i) Establish the use of IFAD's regulations and standardized documents for project procurement, as well as the use of IFAD's corporate systems for planning processes and contract administration, which include FIRCO verification in their automated procedures. (ii) The project will promote respect for probity provisions including proper planning and execution of procurement activities, preferential use of public competitive processes and full publication of the results of claims. (iii) The IFAD Policy on Preventing Fraud and Corruption in IFAD's Activities and Operations, and the IFAD Policy on Preventing and Responding to Sexual Harassment and Sexual Exploitation and Abuse will be shared with the team at the Project Inception Workshop. (iv) Ensure that the organizational and project MOP and procurement documents include IFAD's anti-harassment, abuse and fraud policies and grievance handling provisions.		
Capability in public procurement	Low	Low
Risk(s): In general, the implementing agency has sound procedures, systems and personnel for contract administration and management. Some capacity building may be required for the preparation, evaluation and supervision of construction or market improvement work processes.		
Mitigations: Contracting of specific consultancies to support activities related to the evaluation and supervision of works.		
Public procurement processes	Low	Low
Risk(s): The procurement methods and procedures practiced by the implementing agency are perceived to be sound. The combination of international and national procurement regulations may cause delays in the execution of procurement processes.		
Mitigations: Strict application of IFAD's procurement regulations by the implementing agency, clearly developing in the MOP the specific procedures to be followed.		
Financial management	Substantial	Substantial
Organization and staffing	Moderate	Moderate

Risk categories and subcategories	Inherent	Residual
<p>Risk(s): The Secretariat of Agriculture and Livestock (SAG) of Honduras has fiduciary responsibility through a Project Administration Unit (UAP/SAG) dedicated to the administration of externally financed projects. Project implementation will be delegated to a Project Management Unit (PMU), which will be responsible for direct execution in the project areas, in coordination with the UAP/SAG.</p> <p>The PMU/SAG has experienced financial and administrative staff, who have participated in the implementation of other IFAD projects in Honduras. It currently has an Administrative Financial Coordinator, an Accountant and an Accounting Assistant based at the UAP/SAG offices in Honduras. All of them are currently under contract and provide services to IFAD projects and those of other financing agencies.</p> <p>The project considers the creation of a dedicated PMU located in the field, which will be staffed by a Financial Officer and a Financial Quality Technician. The Financial Officer will be in charge of the execution of all financial and administrative processes and will report directly to the Administrative Financial Coordinator of the PMU/SAG. The Financial Quality Technician will be an independent specialist to perform periodic analysis of the project's internal control in order to strengthen the project's internal control system and take corrective actions in case of significant deviations. The TOR and selection process must be approved by IFAD. A professional with training and experience in the field of auditing will be required and will report directly to the UAP Director, SAG and the financier.</p> <p>Finally, coordination between the UAP/SAG and UEP must be carefully defined during the start up mission to avoid duplication of work and ensure streamlined processing. Internal control processes should be reviewed and simplified to ensure effective management and reporting of resources transferred to the organizations.</p>		
<p>Mitigations: Draft TORs for financial personnel in accordance with Decree No. 19 of 1993. Also, encourage adherence to mandatory continuing professional development (CPD) requirements. (30/Sep/2023)</p> <p>Provide training on IFAD Policy on Fraud and Corruption Prevention during the INNOVA-SAN start-up workshop. (TBD)</p>		
Budgeting	Substantial	Substantial
<p>Risk(s): Based on portfolio experience, the annual budget is considered realistic and is prepared on time. The Project budget is processed within the government budget process that is submitted for approval by the Ministry of Finance and the Congress of the Republic.</p> <p>However, the requirement for national counterpart contributions has proven to be an obstacle in the portfolio, particularly to finance start-up costs during implementation and to ensure the availability of funds to cover co-financing commitments during execution. In addition, there is currently no firm commitment from the government on the amount of the national counterpart.</p>		
<p>Mitigations: Program included in the borrower's general budget for the first year of operation (Include explicit mention of the total amount of national counterpart after MEFP letter of agreement).</p>		

