



REQUEST FOR CEO ENDORSEMENT

PROJECT TYPE: Full-sized Project

TYPE OF TRUST FUND:SCCF

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PART I: PROJECT INFORMATION

Project Title: Competitiveness and Sustainable Rural Development Project in the South Western border corridor (PROLENCA – GEF)			
Country(ies):	Honduras	GEF Project ID: ¹	4657
GEF Agency(ies):	IFAD	GEF Agency Project ID:	NA
Other Executing Partner(s):	Ministry of Agriculture and Livestock (SAG) of Honduras	Submission Date:	24 September 2015
GEF Focal Area (s):	Climate Change	Project Duration (Months)	48
Name of Parent Program (if applicable):	NA	Agency Fee (\$):	300,000
	<ul style="list-style-type: none"> ➤ For SFM/REDD+ <input type="checkbox"/> ➤ For SGP <input type="checkbox"/> 		

A. FOCAL AREA STRATEGY FRAMEWORK²

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Grant Amount (\$)	Cofinancing (\$)
CCA-1	1.2 Reduced vulnerability to climate change in development sector	1.2.1: Vulnerable physical, natural and social assets strengthened in response to climate change impacts, including variability	SCCF	378,000	8,500,000
CCA-1	1.3 Diversified and strengthened livelihoods and sources of income for vulnerable people in targeted area	1.3.1 Targeted individual and community livelihood strategies strengthened in relation to climate change impacts, including variability	SCCF	882,000	8,400,000
CCA-2	2.1: Increased knowledge and understanding of climate variability and change induced threats at country level and in targeted vulnerable area	2.1.1: Risk and vulnerability assessments conducted and updated	SCCF	81,500	115,000
CCA-2	2.1: Increased knowledge and understanding of climate variability and change induced threats at country level and in targeted vulnerable area	2.1.2: Systems in place to disseminate timely risk information	SCCF	120,000	180,000

¹ Project ID nombre will be assigned by GEFSEC.

² Refer to the [Focal Area/LDCF/SCCF Results Framework](#) when completing Table A.

CCA-2 (select)	2.3: Strengthened awareness and ownership of adaptation and climate risk reduction processes	2.3.1: Targeted population groups participating in adaptation and risk reduction awareness activities	SCCF	180,000	295,000
CCA-3	3.1: Successful demonstration, deployment, and transfer of relevant adaptation technology in targeted areas	3.1.1: Relevant adaptation technology transferred to targeted groups	SCCF	1,215,000	3,500,000
(select) (select)		Sub-total	SCCF	2,856,500	20,990,000
(select) (select)		Project management cost	SCCF	143,500	3,853,100
Total project costs				3,000,000	24,843,100

B. PROJECT FRAMEWORK

Project Objective: The main objective of the Project is to increase the climate resilience of agricultural productive chains in three departments of the south – west Honduras, protecting smallholder’s farmers and their production from the impact of climate variability.						
Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Grant Amount (\$)	Confirmed Cofinancing (\$)
1. Development and Strengthening of Rural Organizations	TA	<p>1.1 Climate change risks are mapped and characterized in the project area, and results disseminated</p> <p>1.2 Climate change adaptation measures and climate proofing are mainstreamed in the organizations and micro-enterprises.</p> <p>1.3 Climate related information is collected and disseminated to end-users and relevant Government Institutions</p>	<p>1.1.1. All participant agro-business organizations have mapped and characterizing CC risks</p> <p>1.2.1. Relevant staff is trained in climate resilient value chains</p> <p>1.2.2. At least 70 % of all beneficiaries are trained in the identification and integration of relevant CC adaptation measures into their businesses</p> <p>1.2.3. No less than 50% of agro-businesses put into practice climate resilient plans to increase resilience of their productive chains</p> <p>1.3.1. Training material and tools for mainstreaming CC</p> <p>1.3.2. Information is collected through ad-hoc instruments (case studies, interviews, etc.) and distributed</p> <p>1.3.3. A climate change awareness campaign is designed and implemented</p>	SCCF	954,700	6,700,000

2. Productive and Business Development	Inv	2.1. Increased availability of natural resources (land, water) are better managed and protected applying sustainable management approaches 2.2. Farming systems and post-harvesting are made climate resilient through new techniques and technologies 2.3 Rural infrastructure is climate-proofed and its maintenance improved for better protection	2.1.1. No less than 9,000 smallholder farmers include soil and water conservation measures in 12,000 hectares (overall project target) 2.1.2. Up to 500 coffee and cacao producers establish 500 ha. of agroforestry systems (overall project target) 2.1.3. 500 small cattle raisers plant up to 500 hectares of perennial pastures (overall project target) 2.2.1. 2,000 rural households enhance their post-harvest techniques through improved silos and other climate resilient processing techniques (overall project target) 2.2.2. Water use and management made more climate-resilient, applying water conservation techniques that can also increase the efficiency of post-harvesting processes. 2.3.1 At least 100 km of rural roads and other related infrastructure, built in the project area, are climate-proofed, while agricultural and other infrastructure is climate-proofed. 2.3.2 At least 2,000 users are trained for preventive maintenance of roads	SCCF	1,901,800	14,300,000
Subtotal					2,856,500	21,000,000
Project management Cost (PMC) ³					143,500	3,853,100
Total project costs					3,000,000	24,853,100

³ PMC should be charged proportionately to focal areas based on focal area project grant amount in Table D below.

C. SOURCES OF CONFIRMED COFINANCING FOR THE PROJECT BY SOURCE AND BY NAME (\$)

Please include letters confirming cofinancing for the project with this form

Sources of Co-financing	Name of Co-financier (source)	Type of Cofinancing	Cofinancing Amount (\$)
GEF Agency	IFAD (PRO-LENCA)	Soft Loan	14,292,900
GEF Agency	IFAD (Northern Horizons)	Soft Loan	6,191,900
Government			1,130,200
Beneficiaries	Beneficiaries	In-kind	3,228,000
Total Co-financing			24,843,100

D. TRUST FUND RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY¹

GEF Agency	Type of Trust Fund	Focal Area	Country Name/ Global	(in \$)		
				Grant Amount (a)	Agency Fee (b) ²	Total c=a+b
IFAD	SCCF	Climate Change	Honduras	3,000,000	300,000	3,300,000
Total Grant Resources				3,000,000	300,000	3,300,000

¹ In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table. PMC amount from Table B should be included proportionately to the focal area amount in this table.

² Indicate fees related to this project.

E. CONSULTANTS WORKING FOR TECHNICAL ASSISTANCE COMPONENTS:

Component	Grant Amount (\$)	Cofinancing (\$)	Project Total (\$)
International Consultants	36,750	56,250	93,000
National/Local Consultants	16,125	18,750	34,875

F. PROJECT MANAGEMENT COST

Cost Items	Grant Amount (\$)	Cofinancing (\$)	Project Total (\$)
Local consultants	110,500	2,100,000	2,210,500
Office facilities, equipment, vehicles and communications	6,480	1,333,100	1,339,580
Baseline, Mid Term and End of Term Evaluations	21,120	300,000	321,120
Audits	5,400	120,000	125,400
Total	143,500	3,853,100	3,996,600

F. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT? No

(If non-grant instruments are used, provide in Annex D an indicative calendar of expected reflows to your Agency and to the GEF/LDCF/SCCF/NPIF Trust Fund).

PART II: PROJECT JUSTIFICATION

A. DESCRIBE ANY CHANGES IN ALIGNMENT WITH THE PROJECT DESIGN OF THE ORIGINAL PIF⁴

The SCCF financing (GEF 4657) was a 3 USD million co-financing source - endorsed by the GEF secretariat in April 2013 – and part of a USD 21,9 million Project: *Competitiveness and Sustainable Rural Development Project in the Northern Zone – Northern Horizons*. The Northern Horizons Project also included financing from IFAD, Central American Bank for Economic Integration (CABEI) and the Government of Honduras (GoH).

At the end of 2014, the GoH following negotiations with the International Monetary Fund on the contracting of further external debt, carried out a thorough assessment on the approved financing agreements. One of the recommendations was that all external financing had to be contracted in the framework of the new country development initiative. This included not only the IFAD financing but also funds from the CABEI that were part of the co-financing for Northern Horizons project. Due to its difficult fiscal situation, the GoH decided to cancel several sources of external financing, which included the CABEI loan for the Northern Horizons Projects. Consequently the Northern Horizons programme (including the activities under SCCF financing) never started.

