



PROJECT IDENTIFICATION FORM (PIF) ¹

PROJECT TYPE: Full-sized Project

TYPE OF TRUST FUND:SCCF

PART I: PROJECT IDENTIFICATION

Project Title:	Competitiveness and Sustainable Rural Development Project in the Northern Zone (Northern Horizons-GEF)		
Country(ies):	Honduras	GEF Project ID: ²	
GEF Agency(ies):	IFAD (select) (select)	GEF Agency Project ID:	
Other Executing Partner(s):	Ministry of Agriculture and Livestock (SAG) of Honduras	Submission Date:	2011-09-27
GEF Focal Area (s):	Climate Change	Project Duration (Months)	30
Name of parent program (if applicable): ➤ For SFM/REDD+ <input type="checkbox"/>	n/a	Agency Fee (\$):	300,000

A. FOCAL AREA STRATEGY FRAMEWORK³:

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative Co-financing (\$)
CCA-1 (select)	Outcome 1.2: Reduced vulnerability to climate change in development sectors	Output 1.2.1: Vulnerable physical, natural and social assets strengthened in response to climate change impacts, including variability	SCCF	378,000	7,975,000
	Outcome 1.3: Diversified and strengthened livelihoods and sources of income for vulnerable people in targeted areas	Output 1.3.1: Targeted individual and community livelihood strategies strengthened in relation to climate change impacts, including variability	SCCF	882,000	6,525,000
CCA-2 (select)	Outcome 2.1: Increased knowledge and understanding of climate variability and change-induced threats at country level and in targeted vulnerable areas	Output 2.1.1: Risk and vulnerability assessments conducted and updated	SCCF	75,000	80,000
		Output 2.1.2: Systems in place to disseminate timely risk information	SCCF	120,000	120,000
	Outcome 2.3: Strengthened awareness and ownership of adaptation and climate risk reduction processes	Output 2.3.1: Targeted population groups participating in adaptation and risk reduction awareness activities	SCCF	180,000	200,000
CCA-3 (select)	Outcome 3.1: Successful demonstration, deployment, and transfer of relevant adaptation technology in targeted areas	Output 3.1.1: Relevant adaptation technology transferred to targeted groups	SCCF	1,215,000	4,500,000
Sub-Total				2,850,000	19,400,000
Project Management Cost ⁴			SCCF	150,000	1,600,000
Total Project Cost				3,000,000	21,000,000

¹ It is very important to consult the PIF preparation guidelines when completing this template.

² Project ID number will be assigned by GEFSEC.

³ Refer to the reference attached on the [Focal Area Results Framework](#) when filling up the table in item A.

⁴ GEF will finance management cost that is solely linked to GEF financing of the project.

B. PROJECT FRAMEWORK

Project Objective: The objective of the proposed additional SCCF intervention is to increase the climate resilience of agricultural productive chains in three departments of Northern Honduras, protecting smallholder farmers and its productions from the impacts of climate variability.						
Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative Cofinancing (\$)
1. Capacities to address climate change impacts are improved, and awareness on its effects increased.	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 climate change risks</p> <p>1.1.2. A climate change awareness campaign is designed and put into practice</p> <p>1.2.1. SAG project staff is trained in climate resilient value chains</p> <p>1.2.2. At least 75 % of all beneficiaries are trained in the identification and integration of relevant climate change adaptation measures into their businesses</p> <p>1.2.3. No less than 50 % of agro-business 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 adaptation into business development are produced</p> <p>1.3.2. Information is collected through ad-hoc instruments (case studies, interviews, etc) and distributed</p>	SCCF	750,000	4,100,000
2. Value chains are made more resilient through adaptation techniques and adequate technologies	Inv	<p>2.1. Natural resources (soil, water) are better managed and protected using sustainable management approaches</p> <p>2.2. Farming systems and post-harvesting are made climate resilient through new techniques and technologies</p>	<p>2.1.1. No less than 9,000 smallholder farmers include soil and water conservation measures in 12,000 hectares</p> <p>2.1.2. Up to 3,000 coffee and cocoa producers establish 2,500 ha. of agroforestry systems</p> <p>2.1.3. 1,000 small cattle farmers plant up to 1,500 ha. of perennial pastures</p> <p>2.2.1. 2,000 rural households enhance their post-harvest techniques through improved silos and other climate resilient</p>	SCCF	2,100,000	15,300,000