Risk categories and subcategories	Inherent	Residual
Funds flow/disbursement arrangements	Substantial	Substantial
<p>Risk(s): The cash flow arrangement is considered complex, given the financial structure of the project. IFAD will manage resources from both the GAFSP cofinancier and OPEC. The main aspects will be described in the Financial Management Financial Control Arrangements Letter (FMFCL). Disbursements will be made to designated Project accounts specific to each financier under the advance of funds modality and no direct payment modality is foreseen.</p> <p>The Project shall establish arrangements for reporting execution by each financing source. The resources received in the Designated Account will be transferred to an operating passbook of the Integrated Financial Administration System - SIAFI in local currency at the time of each payment (See flow of funds diagram).</p> <p>Regarding the disbursement profile of the project, the preliminary agreement with OFID foresees that the operating costs will be distributed proportionally to each party's contribution. The same criterion has been used for the operating costs to be covered by GAFSP.</p>		
Mitigations: Include guidance for recording in-kind and cash contributions in the MOP.		
Internal controls	High	High
<p>Risk(s): SAG has an Internal Audit unit in charge of improving the entity's operations, evaluating and optimizing the effectiveness of management and internal control processes and guaranteeing the objectivity of its conclusions and recommendations. This unit depends on guidelines given by the Superior Court of Accounts, in accordance with the Organic Law of the TSC and the Regulations of the Organic Law of the Superior Court of Accounts.</p> <p>According to the regulatory framework, the SAG's Internal Audit Unit is responsible for the ex-post auditing of funds, assets and resources administered by the branches of government, decentralized and deconcentrated institutions, including projects financed by IFAD. The regulation establishes that the entire project execution period must be audited, even though these audits are not carried out on a systematic annual basis.</p> <p>However, it was noted that the unit does not have the necessary institutional capacity. Although it is hoped that this situation can be reversed, there is a lack of institutional capacity. On the other hand, there is a considerable delay in the disclosure of these reports, which are published on the TSC's web page only after the latter has reviewed and approved them.</p> <p>It is considered necessary to strengthen the internal control of the project given its size and characteristics.</p>		
Mitigations: A clause will be included in the FA stating that the internal audit unit must conduct annual reviews, in its capacity as a passive subject according to the Organic Law of the TSC. Include TOR in the MOP detailing the functions of the "Financial Quality Officer". This will be an independent specialist to perform periodic analysis of the project's internal control to help strengthen the project's internal control system and take corrective actions in the event that significant deviations are identified. The TOR and selection process must be approved by IFAD. A professional with training, capacity and experience in the		

Risk categories and subcategories	Inherent	Residual
field of auditing will be required to ensure independent work, reporting directly to the UAP Director, SAG and the financier.		
Accounting and financial reporting	Moderate	Moderate
<p>Risk(s): UAP/SAG will carry out the Project's financial processes and records through SIAFI, which is the integrated financial administration system. SIAFI is composed of the budget, human resources, treasury, accounting, asset management and UEPEX subsystems. The UEPEX is a module of SIAFI, exclusively used for the administration of externally financed agreements. Its main objective is to facilitate the administration and recording of income and expenditures carried out by the Project Executing Units, identified as Administrative Management Units of the UAP type. The UEPEX enables the generation of financial reports for the preparation of disbursement requests according to IFAD standards, as well as the preparation of annual financial statements.</p> <p>The project's accounting assistant located in the PMU must have a password to access the SIAFI system in order to ensure the uploading of information from headquarters.</p>		
<p>Mitigations: The project's MOP must detail the adoption of IPSAS Cash Basis international accounting standards. The project's financial statements shall include special mention of international standards.</p> <p>The project's MOP should detail the policies and procedures for the retention and custody of all project accounting and supporting documents. Also include policies for access to physical and digital archives.</p>		
External audit	High	Substantial
<p>Risk(s): The financial statements are audited by external auditors. In the past there have been significant delays in the submission of the audit report. Accounting standards do not meet IFAD requirements. An action plan is in place with UEP to ensure full compliance with international standards for the FY 2022 audit report (not yet submitted to IFAD as of the date of the mission). A migration from private to public audit is expected. Audits will be carried out by the Superior Tribunal of Accounts through the Department of Audits of Projects and Programs Financed with Funds from International Organizations (DAPOI).</p>		
<p>Mitigations: A clause will be included in the AF stating that external audits will be carried out by the TSC through the Department of Audits of Projects and Programs Financed with Funds from International Organizations (DAPOI).</p>		
Environment, social and climate impact	Moderate	Moderate
Biodiversity conservation	Moderate	Moderate
<p>Risk(s): The project works in areas that are of moderate environmental sensitivity due to the presence of protected areas, where poor agricultural and non-agricultural practices exert constant pressure on biodiversity, with emphasis on forest species contained in the forests and the hydrological ecosystem services on which ecosystems, rural families and primary production systems depend.</p>		
<p>Mitigations: To maintain the risk at a moderate level or reduce it to low, the mitigation measures are: (1) exclusion of the core</p>		