This decision resulted in a request from the GoH to IFAD to close down Northern Horizons and restructure the remaining balance of the Northern Horizons Project in a new phase of the *“Competitiveness and Sustainable Rural Development Project in the South Western Border Corridor Project (PRO-LENCA)”*. This means, that PRO-LENCA needed to be restructured and would uptake, exclusively and in addition to its original design, those ongoing activities/projects already committed by Northern Horizons. This also means, that GEF additional funds approved for Northern Horizons will need to be updated and adjusted to fit the PRO-LENCA new design. The GoH requested IFAD to implement these changes and to proceed to request a major amendment for the SCCF grant (USD 3 millions). The updated design includes an extension of the period of implementation from 30 to 48 months.

The PRO-LENCA project, which first phase was approved by IFAD Executive Board in September 2011, responds to the strong interest expressed by the GoH to address the developmental needs of the poor rural population in the South Western border corridor of Honduras. PRO-LENCA is a pro-poor value chain development investment that supports start-up financing and asset building in production, transformation, commercialization and better market access. PRO-LENCA, as designed, presents an innovative approach to the consolidation of small producers’ organizations. However small producers are highly vulnerable to climate change and environmental degradation. In this context the additional SCCF financing was included in the design to complement the new phase of PRO-LENCA (updated PRO-LENCA). In order to assess this viability and to update the additional GEF funding a project design mission was fielded in June 2015.

The “updated PRO-LENCA” project was approved by the IFAD Executive Board, the 15th of September of 2015, following the recommendations of the SAG and the Secretariat of Natural Resources Energy and Mining to include also the SCCF additional financing.

The main changes included in the CEO Endorsement Document are:

- Title, to reflect the new project implementation area
- Project area and target groups: Instead of being implemented in the northern corridor, the Project will be implemented in the south - western border corridor. This change implies a new target group. The poverty, climate change vulnerability and access to natural resources criteria remain the same. However, there is a stronger focus on

⁴ For questions A.1 –A.7 in Part II, if there are no changes since PIF and if not specifically requested in the review sheet at PIF stage, then no need to respond, please enter “NA” after the respective question

- indigenous populations, which are predominant in the new Project area.
- Component names were updated, to be aligned with the PRO-LENCA project. However, activities and objectives of each component remain the same.
- A better and tighter integration between components between the GEF Project and the PRO-LENCA project. This integration requires extending the original period of implementation from 30 to 48 months. The loan has a 72 month implementation period.
- Total co-financing: The total new co-financing will be USD 24, 8 million (instead of USD 18, 9 million).

The objective in the new selected area remains the same. The main objective of the GEF additional fund to the PRO –LENCA project is to increase the climate resilience of agricultural productive chains, protecting smallholder’s farmers and their production from the impact of climate variability. However some changes have been done to better reflect the new project area and to harmonize the GEF activities within the PRO- LENCA project.

A.1 National strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAS, NAPs, NBSAPs, national communications, TNAs, NCSA, NIPs, PRSPs, NPFE, Biennial Update Reports, etc.

The present proposal is country-driven, cost-effective and fully aligned with the National Poverty Reduction and Food Security policies and strategies of Honduras, and directly supports the Country Investment Plan for the Agri-food Sector (CIP), formulated by the Secretary for Agriculture and Livestock (SAG) in 2011. Market-based agricultural diversification and enhanced resilience to climate change, targeting on food and commercial value chains and on the poorest regions of Honduras are the foundations of the CIP, while it does identify priority areas to benefit from potential national budgetary and donor resources.

The contribution of the proposed GEF additional funds for achieving the Government's objectives is quite clear, since it assigns high priority to poverty reduction in the context of climate risk adaptation, reducing vulnerability and by rehabilitation of natural resources and value chain development. The main Policy document that establish these priorities is the National Climate Change Strategy (*Estrategia Nacional de Cambio Climático de Honduras, NSCC*), that addresses the interactions of causes, manifestations, impacts and response measures to climate change, whilst taking into account the social, economic and technological dimensions of the country’s rural areas.

The NSCC Strategy is framed within the broader national planning processes and, thus, it is aligned with the *Plan of Nation 2010-2022* and the longer-term *Country Vision 2010-2038*. The NSCC is based on the Second National Communication of the United Nations Framework Convention on Climate Change (UNFCCC), submitted in April 2012.

The NSCC offers the required priority to climate change in agriculture, soils and food security, as raising temperatures and droughts are the most serious climatic threats to national agricultural production and productivity, thus impacting on food security and sovereignty. Their recommended actions include: i) to develop monitoring systems and measurement of weather conditions, ii) emergency early warning, iii) monitoring by geographic information systems, iv) new forms of land use and production practices, v) the adoption of new building codes applicable to houses buildings, roads and waterworks, vi) local and community management of risk, vii) storage of storm water and watershed conservation.

In addition, creation and strengthening of institutional and human capacities are among the NSCC lines of action which are relevant to the sought GEF complementary funding through: i) training of local populations and the staff of strategic sectorial entities, including community leaders and representatives of vulnerable groups (rural and indigenous women, young people) and ii) technical

assistance to municipalities in the design of programmes and projects aiming at adaptation.

A.2. GEF focal area and/or fund(s) strategies, eligibility criteria and priorities.

Aligned with GEF's overall focus for climate change adaptation, the additional funds will support initiatives of organized producer groups of local communities to reduce vulnerability and increase the adaptive capacity of smallholders. The concept of the complementary US\$3.0 GEF million grant from GEF's Special Climate Change Fund (SCCF), is rooted in the SCCF fundamental strategy and its main goal of supporting developing countries to increase resilience to climate change through both immediate and long-term adaptation measures in development policies, plans, programs, projects and actions. The additional fund seeks to support Honduras to become climate-resilient by integrating adaptation measures (reducing vulnerability, increasing adaptive capacity, transferring of adaptation technology) within the agricultural production and rural development activities of the PRO-LENCA project.

Expected project outcomes aligned with the SCCF strategy, include: i) diversified and strengthened livelihoods of poor rural families; ii) development and implementation of adaptation practices to respond to climate change-induced constraints of target groups at community level; iii) reduction of absolute losses due to climate change; iv) incorporation of risk analysis and vulnerability assessment as part of the proposed investment project; and v) involvement of communities in disaster planning, preparedness and prevention, and other related action.

Within a territorial and local approach, the additional GEF funds will address the impact of climate change on the household economies, value chains (sustainable crop and livestock management) and food security of the IFAD's principal target groups of poor small agricultural producers, micro entrepreneurs, and rural women and young people. Additionally, the GEF funds will target indigenous groups to promote adaptation practices within their traditional production strategies. Sustainable agricultural production, rehabilitation of natural resources (soil, water, biodiversity) and value chain development / consolidation are all key elements of the project's scope, objectives, activities / investments and expected outcomes.

The proposed GEF additional fund is fully consistent with the Special Climate Change Fund's (SCCF) eligibility criteria and funding priorities, as Honduras is highly vulnerable to climate change and extreme weather events. Despite the fact that the country's biophysical and topographic characteristics imply an abundant natural wealth in some regions that hold special agro-ecological conditions, these zones are also highly vulnerable to climatic variability and environmental degradation. As it has been mentioned, Honduras is the most vulnerable countries in the world (Global Climate Risk Report, 2013); this situation is linked to shifting and increasing constraints for rural territorial development, as disadvantageously faced by poor rural families.

The objectives of the additional funding will focus on key activities / investments to adaptation to climate change in agriculture and forestry, seeking as key results the following: i) higher local value added and transformation of local production; ii) the strengthening of value chains of importance to small producers in the South Western Border Corridor (basic grains and coffee) and iii) higher productivity through improved technological practices and technology transfer that will reduce the pressure on the natural resource base. The project will center its actions on the SCCF programming priorities of agriculture, land / water management, infrastructure development, and capacity building for territorial municipal planning, preparedness, and disaster management related to climate change.

A.3 The GEF Agency's comparative advantage:

NA

A.4. The baseline project and the problem that it seeks to address:

The baseline project described in the PIF was Northern Horizons. This project has been cancelled; instead project PRO-LENCA will be used as baseline. PRO-LENCA includes financing from IFAD (two loans) and funds from the Government of Honduras (GoH).

Economic and social context. Honduras is a lower middle-income country with persistent poverty and inequality challenges. Its income per capita has been estimated at US\$1,800 (2009, Atlas method). Of the total population of 7.9 million, about 60% live in rural areas. Poverty in the country affects 60% of the population, while 36% of the population lives under extreme poverty conditions. In rural areas, these figures rise to 63 per cent and 50 per cent respectively. These conditions of poverty and inequality are associated with food insecurity and malnutrition. Rural women, young people and the members of ethnic groups are among the most vulnerable people in the country. The scarce employment and limited livelihood options available in rural areas have been major driving forces of Honduras significant level of emigration. In consequence, the GoH has embarked in a consistent effort to reduce poverty and extreme poverty, nation-wide, while making concerted efforts to reduce climate vulnerability as Honduras is the most-affected country by climate events in the world, according to the Global Climate Risk Index 2013. The Human Development Index for Honduras is 0.604 (2010), ranking 106 out of 169 countries. Honduras is also the 5th country in Latin America with the highest income inequality, with a Gini coefficient of 0.568.