		processing techniques 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. Rural infrastructure is climate-proofed and its maintenance improved for better protection	2.3.1. At least 100 km of rural roads and other related infrastructure, built in the project area, are climate-proofed 2.3.2. At least 2,000 users are trained for preventive maintenance of roads and drainage			
Sub-Total				2,850,000	19,400,000
Project Management Cost ⁵			SCCF	150,000	1,600,000
Total Project Costs				3,000,000	21,000,000

C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, (\$)

Sources of Cofinancing	Name of Cofinancier	Type of Cofinancing	Amount (\$)
GEF Agency	IFAD	Soft Loan	8,720,000
Other Multilateral Agency (ies)	Central American Bank for Economic Integration	Hard Loan	8,000,000
National Government	Government of Honduras	Grant	2,140,000
Others	Users	Grant	2,140,000
(select)		(select)	
Total Cofinancing			21,000,000

D. GEF/LDCF/SCCF RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY¹

GEF Agency	Type of Trust Fund	Focal Area	Country Name/Global	Grant Amount (a)	Agency Fee (b) ²	Total c=a+b
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
Total Grant Resources				0	0	0

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

² Please indicate fees related to this project.

⁵ Same as footnote #3.

PART II: PROJECT JUSTIFICATION

A. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

A.1.1 the [GEF focal area/LDCF/SCCF](#) strategies:

The “Competitiveness and Sustainable Rural Development Project in the Northern Zone” (known as “Northern Horizons”), is a key initiative of the Government of Honduras that will promote rural climate-resilient development, seeking to achieve the reduction of rural poverty and environmental degradation in the project area in an integrated and effective manner. The **SCCF project’s objective** is to reduce environmental vulnerability of poor rural families within a framework of sustainability, gender equity and rural youth inclusion, while increasing their income, employment and food security.

Aligned with GEF’s overall focus for **climate change adaptation**, the project will support initiatives of organized producer groups of local communities, who – altogether, in the context of municipal and micro-watershed development plans–, will aim at reducing vulnerability and increasing the adaptive capacity of smallholder farmers to climate change in two distinct agro-ecological zones of Honduras, selected municipalities of Atlántida in the north, and municipalities of the wider Lake Yojoa watershed. Moreover, this proposal considers: (a) the combinations of grant and non-grant resources to support the planned activities/investments for better focus and larger impact, aiming at replication and scaling-up; and (b) a closer engagement with the country’s private sector for value chain consolidation and market access promotion.

The project’s concept is rooted in the Special Climate Change Fund (SCCF) Strategy and its main goal, “to support developing countries to increase resilience to climate change through both immediate and longer-term adaptation measures in development policies, plans, programs, projects and actions”. The SCCF project seeks to support Honduras to become climate-resilient by integrating adaptation measures (reducing vulnerability, increasing adaptive capacity, adaptation technology transfer) within the agriculture and rural development actions in the Northern Zone. Expected 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.

Within a territorial and micro-watershed planning approach, the project 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 target groups (poor small agricultural producers, micro-entrepreneurs, and rural women and young people). Sustainable agricultural production, rehabilitation of natural resources (soils, water, biodiversity) and value chain development/ consolidation are all key elements of the project’s scope, objectives, activities/ investments and expected outcomes.