Risk categories and subcategories	Inherent	Residual
<p>areas of protected areas for any type of investment; (ii) are eligible areas for investment in the buffer zones of protected areas, as long as they have a management plan and the project activities comply with the objectives, scope or focus of the strategic lines and/or activities of said plan; and (iii) in buffer zones implement landscape restoration activities, through practices or technologies applying the BNS approach.</p> <p>The ESCMP incorporates these mitigation measures and is the main instrument for monitoring their implementation and evaluating whether they are contributing to maintaining or reducing risks.</p>		
Resource efficiency and pollution prevention	Moderate	Moderate
<p>Risk(s): The main sources of air pollutants are forest fires (carbon dioxide emissions), livestock activities (methane), and agricultural activities (carbon dioxide, methane, and nitrous oxide). For surface and subway water resources, the contaminating sources come from agricultural activities (use of agrochemicals and waste); solid and liquid waste from production and household activities; household wastewater (urban and rural); and open-air fecal disposal. This generates respiratory and gastrointestinal health problems for the population and reduces access to and availability of water for consumption by the population and for agricultural and livestock production.</p>		
<p>Mitigations: Through landscape restoration practices (firebreaks), the area that could be affected by forest fires will be reduced; through agroecological production practices, agricultural emissions will be reduced; water source protection, water purification and latrine construction will reduce water pollution; and wastewater treatment and waste management in business plans.</p> <p>As a preventive measure, a prohibition will be established as part of the procurement process, stating that the purchase of agrochemicals that are prohibited by current national legislation, as well as international treaties signed by Honduras in this area, will not be financed.</p> <p>The ESCMP incorporates these mitigation measures and is the main instrument for monitoring their implementation and evaluating whether they are contributing to maintaining or reducing risks.</p>		
Cultural heritage	Low	Low
<p>Risk(s): There are no cultural or physical attributes of historical or religious importance in the project area. With respect to natural heritage, there are protected natural areas that contain values of conservation interest, where the main threats are poor agricultural and livestock practices that exert pressure on these sites. The project's productive investment activities will be carried out on land that is currently used for agriculture and livestock or on land that has a natural vocation for the development of these activities, thus reducing the risk of damage or damage to cultural heritage, should this occur.</p>		
<p>Mitigations: IFAD Supervision Missions will verify that the project is not negatively affecting natural, cultural, physical, historical or religious resources or attributes that may be found at any given time in the specific areas where investments will be made. In the event that the existence of the aforementioned resources or</p>		

Risk categories and subcategories	Inherent	Residual
attributes is identified, the procedures established in Standard 3 Cultural Heritage defined in the SECAP guidelines version 2021 will be followed and integrated into the project's ESMCP.		
Indigenous peoples	Moderate	Moderate
Risk(s): In the project area there is a low population concentration of indigenous peoples (3.6per cent), mostly Tolupeán, who are concentrated in 10 municipalities. In some groups there are unresolved land conflicts, and there is no autonomous territorial system. There is a risk that the community dynamics do not facilitate the inclusion of Indigenous Peoples in its implementation.		
Mitigations: From the beginning of the project, a Free, Prior and Informed Consultation must be carried out with IP leaders, according to the SECAP mandate and international agreements ratified by the State, to define lines aimed at their inclusion. A goal will be incorporated according to the presence in the intervention area of 5per cent, and their registration in the M&E system will be included (to support visibility and to provide new data). FPIC will also ensure that the lines of productive inclusion do not cause negative impacts at the social level, or the loss of cultural and historical resources, and facilitate the recovery of ancestral practices and knowledge where they appear at the initiative of the IPs. IFAD will provide support for awareness raising and training on IP issues.		
Community health and safety	Moderate	Moderate
Risk(s): The productive transformation activities of agrifood systems could involve the exposure of families to the use of agrochemicals, affecting public health. Food preparation training workshops for PNAE parents, families and POs may expose participants to waterborne diseases and/or foodborne diseases during their delivery. In addition, trainings in knowledge, skills, practices in food and nutrition may contain information that is not compatible with the reality of the food environment, physical access to food or food culture of the population. In the construction or rehabilitation of physical infrastructure for the commercialization of component 2, there may be a risk of occupational accidents for workers at the construction site. Gender-based violence to which rural women are exposed at home and/or in their work environments may condition or exclude their participation in the project.		
Mitigations: (i) Financing will not be granted for the purchase of chemical substances that are highly toxic or hazardous to human health, biodiversity and the environment (water and soil), as well as those that are prohibited according to national legislation and international treaties or agreements signed by the country. The application of good agricultural practices in the handling of permitted and unrestricted agrochemical-based substances will be sought for the acquisition, transportation, storage, application, handling of containers, recovery, final disposal of leftover waste and containers; as well as cleaning of the equipment/adaptments used.		