Rationale and justification of baseline project. The IFAD financing of a new project in the South – Western Border Corridor of Honduras – a region with a limited number of development operations – represents an invaluable opportunity to improve living conditions of the rural poor and indigenous communities, balanced with an integrated approach to natural resource, and making it climate resilient. Consideration is also given to the fact that poorer municipalities in the South Western Border Corridor hold exceptional agro ecological conditions within the country (soil, water, biodiversity); and their production have a great potential for insertion into relevant value chains. In this context, the IFAD proposed project could apply the experience previously gained in Honduras and other Central American countries, integrating profitable farm and non-farm enterprises into local, national and global value chains, aiming to generate opportunities for wealth creation and employment in rural areas, while making populations more resilient to climate variability and environmental degradation - the overarching goal of the new IFAD's Strategic Framework 2011-2015.

Baseline project objective. The project will apply a community-driven development (CDD) approach to provide direct support to organizations of approximately 11,800 poor rural households. The project is organized in four components: (i) strengthening the capacities of organizations of rural poor in the project area and increasing human capital; (ii) capitalization of the asset base of these organizations and their members through the formulation and implementation of organizational development plans to be implemented by the beneficiary organizations, allowing them to access new markets and increase their incomes and organizational sustainability while reducing climate change vulnerability; and (iii) improvement and rehabilitation of rural infrastructure (such as rural roads and irrigation infrastructure) and environmental investments (like water management and reforestation). Another 21,000 indirect households will benefit from job creation derived from the Project activities and from the use of improved public goods such as rural roads and environmental investments.

The development objective of the baseline project is to improve income, employment opportunities, food security and general living conditions of the poor rural population with a focus on social inclusion, climate change adaptation and gender and with a view toward reducing poverty and extreme poverty. The US\$ 27.8.0 million project has four components: (a) Development and strengthening of rural organizations (15%); (b) Development of business and productive initiatives (53 %), and (c) Improvement of Rural Infrastructure and Management (21 %). Additionally the baseline project includes financing for management, evaluation and knowledge management (11%). SCCF funding will be part only of component 1, 2 and 4.

Component 1. Development and Strengthening of Rural Organisations. This component will centre its activities on three key results related to (i) the promotion and strengthening of smallholder organizations in production and rural business management; (ii) developing skills for business creation, entering the labour market and self-employment; and (iii) improvement of living conditions of populations poor rural.

Component 2. Production and Business Development. Through this component, the Project will support the implementation of two types of plans: i) production development; and ii) business plans. Organizations had prepared their plans with the support of activities included in Component 1. Production development is related more with smaller organizations, with higher requirements of capital and training. Business plans will be implemented by larger organizations with stronger linkages to markets. In cases, natural resource management and climate change adaptation will be part of the training and specific activities will be included in each plan.

Component 3. Improvement of Rural Infrastructure. Different type of activities will be financed in this component as small productive infrastructure (roads, irrigation systems, post-harvest facilities),

The PRO-LENCA project will also finance management, auditing and monitoring and evaluation of the project. The project will be implemented by the Agriculture and Livestock Secretary (SAG), through a dedicated Project Coordinating Unit (PCU).

Project area and target groups. The project will be executed in 36 municipalities with a high concentration of rural poverty in the departments of La Paz, Intibucá and Lempira. These areas comprise unique and vulnerable ecosystems of the Mesoamerican corridor and the Central American dry corridor. The project's target groups include: (a) small agricultural producers, either not organized or with diverse organizational linkages to markets; (b) poor artisans, with incipient organizations and weak links to markets; (c) rural women, young people and ethnic groups (Lenca); and (d) poor rural populations lacking social and rural road infrastructure. The project will benefit about 33,200 households. Of these, some 11,800 will benefit from specialized production and business-related technical assistance, capitalization funds, financial services and rural roads; and over 21,000 will benefit from access to rural roads and social infrastructure.

A. 5. Incremental /Additional cost reasoning describes the incremental (GEF Trust Fund/NPIF) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF/NPIF financing and the associated global environmental benefits (GEF Trust Fund) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

Climate change in Honduras is severely affecting the whole natural-resource base across the country and the living conditions of the rural populations, while posing additional stress on the agricultural sector with expected decreases in precipitation and increases in temperature under all scenarios to 2020. The increased drought and flooding risks are affecting agricultural production and productivity, making it more difficult both to meet food demands and to sustain the incomes and livelihood of small agricultural producers and their families.

While impacting directly on the livelihood of poor agricultural producers, climate change and the country's increased environmental degradation are associated with: i) uncontrolled expansion of the agricultural frontier in some areas; ii) expanding steep-sloped rainfall-based subsistence agriculture; iii) increased frequency, severity and variability of rainfall and hurricanes; iv) continued utilization of firewood for cooking and other household use; v) gaps in financial, technical and capacity; vi) lack of proper education, training and public awareness and vii) agrochemical pollution.

The PRO-LENCA project as designed, presents an innovative approach to the consolidation of small producers' organizations, the mainstreaming of rural women, young people and ethnic groups in rural businesses, and for the mitigation of environmental vulnerability. However the PRO-LENCA project requires to be complemented in key areas, in order to:

- Effectively increase the resilience of value chains to climate change;
- Incorporate risk analysis and vulnerability assessment as part of the overall project action; and
- Encompass specific elements of environmental education, climate risk mapping and capacity building that are required among the rural populations and the structures of the concerned sectorial institutions.

This proposal stresses the notion that the combination of the GEF additional funds with the already approved IFAD lending funds can better support the Government's planned adaptation activities and investments for enhanced focus and larger resilience and impact in the region.

Climate change impacts on value chains⁵. In order to better detect and analyses the expected impacts of climate change in the territories prioritized by the PRO-LENCA project an innovative analysis on climate simulation to enhance food security was implemented. 'Fundación para la Investigación del Clima (Climate Research Foundation, FIC) and Instituto de Estudios del Hambre (Institute for Hunger Studies, IEH) were in charge of this simulation. Results were used for this design.

Objective and proposed methodology of the study. The study was aimed to analyses climate change impacts on the areas prioritized by the PRO-LENCA project, and issue recommendations allowing to strengthening the resilience of project beneficiaries in coffee, cocoa, maize and beans value chains. The proposed methodology sets out and applies a range of minimum requirements for a solid generation of climate change scenarios through the use of advanced climate models and historical series of daily data. It also quantifies uncertainties, verifies and validates the methods and applies regionalization in order to downscale the projected changes at local scale. By mapping the value chains and consulting national experts, the methodology identifies critical elements most vulnerable to climate change, formulates and verifies indicators to predict how future climate will affect value chains and analyzes its impact, proposing adaptation measures.

Methodological process of the study. The methodological process has three stages: i) description of future climate conditions; ii) evaluation of how this future climate will impact value chains included in the study; and iii) to make recommendations to minimize the identified negative impacts, and propose effective measures of adaptation to climate variability. These stages must be developed at a local scale, that is, at the three departments included in the project area.

Main impacts of climate change in the coffee value chain. In the case of coffee, the expected impacts are negative due to the increase in temperatures that will provoke changes in the crop cycle, with consequences ranging from a higher vulnerability to some diseases to more complicated harvesting and post-harvesting.

Main impacts of climate change in the cocoa value chain. On the contrary, higher temperatures projected by the scenarios will favor cocoa growing, although there will also be negative impacts associated to better conditions for monilia⁶ development.

Main impacts of climate change in basic grains. In the case of maize future climate will be beneficial in most of the studied areas, though in some parts higher rainfall will complicate certain cropping phases. For example, grain filling and harvesting, which will be more vulnerable to diseases. Something similar will happen with beans: increased rainfall will make sowing, flowering and grain filling more difficult.

Preliminary recommendations for coffee include improving the existing varieties and crop management; supporting investments on infrastructure such as irrigation systems or drying facilities; encouraging more efficient associations; and researching about the relationships between crop and climate. In the case of cocoa, it is recommended to expand cultivated area and replace old trees by varieties resistant to fungus and adapted to drier conditions; improve agricultural practices in order to reduce disease impacts and enhance quality; diversify the sources of income of cocoa producers planting timber species which also enable to protect from higher temperatures; and support the small-

⁵ For further information please see Appendix 3 and Working Document N3: Analysis of climate change impacts on coffee, cocoa and basic grains in value chains.

⁶ Monilia: a pathogen of cocoa and other species in or related to the genus Theobroma.

scale producer to gradually incorporate more added-value activities, through more training, technical support and stronger associations.