A.1.2. For projects funded from LDCF/SCCF: the LDCF/SCCF eligibility criteria and priorities:

The proposed SCCF project is fully consistent with the SCCF’s eligibility criteria and funding priorities, as Honduras is highly vulnerable to climate change and extreme weather events. Despite the fact that the country’s biophysical and topographic characteristics imply an abundant natural wealth in some regions that hold special agro-ecological conditions, these zones are also highly vulnerable to climatic variability and environmental degradation. Honduras is one of the three most vulnerable countries in the world, according to the Global Climate Risk Report (2010). This situation is linked to shifting and increasing constraints for rural territorial development, faced by poor rural families.

The project’s objective and scope focus on key activities/investments related to adaptation to climate change in agriculture and forestry, seeking as key outputs 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 northern zone (basic grain and commercial crops), aiming at income and employment generation, and (iii) higher productivity through improved technological practices and technology transfer that will reduce the pressure on the natural resource base. The project will centre 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.2. National strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAS, NAPs, NBSAPs, national communications, TNAs, NIPs, PRSPs, NPFE, etc.:

The present proposal is country-driven, cost-effective and integrated into national sustainable development and rural poverty-reduction strategies. The proposed project is fully aligned with the country's National Climate Change Strategy (Estrategia Nacional de Cambio Climático de Honduras, ENCC), that addresses the interactions of causes, manifestations, impacts and response measures, whilst taking into account the social, economic and technological dimensions of the country's rural areas. The ENCC Strategy is framed within the broader national planning processes and, thus, it is aligned with the National Plan 2010-2022 and the longer-term Country Vision 2010-2038. The ENCC responds to the key strategic elements of the country's development and environmental planning, particularly in regard to: regional development, natural resources and the environment; climate change adaptation and mitigation; and risk management, together with early recovery to damages and disaster losses.

The ENCC is based on the first communication to the UNFCCC submitted in 2000 (second communication is under preparation). The ENCC is the concrete response to fulfil the international commitments acquired by Honduras at the time of signing and ratifying the United Nations Framework Convention on Climate Change (UNFCCC). The Government of Honduras considers that climate change will have a definite and negative impact on the Millennium Development Goals and thus the adaptation/mitigation measures to be implemented through the guidance of the ENCC are essential elements to the achievement of the country's MDG objectives and targets.

From an innovative and holistic approach, the ENCC focuses on seven priority sectors: water resources; agriculture, soils and food security; forests and biodiversity; coastal zones; human health; risk management; and hydroelectric power. The ENCC 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. Creation and strengthening of institutional and human capacities are among the ENCC lines of action which are relevant to the sought GEF complementary funding through this project proposal, i.e., training of local populations and strategic, vulnerable groups (rural and indigenous women, young people, community leaders); technical assistance to municipalities in the design of programmes and projects aiming at adaptation/mitigation; etc.

B. PROJECT OVERVIEW:

- B.1. Describe the baseline project and the problem that it seeks to address:

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 new Government (since January 2010) 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 third most-affected country by meteorological events in the world, according to the Global Climate Risk Index 2011. 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 Northern

zone of Honduras –a region with a limited number of development operations– represents a invaluable opportunity to improve the living conditions of the rural poor and extremely poor populations, balanced with an integrated approach to natural resource, and making it climate resilient. Consideration is also given to the fact that the poorer municipalities in the Northern zone hold exceptional agroecological 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, recently approved.

Baseline project objective. The associated baseline project (Northern Horizons) is a pro-poor value chain development investment that will also support capitalization and asset building in production, value aggregation and transformation, commercialization and better market access. The associated project will: (a) Provide 'investment funds' as enabling conditions to capitalizing agribusinesses and rural microenterprises of poor rural smallholders; (b) Promote the creation, strengthening and capitalization of rural credit and savings associations (Cajas Rurales); (c) Promote linkages between formal financial institutions, agribusinesses and rural microenterprises for short-term financing; (d) Improve food security and reduce environmental vulnerability in the project area, mainly through soil and water conservation measures; and (e) Provide social infrastructure and access roads to improve the living conditions for poor rural families, especially those headed by women. The baseline project's expected users-beneficiaries consist of 24 000 households. 1,000 young people (women and men) will be trained to obtain employment, while benefiting of project-financed scholarships.