Risk categories and subcategories	Inherent	Residual
<p>(ii) Training will include safe water sources, hand washing of participants, and hygiene and safety measures for safe food handling. In addition, the workshops will be designed so that the information is relevant to the local reality and accessibility of the populations.</p> <p>(iii) The project will implement safety measures in the construction area such as personal protective equipment, safety zone signage to protect the community, and regular inspections to ensure that the construction site complies with health and safety standards. Protocols will be established for proper waste and wastewater management to prevent the accumulation of stagnant water and the spread of disease.</p> <p>(iv) The project will integrate gender mainstreaming into all project activities, from planning to implementation and monitoring. In addition, the impact on women's participation and safety in the project will be monitored. Necessary measures will be taken to ensure that planned activities encourage women's participation (e.g. flexible schedules).</p> <p>The ESCMP is the main instrument for monitoring implementation and assessing whether mitigation measures are contributing to lowering the level of risk.</p>		
Labour and working conditions	Moderate	Moderate
<p>Risk(s): There are cultural factors that limit the exclusion of women in organizations and productive spaces in general. In family agriculture, minors often have roles in the production process which, without adequate institutional support, could lead to activities and responsibilities that are not appropriate for their age.</p> <p>Poverty and low schooling lead young people to engage in productive activities outside the home, under conditions of payment that are below the legal minimum wage.</p>		
<p>Mitigations: The design and implementation of a Gender and Inclusion strategy, including awareness-raising activities, reduction of the workload, and productive inclusion mechanisms to facilitate the achievement of goals for women and youth. This may include actions such as: the "Closing Gaps" tool for productive inclusion, gender awareness workshops, strengthening their organizational, administrative and operational capacities linked to agri-food initiatives, earmarking specific investments for women for the development of productive or agri-food initiatives, etc.</p> <p>All actions carried out within the framework of the project, and by all its actors (PMU, Ministry, Organizations, Beneficiaries, Service Providers) must remain within the margin of ratified national and international agreements, which limit the activities of minors in labor: (i) Article 124 (National Constitution of the Republic): "Every child shall be protected against all forms of neglect, cruelty and exploitation"; (ii) Articles 32 to 36 (Convention on the Rights of the Child): right of girls and boys to be protected against all forms of exploitation, mistreatment, abuse, sale and/or trafficking, addictions, and any other harmful situation; AND (iii) especially the provisions found in the "Protocol for the Referral of Children in Child Labor" of December 2, 2019.</p> <p>Consideration should be given to the context and space within the framework of "family farming" that allows the participation of</p>		