Objective of the GEF additional funding. The objective of the GEF additional funding is to increase the climate resilience of agricultural productive chains in three departments of the south – west border corridor in Honduras, protecting smallholder’s farmers and its productions from the impact of climate variability. The project will support initiatives of organized producer groups of local communities, who will aim at reducing vulnerability and increasing the adaptive capacity of smallholder farmers to climate change in three departments of Honduras: La Paz, Intibuca and Lempira.

Key expected outputs. The GEF additional funds will deliver the following key outputs: i) higher local value added and transformation of local production; ii) the strengthening of value chains of importance to small producers in the south – western border corridor (basic grain and cash crops), aiming at income and employment generation; and iii) higher productivity through the adoption of improved technologies and technology transfer that will reduce the pressure on natural resources.

Summary of associated adaptation benefits (GEF additional financing)

Complementarities between the PRO-LENCA project and the additional GEF funds:

- 70% of all beneficiaries of PRO- LENCA will be trained in the identification and integration of relevant climate-change adaptation measures into their business plans;
 - 50% of producers associations of PRO- LENCA are consolidated and inserted competitively into strengthened and more resilient value chains; and
 - 50% of agricultural production units of PRO- LENCA and agro-business and rural micro-enterprises put into practice climate-resilient production and business plans.
-

Expected associated adaptation benefits to be delivered by the additional GEF funds:

- Improved capacities for resilience action by the targeted users-beneficiaries, the municipalities and key operating units within SAG, MiAmbiente and other government bodies; and
- A better understanding of the specific needs of poor small producers and their formal and informal organizations regarding the direct climate change related impacts they face;
- Increased resilience of agriculture systems and rural microenterprises to climate change impacts, increasing the productivity of the value chains and protecting rural livelihoods;
- Improved management of natural resources (water, soil, biodiversity), resulting in increased soil fertility and reduced erosion, etc.; and
- Reduced post-harvest losses and thus increased household food security.

Summary of additional activities Component 1: Development and Strengthening of Rural Organisations

EXPECTED OUTCOMES	EXPECTED OUTPUTS	ADDITIONAL ACTIVITIES AND TARGETS
1.1 Climate change risks are mapped and characterized in the project area, and results disseminated	Output 1.1.1. All participant agro-business organizations have mapped and characterizing climate change risks	<ul style="list-style-type: none"> ▪ Extension staff from regional climate-change roundtables is trained on: participative vulnerability and climate-change risk mapping and climate-change scenario interpretation ▪ A risk and vulnerability assessment is undertaken, including dedicated mapping ▪ Processes of participative mapping and climate-change scenario interpretation are developed in at least 9 Local Agricultural Research Committees (CIAL), 3 for each Department, involving producer associations of the selected territories and value chains ▪ A graphics-based management information system is designed and implemented, comprising all compiled and systematised information on climate risks and impacts by region, zone and value chain
1.2 Climate change adaptation measures and climate proofing are mainstreamed in the organizations and micro-enterprises.	Output 1.2.1. Relevant staff is trained in climate resilient value chains	<ul style="list-style-type: none"> ▪ A training programme on resilient value chains is designed and implemented ▪ Training workshops are implemented on resilient agro-food value chains developed with SAG and IFAD projects technical staff, extension staff, and staff of the regional climate change roundtables (60 trainees)
	Output 1.2.2. At least 70 % of all beneficiaries are trained in the identification and integration of relevant climate-change adaptation measures into their businesses	<ul style="list-style-type: none"> ▪ 9 CIALs are consolidated (3 in each of the identified intervention areas), and an equal number of model demonstration production units. ▪ A participative agricultural research process is developed (learning by doing) under the CIAL modality, in the priority zones and value chains
	Output 1.2.3. No less than 50% of agro-businesses put into practice climate resilient plans to increase resilience of their productive chains	<ul style="list-style-type: none"> ▪ Dynamic climate-change adaptation plans are generated, involving resilience practices for the associated agricultural producers in the identified zones and value chains
1.3 Climate related information is collected and disseminated to end-users and relevant Government Institutions	Output 1.3.1. Training material and tools for mainstreaming CC adaptation into business development are produced	<ul style="list-style-type: none"> ▪ Key training materials are produced, addressing the specific adaptation requirements of poor smallholders in the identified intervention zones: i.e. Guide for CIALs Operation; Basic training materials for smallholders;
	Output 1.3.2. Information is collected through ad-hoc instruments (case studies, interviews, etc.) and distributed	<ul style="list-style-type: none"> ▪ A climate change information/ data bank is established, including climate information/data; vulnerability studies; geo-referenced inventories of targeted small producers and their associations; impacts and risks; diagnostic information; practical adaptation and resilience measures/ practices under execution, as pertaining to the priority zones and selected value chains ▪ Compilation of project implementation climate change and resilience experiences/ best practices
	Output 1.3.3. A climate change awareness campaign is designed and implemented	<ul style="list-style-type: none"> ▪ An awareness campaign on climate change is designed and implemented, targeting differentiated audiences. ▪ Multimedia, printed and related basic material are designed and distributed among the selected audiences, target groups and project associates

Summary of additional activities Component 2: Productive and Business Development

EXPECTED OUTCOMES	EXPECTED OUTPUTS	ADDITIONAL ACTIVITIES AND TARGETS
2.1. Increased availability of natural resources (land, water) are better managed and protected applying sustainable management approaches	Output 2.1.1. No less than 9,000 smallholder farmers include soil and water conservation measures in 12,000 hectares (overall project target)	<ul style="list-style-type: none"> ▪ 1,200 smallholders involved in GEF additional fund pilot projects are trained in specific capacities for the promotion of appropriate climate change adaptation/ resilience enhancing technologies ▪ 1,600 hectare under minimum tillage soil conservation technique ▪ 1,200 small production units under organic fertilisers and related crop waste materials
	Output 2.1.2. Up to 500 coffee and cacao producers establish 500 ha. of agroforestry systems (overall project target)	<ul style="list-style-type: none"> ▪ 500 coffee and cacao producers trained and supported to establish integrated agroforestry systems ▪ 300 hectares under agroforestry systems (coffee and cacao) supported to diversify and associate other crops ▪ Greenhouses established to produce diversified and resilient planting material production
	Output 2.1.3. 500 small cattle raisers plant up to 500 hectares of perennial pastures (overall project target)	<ul style="list-style-type: none"> ▪ 500 small cattle raisers are trained to develop integrated silvo-pastoral production systems ▪ 500 hectares of silvo-pastoral production systems establish live fences ▪ Resilient pasture management systems are developed
2.2. Farming systems and post-harvesting are made climate resilient through new techniques and technologies	Output 2.2.1. 2,000 rural households enhance their post-harvest techniques through improved silos and other climate resilient processing techniques (overall project target)	<ul style="list-style-type: none"> ▪ 250 households are trained on post-harvest management and grain storage. Pilot scheme comprises the provision of grain storage metal devices
	Output 2.2.2. Water use and management made more climate-resilient, applying water conservation techniques that can also increase the efficiency of post-harvesting processes.	<ul style="list-style-type: none"> ▪ 250 households establish water harvesting systems for resilience enhancing micro-irrigation
2.3 Rural infrastructure is climate-proofed and its maintenance improved for better protection	Output 2.3.1 At least 100 km of rural roads and other related infrastructure, built in the project area, are climate-proofed, while agricultural and other infrastructure is climate-proofed.	<ul style="list-style-type: none"> ▪ 100 km of roads and related road drainage and other infrastructure are climate proofed ▪ Agricultural producers are trained in the operation and management of coffee and cacao driers and other value-adding infrastructure
	Output 2.3.2 At least 2,000 users are trained for preventive maintenance of roads	<ul style="list-style-type: none"> ▪ 2000 users-beneficiaries are trained and equipped in the rehabilitation and preventive maintenance of rural road and related drainage works

A.6 Risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and measures that address these risks:

The key policy and economic assumptions on which the project is based, and the risks presented herein were identified during project inception and design. These assumptions involve: (a) that the Government's agenda for rural poverty reduction, climate change adaptation and food security maintains its stated high priority; and (b) that the sub-regional and other external markets favour the growth of the country's agricultural production. Risks on these issues will be mitigated by an active IFAD country presence, continued country dialogue, and direct supervision and implementation support. With respect to the functioning of and shifts in external markets for particular products, price and market-prospect information systems will be promoted as well as commercial fairs and the focusing on the demands of the local market.

Implementation risks that the overall project may face are related to the ability of small-scale farmers to respond promptly to market demands, required investments and quality requirements. This will be mitigated by promoting alliances between more dynamic and well-organized producers with service providers, processing and marketing enterprises and financial intermediaries operating in the project's intervention areas and zones. Finally, climate-related risks will affect the various regions of the country. The Pro – Lenca project, as a whole, has been designed to offset these latter risks through specific investments: (a) pilot adaptation subprojects for small-scale agricultural production; (b) specialised climate change mapping, monitoring information systems and general adaptation capabilities within sectorial institutions; (c) participatory territorial / municipal planning and climate change aligned rural infrastructure; (d) climate change aware value chains, business plans and rural businesses and micro-enterprises; and (e) the promotion of agroforestry systems (coffee and cacao) and the financing of soil and water conservation works. With the supplementary GEF financing, the project is designed to achieve better adapted primary production and sustainable rural businesses.