The baseline project's objective is to reduce environmental vulnerability of poor rural families within a framework of sustainability, gender equity and rural youth inclusion, while increasing their income, employment and food security. The US\$ 21.0 million project has three components: (a) Human and social development (19 per cent of project costs); (b) Value chains and competitiveness (73 per cent), and (c) Project management and monitoring and evaluation (8 per cent).

Components and results. The baseline project will seek to achieve seven outcomes, through the two operational components mentioned above (Human and Social Development; and Value Chains and Competitiveness). In addition, Project Management will be responsible for activity planning and coordination, progress monitoring, results evaluation, knowledge management, and project administration.

Component 1. Human and Social Development Component. This component will centre its activities on three key results related to (i) the promotion and strengthening of smallholder organization for production and rural business management; (ii) building human capacities for business development, the labour market and self-employment; and (iii) the improvement of the living conditions of the poor rural populations.

Component 2. Value Chains and Competitiveness Component. This component will focus on achieving four other results related to the development of agribusinesses and micro-enterprises through investments. To this effect, the component will support a diversified and consistent list of activities and specialized technical services, according to the specific expected results and required technical and managerial activities.

Project area and target groups. The project will be executed in 27 municipalities with a high concentration of rural poverty in the departments of Atlántida, Cortés and Santa Barbara (North/ North-western Honduras). These areas comprise unique and vulnerable ecosystems of the Mesoamerican corridor and the Lake of Yojoa watershed. 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 Garifuna); and (d) poor rural populations lacking social and rural road infrastructure. The project will benefit about 24,000 households. Of these, some 12,000 will benefit from specialized production and business-related technical assistance, capitalization funds, financial services and rural

roads; and over 12,000 will benefit from access to rural roads and social infrastructure. In addition, 1,000 young women and men will be trained in job-seeking skills.

Alignment with national priorities. The baseline project's contribution to achieving the Government's sectoral objectives is evident, as it gives high priority to poverty reduction, as well as to the development of the agrifood sector, strengthening the national food security and nutrition. The policy documents that establish these priorities are the National Plan 2010-2022, the Poverty Reduction Strategy, the Agrifood Sector Strategy 2011-2014, the new Food Security and Nutrition Strategy 2010-2022, and the National Strategy on Climate Change (ENCC).

Scaling-up approach. The baseline project is a priority for the Government, as the Northern region has a high concentration of rural poor and few rural development operations, but this area also has a big potential for increased agricultural production. Moreover, it brings an innovative focus to value chains, promotion and strengthening of small producers' organizations, mainstreaming of rural women, young people and ethnic groups in rural businesses, and the mitigation of environmental vulnerability. The knowledge and experience acquired will enable the scaling up and replication of the proposed approach.

- B. 2. [Incremental/Additional cost reasoning](#): describe the incremental (GEF Trust Fund) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF financing and the associated [global environmental benefits](#) (GEF Trust Fund) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

Climate change can influence the quality or quantity of inputs into production or the demand for product. Climate variability may impact on natural resources, such as agricultural and forestry products. Water availability or quality - for some production processes or irrigation for agriculture - may also be affected. These combined effects can undermine the reduction poverty efforts carried out by the Government and international organizations in the country.

The **objective** of the proposed additional SCCF intervention is to increase the climate resilience of the proposed agricultural productive chains, protecting smallholder farmers and its productions from the impacts of climate variability.

The SCCF financing will help reduce the effects of climate change on productivity and profitability of the smallholders farming system through (a) the promotion of adaptation techniques and introduction of technologies that can make productive chains more resilient. The additional SCCF funds will also assist in (b) creating awareness and reinforcing capacities for better management of climate change risks.

The SCCF funding and its associated baseline project will be organized around two components:

Component 1. Capacities to address climate change impacts are improved, and awareness on its effects increased.