Risk categories and subcategories	Inherent	Residual
<p>minors in the family, but with the necessary regulations and care that do not impose degrading or dangerous work or limit their participation in education.</p> <p>In order to contribute to the reduction of the risks of direct or indirect participation of minors in project activities, awareness-raising workshops on child labor can be included, as well as implementing restrictions on the conditions for granting resources to project beneficiaries.</p> <p>Any sensitization or regulation action defined within the framework of the project for women's inclusion or child labor issues must include the strengthening of its stakeholders (PMU, Ministry, Organizations, Beneficiaries, Service Providers, etc.).</p>		
Physical and economic resettlement	Low	Low
<p>Risk(s): The project's activities are aimed at reducing migration and facilitating economic inclusion, so its actions are not expected to impact or contribute to physical or economic resettlement.</p> <p>Mitigations: The project defines its actions based on the possession of land, or with access to formal temporary session in the long term. In addition to specific activities aimed at the economic and social inclusion of traditionally excluded groups (women, youth, young returnees), to reduce migration and resettlement.</p> <p>The project does not foresee any investment that determines the purchase of land, or the construction of infrastructure that contributes to the resettlement of people from the communities. Investment in infrastructure that facilitates living conditions in the following sectors is encouraged: water, productive and commercial infrastructure, and social housing.</p> <p>The project does not allow investment in land in dispute or conflict, so as not to facilitate the exclusion of any of the parties in conflict.</p>		
Greenhouse gas emissions	Moderate	Moderate
<p>Risk(s): The risk that the project will generate a considerable increase in greenhouse gas (GHG) emissions and thus contribute to anthropogenic climate change is moderate, considering that in general terms, the main sources of emissions come from the forestry sector (deforestation and forest fires); agriculture (use of agrochemicals and release of methane from livestock activities) and energy (use of firewood from forests and inefficient equipment/machinery used in the transformation processes).</p> <p>Mitigations: To avoid and/or reduce GHG emissions, the following mitigation measures will be implemented:</p> <ol style="list-style-type: none"> 1. Implement measures, practices or technologies with a focus on nature-based solutions in degraded areas; reforestation activities and/or actions to prevent or combat forest fires. 2. Introduce improved practices for cattle rotation, use of biodigesters and promote nutritional improvement in feed (pasture and feed supplements) to reduce emissions from enteric pasture processes. <p>The ESCMP incorporates these mitigation measures and is the main instrument for monitoring their implementation and evaluating whether they are contributing to maintaining or reducing risks.</p>		

Risk categories and subcategories	Inherent	Residual
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Substantial
Risk(s): Honduras is a country with high vulnerability to the effects of climate change, mainly to drought events, tropical depressions, tropical storms and hurricanes. This is increased by the state of degradation of natural resources (natural infrastructure) to provide ecosystem services to rural families, small producers and producer associations, which are preserved by the climate, reducing the provision of such services. There is a moderate adaptive capacity of the population due to low knowledge and technical skills to cope with, prevent and adapt to the effects and impacts of climate.		
Mitigations: Implement the nature-based solutions approach to achieve the conservation, restoration and protection of degraded ecosystems. Strengthen knowledge and skills regarding climate change, use of agrometeorological information for agricultural production. Includes climate monitoring actions. Investments to implement measures, practices or technologies to increase the resilience of agrifood systems and for risk management (preventing and preparing systems for expected climatic events in the short and medium term). The ESCMP incorporates these mitigation measures and is the main instrument for monitoring their implementation and assessing whether they are contributing to maintaining or reducing risks.		
Stakeholders	Moderate	Moderate
Stakeholder engagement/coordination	Moderate	Moderate
Risk(s): By convening with local political actors, it may facilitate the exclusion of organizations not linked to the party, opposing leaders, or sectors of little interest to the municipalities. In addition, there is a land conflict with some Indigenous groups, and dissociation of their leaders with local authorities.		
Mitigations: The Operational Manual must include a mechanism for convening based on community media, and not exclusively on local authorities' channels, direct visits to organizations, use of communication media (radio, cell phones). This includes specific targeting mechanisms, to which actions should always be directed, and which will be disaggregated in the MOP for implementation. Spaces or platforms for social participation (families, producers, associations, cooperatives, etc.) and public, educational, research and/or civil society institutions present in the sector can be established to facilitate the coordination of activities in the territory, and to function as a participatory mechanism for monitoring and evaluation of actions. With Indigenous Peoples, the implementation of the FPIC from the beginning of the project is necessary to establish the guidelines for their inclusion, and to define the follow-up mechanism for these actions.		
Stakeholder grievances	Moderate	Moderate
Risk(s): The Secretariat of Agriculture and Livestock has a mechanism for complaints from the parties via telephone and web generated for the PROLENCA project. This is linked to its internal		

Risk categories and subcategories	Inherent	Residual
<p>mechanism for handling complaints and denunciations of labor, sexual or gender-based harassment or violence, both to staff and service providers. However, it is not public knowledge nor is it adapted to the conditions of all local organizations and actors.</p>		
<p>Mitigations: The secretariat mechanism should be reviewed according to IFAD guidelines, to ensure that they are aligned instruments. A dissemination mechanism adapted to the communities should be implemented, including not only its dissemination, but also its adaptation to all possible stakeholders (people with little access to digitalization, people with reading and writing problems, indigenous languages, etc.), as well as the strengthening of community leaders to facilitate field actions with local stakeholders.</p> <p>A protocol for complaints and intervention should be established for issues of labor harassment, sexual or gender-based violence, including all parties involved in the project, or existing legal mechanisms should be adapted.</p>		