Other risks that the project may face: political intervention in hiring project staff; aversion on the part of users-beneficiaries to assume business and commercial risks; weak management by producers organizations; and iv) budget restrictions to implement Pro – Lenca. Planned mitigation measures for these risks include: (a) IFAD direct supervision and Project Operating Manual with clear procedures to recruit staff; (b) exchange of experiences among successful organizations of poor rural people to stimulate interest in business development; (c) organizational and managerial training to build capacities in business management; and (d) close coordination with SAG to secure budget space for the Project.

A.7. Coordination with other relevant GEF financed initiatives

NA

B. ADDITIONAL INFORMATION NOT ADDRESSED AT PIF STAGE:

B.1 Describe how the stakeholders will be engaged in project implementation.

Other key stakeholders involved in the project and their respective roles.

The PRO-LENCA Project has an implementation period of six years, while the GEF additional fund is expected to be implemented in 48 months, seeking to capture the necessary climate-change adaptation experience to be continued during the rest of the project's execution period.

Secretary of Agriculture and Livestock. The PRO-LENCA Project will be implemented by the Secretary of Agriculture and Livestock (SAG). The SAG will be in charge of the implementation of the GEF additional funds as well. The MiAmbiente and the SAG will prepare a MoU which will describe the responsibilities of each institution in the implementation of the GEF additional funds. The SAG will implement the Project through its Project Management Unit (PMU). The PMU manages all IFAD financed investments and processes all procurement and administrative tasks, including disbursement requests. The PMU will also handle the activities generated by the GEF additional funding.

Project Management Unit. Additionally, the SAG will create a specific Project Technical Management Unit (PTMU) that will implement all PRO-LENCA activities in the field, handle the relationship with local authorities and beneficiaries and process report to the GoH and IFAD. The PTMU will have a central office in one of the Departments and regional offices will be established in the other two. The PTMU will be staffed by: a Project Director, coordinators for each component and financial and procurement officers. The GEF additional funds will be coordinated by a specialized consultant, as part of the PTMU. The PTMU will also recruit specialized consultancies to support project implementation. These consultancies include: i) climate change adaptation specialists; ii) gender specialists; and iii) business development specialists. The Project Operating Manual (POM) and annual working plans will be approved by a Steering Committee, while business plans and other investments will be approved by an Investments Approval Committee. Representatives of the target groups (one from indigenous communities), local governments and the private sector will be part of both committees.

The PTMU main responsibilities will be:

- (a) to be the institutional and operational link between SAG (the project's executing entity), IFAD and GEF;
- (b) prepare the Annual Operational Plan and the corresponding operational budgets;
- (c) manage the project as pertaining to loan and grant administration and the actual field investments and works;
- (d) establish the targeting mechanisms and identify/ select the project users-beneficiaries according to the project's targeting/ gender strategy and the components' expected activities and results, and set into operation a suitable system for the evaluation/ranking of producer associations;
- (e) submit to the Investments Approval Committee the proposed business plans and the infrastructure and rural access roads proposals;
- (f) authorize the actual disbursement (payments) business plans implemented by the beneficiaries;
- (g) seek the formal No Objection statements from IFAD and the co-financing entity and apply the GEF grant funds;
- (h) establish and operate the project's planning, monitoring & evaluation and knowledge management system and the Climate Change Information Management System;
- (i) identify suitable service providers for specific investments, activities and works, and process the required contracts;
- (j) Follow-up and supervise the field level activities, updating and adjusting annual plans and methodologies. The PTMU will prepare reports on the implementation of climate change adaptation activities, to feed the knowledge management reports.;
- (k) implement the awareness campaign on climate change and evaluate its results/ impact and
- (l) Prepare and submit financial reports, as required by the loan contract, grant agreement and MoU signed with the SEFIN and MiAmbiente. The PTMU will prepare the mid-term evaluation, final evaluation, annual reporting of indicators (including those required by IFAD to comply with the RIMS).

The PTMU will coordinate closely with local, municipal and departmental authorities, as well as with other programmes being implemented in the project area. It will also maintain operational communication with other public entities, including: (a) the Secretary of Public Finance (SEFIN) to request budget space and cofinancing resources; (b) the MiAmbiente to coordinate the implementation of climate change activities, selection of business plans, training contents and materials, preparation of ToR and procurement documents, and for the review and grant of environmental permits for infrastructure investments; and (c) SEPLAN for the preparation of land use plans, through Municipal and Sub-regional Councils. The PTMU will also prepare regular reports, as required by the Government of Honduras, to be submitted to the SEPLAN.

Steering Committee. The Steering Committee-CDP-Project shall consist of the Minister of Agriculture or his representative, the Minister of Finance or his representative, the Program Manager, two (2) representatives of civil society (one of them from indigenous communities), and the Technical

Coordinator of the UAP/SAG. The functions of the Steering Committee will be to support the PMU the implementation of the Project. The council will meet twice a year, and if necessary, may call special meetings. Its duties will include:

- (a) Define and establish policies, plans, strategies and standards required Project activities,
- (b) Approve Strategic Plans and Annual Working Plans (POA) and Annual Budget Project, which shall be prepared by the PMU and submitted to the Committee by the Minister of Agriculture.

IFAD Country Programme Committee-Honduras. The SAG will monitor the overall implementation of all IFAD-funded programs in Honduras through the implementation of the IFAD Country Programme Committee-Honduras. This will be a coordination committee to strengthen communication mechanisms between IFAD programs, multilateral and bilateral cooperation, and the SAG, with the aim to harmonize rural development interventions. The Committee includes: (i) the Minister of Agriculture, who shall preside; (ii) the directors / managers of the IFAD programs, (iii) a representative appointed by CABEI, (iv) a representative of IFAD, and (v) a representative of SEFIN. During the meeting other actors related to rural development may be invited, as mayors, directors of other foreign aid programs, and private sector representatives.

Investments Approval Committee. It shall consist of: (a) the Project Manager, (b) two representatives of Municipalities of the area of influence elected by the municipalities themselves (on a rotational basis), (c) two civil society representatives, and one from indigenous communities.

Other stakeholders

Implementing partners. The key implementing partners include: (a) municipalities which are expected to receive technical assistance and capacity building and lead the territorial planning and climate change risk analysis. Municipalities will also support the implementation of business plans in their jurisdiction and cofinance rural road rehabilitation and maintenance; (b) qualified private technical service providers and specialized non-governmental entities, which will actually implement project activities under the guidance, coordination and supervision of the PMU; (c) government agencies like MIAMBIENTE, the SEPLAN, and USAID SEFIN; and (d) rural savings associations and microfinance institutions. Information on the overall project implementation will be made available by SAG to the Inter-institutional Technical Committee on Climate Change, the multisectorial entity responsible for promoting the policies, strategies and mechanisms on the matter.

Other institutions will participate during the implementation. These are the Honduran Coffee Institute (IHCAFE), the Honduran Foundation for Development (FUNDER), The Honduran Association of Cacao Producers (AHPROCACAO); the Honduran Foundation for Agricultural Research (FHIA); the Professional Training Institute (INFOP) and the Central American Polytechnic Institute (IPC).

Gender strategy and participation. To achieve gender equality and supporting the GoH youth strategy, the project will promote the active participation of rural and indigenous women and young people in agribusiness, microenterprises and cajas rurales. The main activities will be: (a) institutionalization of the gender perspective in the PMU and the services providers; (b) partnerships with public institutions and NGOs in the project area; (c) strengthening of women and young people's decision-making and management capacities; (d) technical support for service providers or road maintenance; and (d) implementation of social infrastructure to improve the living conditions of women and facilitate their participation in the Project. Project participants will be involved in: participatory and strategic planning; participatory formulation of business plans; M&E/ learning of project's activities; and the project steering and investment approval committees

B.2 Describe the socioeconomic benefits to be delivered by the Project at the national and local levels, including consideration of gender dimensions, and how these will support the achievement of global environment benefits (GEF Trust Fund/NPIF) or adaptation benefits (LDCE/SCCF):

The benefits of the GEF additional funds will reach the target group by means of: a) strengthening target groups producers organization by improving their knowledge and their social and managerial, capabilities to adapt to climate change, b) improvement of agricultural production/productivity and enhancement of the resilience capabilities of different users and beneficiaries c) reduction of food insecurity, malnutrition and environmental vulnerability and d) enhancement of the position of rural woman and youth to catalyze incremental benefits derived from more focused climate change adaptation activities and thus enhanced resilience of communities and households.

The additional GEF funds will directly benefit 1200 smallholders involved in training of specific climate change adaptation technologies; 500 coffee and cacao producers involved in the establishment of integrated agroforestry systems; 500 small cattle raisers to develop integrated silvo - pastoral production systems and 2000 users trained in the rehabilitation of preventive maintenance rural roads and drainage work.

In addition and through awareness campaign, the GEF additional funds will contribute to share information and knowledge between greater audiences.

Socioeconomic benefits delivered by additional GEF funds

The additional GEF funds will contribute to the PRO- LENCA objective of reducing the environmental vulnerability of poor rural families in order to increase their incomes, employment and food security, within a framework of gender equality and youth inclusion.	
Increased knowledge of the target population, linked to agribusiness, on the causes and effects of climate change, allowing them to be able to build resilience.	A better understanding of the specific needs of poor small producers and their formal and informal organizations regarding the direct climate change related impacts they face;
Increased capacity of government agencies and rural users to address the effects of climate change on agricultural issues.	Improved capacities for resilience action by the targeted users - beneficiaries, the municipalities and key operating units within SAG and other government bodies; and
Increased resilience of agriculture systems and rural microenterprises to climate change impacts, increasing the productivity of the value chains and protecting rural livelihoods;	Strengthened local citizen participation around the management of natural resources and their relation to agriculture. This will in line with the implementation of the National Climate Change Strategy in agriculture, enhancing the dissemination of knowledge in the rest of the country
Improved management of natural resources (water, soil, biodiversity), resulting in increased soil fertility and reduced erosion, etc.	Reduced post-harvest losses and thus increased household food security.

B.3. Explain how cost-effectiveness is reflected in the project design:

The without-project scenario indicates that small scale agricultural production has low productivity, it does not use natural resources properly and unlikely to be sustainable in the long run. The main characteristics of small scale production (one to two hectares) in the Project area are: (a) improved agricultural and natural resources technologies availability is low; (b) low adoption and use of soil and water conservation techniques; (c) use of crop rotation is scarce; (d) agriculture production is not sustainable, particularly given the excessive use of chemical inputs. Production is used mostly for consumption, as yields of grains and beans are low.

The with-project scenario forecasts income increase between 27 and 47 percent, in average the with-project modeling indicates that there is an adequate increase in annual income. Small agricultural farming systems in the project area will generate incomes in the range of USD 2 281 to USD 2 500 per year.

Yearly incomes with and without project (1 hectare)

	Income without project (USD)	Income with project (USD)	Change (%)	Proposed Objectives
Cacao	1940	2486	28.1	(i) cacao plantations are renewed and new varieties introduced; (ii) farmed area is increased; (iii) soil conservation techniques are introduced; (iv) agroforestry systems are introduced; (v) organizational and marketing growth is aimed
Coffee	1696	2505	47.7	(i) coffee plantations are renewed; (ii) soil conservation techniques are introduced; (iii) agroforestry systems are introduced
Staple grains	1791	2281	27.4	(i) soil conservation techniques are introduced; (ii) farmed area is increased; (iii) grain production techniques is improved; (iv) marketing effort is improved through grain storage
Livestock	1854	2489	34.3	(i) permanent forage is introduced; (ii) sanitary and reproductive improvement is spread; (iii) one calf is introduced for genetic improvement purposes; (iv) soil conservation techniques are introduced

Financiar indicators

Description	IRR - F (@12%)	NPV - F (@12%)	C / B - F (@12%)
Cacao	33.2%	\$10,447.16	1.30
Coffee	28.0%	\$9,603.74	1.21
Staple grains (maize and beans)	56.7%	\$10,808.42	1.49
Milk	22.3%	\$9,862.21	1.13
Cacao processing facility	14.2%	\$18,768.42	1.00
Coffee processing facility	15.9%	\$6,525.71	1.01
Grains packing	29.6%	\$14,450.55	1.03
Milk processing facility	15.1%	\$2,189.85	1.01
Fiber processing facility	16.8%	\$4,542.86	1.01
Fish processing facility	22.1%	\$21,363.15	1.04
Rural tourism microenterprise	22.3%	\$11,198.73	1.08
Rural services microenterprise	37.1%	\$5,418.37	1.04

Source: adapted from FIDA (2013) Proyecto de Competitividad y Desarrollo Sostenible del Corredor Fronterizo Sur Occidental PRO-LENCA. Informe de Diseño Final del Proyecto. Documento de Trabajo 5, Sistemas Productivos y Microempresas Rurales.

Indicators show that the with-project scenario is financially sound. Over a ten year period, under the assumptions of small scale production (see WP 5 for more details), the Internal Rate of Return of the models proposed is within 14 and 37 per cent. Net present values oscillate in the range USD 2 000 and USD 21 000.

When climate change risk is included in the analysis, the assessment indicates that the with-project scenario is still advantageous to project beneficiaries, even when extreme climate events are included. Monte Carlo simulations have been used to analyze the effect on incremental benefits (per farm model) over a ten year period and one occurrence of an extreme event (drought, flood, rainfall surplus or deficit, plight occurrence). Assuming extreme climate events, the with-project situation indicate that the expected income increases would be reduced by: (a) 45% for cacao producers; (b) 86% for coffee producers; (c) 67% for staple grains (maize and beans); (d) and 45% for dairy farmers. Although project-specific climate change information is derived from national models, there is no doubt that its effects can be dramatic for small scale producers, particularly from the point of view of income making. Yet, with-project scenarios indicate that the implementation of climate change adaptation activities will be reflected in higher income and less vulnerability. Without-project simulations show that under climate change, production and livelihoods are under threat and vulnerable to any variation.

The proposed Project is cost effective when compared with viable alternatives. The proposed Project has a net present value of USD 15.3 million. The two alternatives used for comparison are: i) larger investments in infrastructure; and ii) more intensive technical assistance. In both cases, the Project is more cost effect, by 3.4 per cent and 2.3 per cent, respectively.

Cost effectiveness

Project as it is	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Investment costs	1,479,911	4,626,165	5,463,758	4,513,020	1,770,348	991,831	18,845,032
Recurrent costs	457,981	526,114	543,466	554,244	505,769	506,671	3,094,244
Total project costs as it is	1,937,891	5,152,278	6,007,224	5,067,264	2,276,117	1,498,502	21,939,277
Large infrastructure project							
Investment costs	2,700,591	4,451,013	5,650,445	4,257,326	2,061,897	300,334	19,421,606
Recurrent costs	411,016	478,210	494,605	504,405	454,933	454,819	2,797,988
Total project costs with large infrastructure emphasis	3,111,607	4,929,223	6,145,050	4,761,731	2,516,830	755,153	22,219,594
Larger administrative costs project							
Investment costs	2,582,615	4,125,858	4,824,974	3,793,266	1,547,424	194,579	17,068,716
Recurrent costs	739,784	813,553	836,655	853,296	810,802	817,805	4,871,895
Total project costs with large administrative costs	3,322,399	4,939,411	5,661,629	4,646,562	2,358,226	1,012,384	21,940,611
Net Present Value of current project as it is (@12%)	\$15,384,503.66						
Project net present value with large infrastructure (@12%)	\$15,918,559.39						
Project net present value with large administrative costs (@12%)	\$15,737,931.70						

C. DESCRIBE THE BUDGETED M&E PLAN: The allocation of funds per component is aligned with the PIF (Project Identification Form). The duration of the implementation period is estimated in 48 months and start-up is planned for the first semester of 2016.

The project will establish a comprehensive Planning, Monitoring, Evaluation and Knowledge Management System (PLASEG). This process will begin with the preparation of the Draft Strategic Plan. The SAG will prepare a Multiannual Strategic Plan that would serve as a basis for the different Annual Work Plans and Budgets (AWPB). The AWPB will be approved by the Steering Committee and submitted to IFAD by the SAG, for its no objection.

The PLASEG will be implemented by the PMU in two different levels: i) at the central office; and ii) at the regional offices. The data and reports generated by the PLASEG will support project management and will be used to report progress. Also the PLASEG will be linked to the other M&E Systems like:

- RIMS System (Results Impact Measurement System) from IFAD.
- With the M&E system that is SAG is developing within the Agra-Food Strategy.

Planning and Reporting. Planning of project activities would be undertaken by the PMU in coordination with the SAG. The main tool for planning will be the Annual Work Plan and Budget (AWPB). The first AWPB will be based on the detailed design document and its appendices. Subsequent plans should include a brief description of project implementation for the following period. The report will also describe possible challenges and opportunities foreseen for the year, including a strategic analysis of the approach and the rationale of the project. The report must also include: i) the results obtained by component and the proposed plan for the next year including executing times and specific goals, ii) the estimated budget by category of expenditure and sources of financing, iii) foreseen procurement and, iv) the M&E plan for the year.

During implementation the PMU will submit semi-annual Progress Reports which shall contain a brief summary of project activities and description of planned activities and performance issues. The progress report should present the main achievements, issues and constraints of the previous period, including the main recommendations of supervision missions and the state of related follow-up. These reports should contain information on financial and physical achievements compared with targets set in AWPB as well as possible impact and outreach. Reports should highlight implementation strategy and describe the main physical results obtained so far. A financial chapter will describe expenditures by components and balances and disbursement projections.

Monitoring and evaluation. The project would have an M&E system to be implemented according to IFAD and GEF procedures and guidelines⁷. The M&E system would be designed based on the activities, indicators and means of verification specified in the Logical Framework. The M&E activities would follow the principles of adaptive management (to update information needs and indicators overtime) and participatory evaluation.

Responsibilities and linkages. M&E system operations would be under the direct responsibility of the Project Manager and the M&E Specialist (contracted under the GEF additional funds). The M&E Specialist would be responsible for tracking project progress and achievements of results for which he/she would ensure that the necessary information is timely gathered and processed in order to verify Project progress and compliance with objectives and planned activities. The M&E Specialist will be supported by an M&E Assistant.

The M&E Specialist will contribute to the six-monthly, annual, mid-term and final reports of the project. He / she will continuously provide feedback to Project Manager in order to give timely advice on required adjustments if needed. This would be undertaken in order to facilitate and adaptive management of the project. Any suggested adjustment to Annual Work Plans and Budget (AWP&B) would be reflected in Progress Reports for consideration by the SAG and IFAD.

Participatory evaluation. The M&E team will compile information on project progress using participatory methods and field verifications. Appropriate participatory methods will be selected in order to gather information on aspects that may be preventing the project from achieving planned outputs, any emerging risk and opportunities for success, unintended and intended outcomes, and lessons learned and immediate required actions to ensure the satisfactory progress of the reports. Methods to be selected will consider IFAD's guidelines for participatory evaluation and consultation. The M&E team will ensure the involvement in these activities of all stakeholders directly impacted by the Projects and any other stakeholders whose involvement and opinions are relevant for the successful implementation of the project.

The ToR of Project staff will include the following products (i) preparation and implementation of a climate change adaptation baseline based on local participation, geo-referencing (GIS), mapping, and public reach; (ii) design and implementation of logframe-related databases that include variables related to project advance, climate change, ecosystem dynamics and risks, mapping, and subproject variables; (iii) preparation of ToR and monitoring of climate change studies in the project's area; and (iv) supervision of participatory evaluations reporting from beneficiaries. Other duties include the preparation and submission of official AWPB to the SAG and the MiAmbiente; quarterly reports of subproject activities; and mid and end-of-term evaluations. Critically, M&E staff will develop the instruments necessary to compile information of subproject activities and ensure that the proposals made by the project beneficiaries are appropriately monitored.

⁷ IFAD's Project M&E Guide: www.ifad.org/evaluation/guide/index.htm


PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT(S) ON BEHALF OF THE GOVERNMENT(S):
 (Please attach the Operational Focal Point endorsement letter(s) with this form. For SGP, use this OFPP endorsement letter).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
Mr. José Antonio Galdames Fuentes	Secretary of the Ministry of Energy, Natural Resources, Environment and Mining	Ministry of Energy, Natural Resources, Environment and Mining (MiAmbiente)	06/24/2015

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF/NPIF policies and procedures and meets the GEF/LDCF/SCCF/NPIF criteria for CEO endorsement/approval of project.

Agency Coordinator, Agency Name	Signature	Date (Month, day, year)	Project Contact Person	Telephone	Email Address
Mr. Adolfo Brizzi Officer-in-Charge Programme Management Department		22 Sept 2015	Estibalitz Morras ECD/LAC IFAD	+390654592438	e.morras@ifad.org

ANNEX A: PROJECT RESULTS FRAMEWORK (either copy and paste here the framework from the Agency document, or provide reference to the page in the project document where the framework could be found).

Logical Framework PRO -LENCA Project (including additional GEF financing)

	Indicators and targets	Verification means	Assumptions and risks
Goal:			
Contribute to poverty and extreme poverty reduction in rural areas covered by the Project in the Departments of Intibucá, La Paz and Lempira	At the end of the Project:	National census and household surveys	A Q-RCT or RCT design is used for the baseline (qualified control groups included in the sample)
	Chronic child malnutrition decreases in 10% in the Project area (height by age) – from 50 % to 40 % (RIMS 3rd level);	Baseline and impact evaluation survey	
	At least 75% of direct beneficiaries increase their assets in 20% (house improvements, agriculture and livestock) (RIMS 3er level).	Baseline and impact evaluation survey	
	The number of poor households is reduced in at least 2,626 households (including 182 households identified by Northern Horizons) and the number of extreme poor is reduced in 8,556 households (disaggregated by sex, age and ethnicity) compared with the baseline	Baseline and impact evaluation survey	
Development objective: To improve income, employment opportunities, food security and general living conditions of the poor rural population with a focus on social inclusion, gender, climate change vulnerability and with a view toward reducing poverty and extreme poverty.			
<i>Specific objective of GEF additional financing: To increase the climate resilience of agricultural productive chains in three departments of the south – west Honduras, protecting smallholders farmers and their production from the impact of climate variability.</i>	At the end of the project:		
	33,200 households (200,000 people) benefit from the Project (RIMS 1.8.1, 1.8.2);	Baseline and impact evaluation survey	Beneficiaries are motivated to participate in the project.
	75% of direct beneficiary households increase their income in at least 25%, with respect to the baseline*	Baseline and impact evaluation survey	Market conditions do not change, from baseline
	1,874 new jobs are created (farm and non – farm employment), of which at least 25% is youth employment and 25% women employment (RIMS 2.5.1) ; (includes 90 new jobs created with the Northern Horizons business plans)	Baseline study	Growth forecasts
	50% of beneficiaries suffering from food insecurity will have access at all times to innocuous and nutritious food (RIMS 3rd level)*.	Baseline and impact evaluation survey	No natural disasters
	SAG is strengthened and improved its capacity to implement and manage Project through the creation of a Project Management Unit	Ministerial decree IFAD assessments and auditing reports	SAG maintains its strategy of direct implementation
	<i>70% of all beneficiaries are trained in the identification and integration of relevant climate-change adaptation measures into their businesses. 50% of agricultural production units and agro-businesses put into practice climate resilient production and business plans. 50% of producer associations are consolidated and inserted competitively into strengthened and more resilient value chains.</i>	PTMU reports Final evaluation	

	Indicators and targets	Verification means	Assumptions and risks
COMPONENT 1: Development and Strengthening of Rural Organisations			
Outcomes			
Rural organizations are strengthened to improve sustainable productive systems and generate exceeds for markets, helping the participation of women, youth and indigenous communities	At least 80% of beneficiary organizations have increased its institutional strengths; and managerial skills (RIMS 2.4.4)	Minutes of meetings Baseline and impact evaluation	Incentives created by the Project are sufficient to motivate participation
	The participation of women and youth increases in the decision making process of beneficiary organizations in 25% (RIMS 1.6.6).	Minutes of meetings PTMU reports	
	80% of beneficiaries express a higher degree of confidence in their organizations	Specific study of organizations strengths	
<i>Specific GEF outcomes</i>	<i>1.1 Climate change risks are mapped and characterized in the project area, and results disseminated</i> <i>1.2 Climate Change adaptation measures and climate proofing are mainstreamed in the organizations and micro-enterprises.</i> <i>1.3 Climate related information is collected and disseminated to end-users and relevant Government Institutions</i>	PTMU reports Business plans approved by the Project	Beneficiaries are sensitized and benefits are visible
Outputs:			
1.1 Beneficiary organizations are sensitized and trained in management, institutional strengthening and production, market access	40 new organizations have been created, which will be part of the 365 targeted by the Project. All of these organizations will have their legal papers approved. <i>Specific GEF output: 1.1.1 .All participant agribusines organizations have mapped and characterized climate change risks</i>	Legal registration documents	
1.2 Beneficiary organizations prepare Productive Development Plans and Business Plans that include investments in adaptation to climate change	11826 members of organizations supported by the Project are trained in management, accounting, planning <i>and climate change adaptation</i> (RIMS 1.6.2). At least 30% are women and 20% youth. This target includes 18 organizations and 826 beneficiaries identified by Northern Horizons 133 business plans are prepared using participatory methodologies and based on comparative advantages identified by beneficiaries 232 Productive Development Plans are prepared based on strengths and opportunities identified by beneficiaries <i>50% of business plans include investments for climate change adaptation</i> <i>SAG, PMU and PTMU staff are trained in the identification and implementation of climate change adaptation technologies for the identified value chains</i> <i>Specific GEF output: 1.2.1 Relevant staff is trained in climate resilient value chains</i> <i>Specific GEF output 1.2.2. At least 70 % of all beneficiaries are trained in the identification and integration of relevant climate-change adaptation measures into their businesses</i>	PTMU reports	

	Indicators and targets	Verification means	Assumptions and risks
	<i>Specific output 1.2.3. No less than 50% of agro-businesses put into practice climate resilient plans to increase resilience of their productive chains</i>		
1.3 Capacity building is provided	<p><i>Specific GEF output 1.3.1 Training material and tools for mainstreaming CC adaptation into business development are produced</i></p> <p><i>Specific GEF output 1.3.2 Information is collected through ad-hoc instruments (case studies, interviews, etc.) and distributed.</i></p> <p><i>Specific GEF output 1.3.3 A climate change awareness is designed and implemented.</i></p>	PTMU reports	
COMPONENT 2: Productive and Business Development			
Outcomes			
Small rural producers improve their livelihoods implementing sustainable Productive Development Plans and Business Plans accessing markets, technical assistance and financial services	365 Business Plans and Productive Development Plans implemented	PTMU reports	Value chain participants do not have legal restrictions to sign contracts
	35% of rural organizations sign agreements with other links of the identified value chains and participate in local, national and international markets	PTMU reports Reports from the Bank Regulatory Agency	Beneficiaries have identification documents
	8,000 beneficiaries open saving accounts in the regulated financial system, of which 50% are women and youth (RIMS 1.3.6).	PTMU reports Reports from the Bank Regulatory Agency	PDP and BP meet the risk analysis used by financial institutions
	95% of Productive Development Plans and Business Plans access the financial system through loans, guaranties or other financial products (RIMS 1.3.8).	PTMU reports Case study on entrepreneurial skills	
	70% of organizations with Business Plans increase their entrepreneurial skills and are sustainable at the end of the Project (RIMS 2.5.2).	PTMU reports	
	7,382 households participating in Productive Development Plans improve their social infrastructure (schools, health centres, day care)	Baseline study PTMU reports	
<i>Specific GEF outcomes</i>	<p><i>2.1 Increased availability of natural resources are better managed and protected applying sustainable management approached</i></p> <p><i>2.2 Farming systems and post-harvesting are made climate resilient through new techniques and technologies</i></p> <p><i>2.3 Rural infrastructure is climate-proofed</i></p>	PTMU reports Business plans approved by the Project	Beneficiaries are sensitized and benefits are visible
Products			

	Indicators and targets	Verification means	Assumptions and risks
2.1 Beneficiaries receive technical assistance to improve productivity and production	<p>11,826 households are trained in post harvesting and processing as identified in their Productive Development Plan and Business Plans (RIMS 1.4.1). (includes 826 households from Northern Horizons)</p> <p>11,826 household have increased production or yields of selected crops (RIMS 2.2.2),(includes 826 households identified by Northern Horizons)</p> <p>11,826 households have adopted climate change and sustainable production technologies (RIMS 2.2.2), (includes 826 households identified by Northern Horizons)</p> <p>234 organizations with Productive Development Plans use their production for consumption and sell surplus in local and national markets (10% are indigenous organizations), (includes 2 organizations from Northern Horizons)</p> <p>133 organizations with Business Plans are selling their products. 40% of these organizations have signed formal contracts with clients and partners</p> <p><i>Specific GEF output: 2.1.1 No less than 9,000 smallholder farmers include soil and water conservation measures in 12,000 hectares.</i></p> <p><i>Specific GEF output 2.1.2 Up to 500 coffee and cocoa producers establish 500 has of agro forestry systems</i></p> <p><i>Specific GEF output 2.1.3 500 small cattle farmers' plant up to 500 has of perennial pastures.</i></p>	<p>Baseline study</p> <p>PTMU reports</p>	<p>Baseline includes a Q-RCT or RCT</p>
2.2 Beneficiaries improve their access to financial services and markets as proposed in their Business Plans	<p>6 rural financial institutions offer services in the Project area and sign collaboration agreements</p> <p><i>Specific GEF output 2.2.1 2,000 rural households enhance their post-harvest techniques through improved silos and other climate resilient processing techniques</i></p> <p><i>Specific GEF output 2.2.2 Water use and management is made climate resilient, applying water conservation techniques that can also increase the efficiency of post harvesting processes</i></p>	<p>PTMU reports</p> <p>Signed agreements</p>	
2.3 Rehabilitation of rural roads and irrigation systems	<p><i>Specific GEF output 2.3.1 At least 100 km of rural roads and other related infrastructure built in the project area are climate-proofed.</i></p> <p><i>Specific GEF output 2.3.2 At least 200 users are trained for preventive maintenance of roads and drainage</i></p>	<p>PTMU reports</p> <p>Signed agreements</p>	
COMPONENT 3: Improvement of Rural Infrastructure			
Outcomes			
Natural resources management improves	Deforestation is reduced in the Project area and forest cover increases in the selected watersheds	Baseline	Wildfires and extreme dry years are within the

	Indicators and targets	Verification means	Assumptions and risks
		Final evaluation	historical averages
	20 municipalities contribute funds for watershed management and road rehabilitation and maintenance	PTMU reports Municipalities annual plans	
Products			
3.1 Constructions of rural roads and irrigation systems	3 new irrigation systems are build; 50 km of water ways, tubes and existing systems are repaired (RIMS 1.1.7)	PTMU reports	
	At least 10% of organizations supported by the Project receive training and technical assistance for road and irrigation systems maintenance	PTMU reports Final evaluation	
	Agreements are signed with two municipalities for road maintenance	PTMU reports Signed agreements	
	36 community groups are created and supported for road maintenance	PTMU reports Minutes of group meetings	
3.2 Investments in watershed management, reforestation and soil management in selected watersheds	20 organizations implement agro – ecological practices as part of watershed management in the Project area	PTMU reports Final evaluation	
	Reforestation and water management in three watershed is implemented	PTMU reports	
	225 ha of forest for multiple uses are protected in selected watershed (RIMS 2.1.5).	PTMU reports Final evaluation	

NOTE: While most of the elements of the GEF additional funds will influence the baseline project results and impacts, the key specific adaptation-related outputs, targets and indicators from the additional GEF funds are highlighted (*in italic*) in this Logical Framework.

ANNEX B: RESPONSES TO PROJECT REVIEWS (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF).

The project document accommodates comments that have been received – It was also shared with the government of Honduras prior to submission and cleared through the IFAD internal quality control processes. The project proposal is aligned with the original approved PIF. Only a slight reduction in the co-financing estimates to be noted.

ANNEX C: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS⁸

A. PROVIDE DETAILED FUNDING AMOUNT OF THE PPG ACTIVITIES FINANCING STATUS IN THE TABLE BELOW:

All PPG have been undertaken in a cost effective manner. The initial PPG among has not been fully used as savings were made at design.

Project Preparation Activities approved	Implementation status	GEF Amount (USD)				Co-financing (USD)
		Amount approved	Amount spent to-date	Amount committed	Uncommitted amount	
1. Preparatory studies and baseline information	Completed	33 718	30 276.01	3 441.50	-0.01	48 750
2. Preparation of Project Strategy and development of indicators for Monitoring and Evaluation	Completed	25 845	23 772.56	2 072.44	0.00	32 750
3. Assessment of institutional capacities, implementation modalities and costs	Completed	19 874	16 851.20	3 022.57	-0.02	29 966
4. Consultations and validation of project design by key stakeholders	Yet to complete	20 064	7 888.41	1 463.49	10 711.85	18 000
5. Enhancement of project quality and project design management	Yet to complete	0	0.00	0.00	0.00	27 894
Contingencies	Yet to complete	3 000	0.00	0.00	3 000.00	5 000
Total project preparation financing		102 500 *	78 788.19	10 000.00	13 711.81 **	162 360

* Kindly note that there was a 1 USD discrepancy in the PPG amount approved (102 501 instead of 102 500). In order to be in line with the amounts approved by category, the above reporting was done in line with the PPG amount requested (USD 102 500).

** This is the current PPG balance at the submission. It will be confirmed once all encumbrances are expensed. All uncommitted funds will be returned to the Trustee.

⁸ If at CEO Endorsement, the PPG activities have not been completed and there is a balance of unspent fund, Agencies can continue undertake the activities up to one year of project start. No later than one year from start of project implementation, Agencies should report this table to the GEF Secretariat on the completion of PPG activities and the amount spent for the activities.

ANNEX D: CALENDAR OF EXPECTED REFLOWS (if non-grant instrument is used)

Provide a calendar of expected reflows to the GEF/LDCF/SCCF/NPIF Trust Fund or to your Agency (and/or revolving fund that will be set up)

NA