This component will increase the capacities of the project executing agency, the Ministry of Agriculture (SAG), and that of the users and beneficiaries. SAG will be equipped with the necessary tools to climate-proof the activities being promoted in the project. The learnings and insights from this exercise, that will be collected through and ad-hoc instruments, will be replicated at national scale.

Climate risks and vulnerability will be identified by the beneficiaries and executing agency alike through participatory mapping processes. Climate and meteorological information will be made available to project beneficiaries.

Finally, a mechanism for generating and managing knowledge on climate resilience will be established, collecting and disseminating information on project activities. This initiative will benefit not only SAG, but also the Ministry of Environment (SERNA).

The expected **adaptation benefits** to be accrued through this project component will be associated to

(a) improved capacities for resilience action by the Government and municipalities, and (b) a better understanding by smallholder farmers and formal and informal producer organizations of the expected impacts of climate change on the resources and the activities on which they depend.

Expected outcomes

- 1.1. Climate change risks are mapped and characterized in the project area, and results disseminated
- 1.2. Climate change adaptation measures and climate proofing are mainstreamed in the organizations and micro-enterprises
- 1.3. Climate-related information is collected and disseminated to end-users and relevant Government institutions

Expected outputs

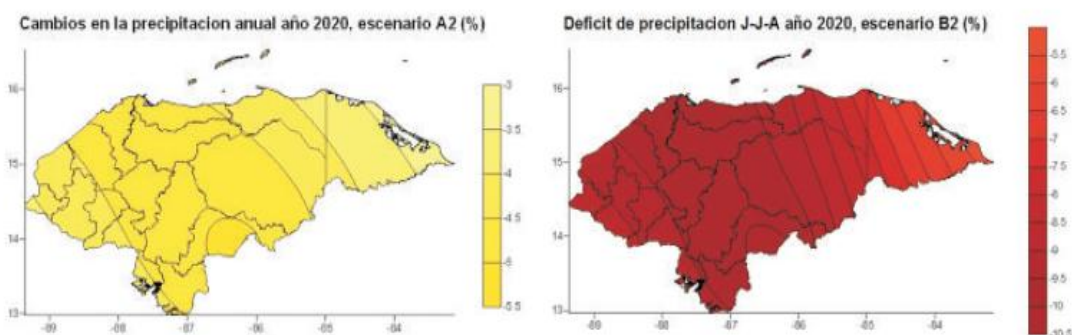
- 1.1.1. All participant agro-business organizations have mapped and characterizing climate change risks
- 1.1.2. A climate change awareness campaign is designed and put into practice
- 1.2.1. SAG project staff is trained in climate resilient value chains
- 1.2.2. At least 75 % of all beneficiaries are trained in the identification and integration of relevant climate change adaptation measures into their businesses
- 1.2.3. No less than 50 % of agro-business put into practice climate resilient plans to increase resilience of their productive chains
- 1.3.1. Training material and tools for mainstreaming CC adaptation into business development are produced
- 1.3.2. Information is collected through ad-hoc instruments (case studies, interviews, etc) and distributed

Component 2. Value chains are made more resilient through adaptation techniques and adequate technologies

This component will ensure that the productive chains are better prepared to face climate risks, protecting the natural assets on which they depend, and the introduction and more-efficient, climate-resilient processing technologies.

Climate change are posing additional stress on the agriculture sector in Honduras, with expected decreases in precipitation and increases in temperature under all scenarios (see figure below on changes in rainfall by 2020 in scenarios A2 and B2, extracted from ENCC). The increased drought risk will affect agricultural productivity, making it more difficult to meet the demand for food and to sustain incomes for smallholder farmers.

Fig. I.1.3.1: Reducción de la lluvia anual en 2020 bajo A2 y en el trimestre JJA bajo B2 (SERNA, 2010a)



The SCCF project will face the expected impacts promoting sound practices for soil and water management (soil conservation activities, water harvesting and storage, efficient irrigation systems,

etc), the use of agroforestry systems, and the rational usage of pastures and rangelands.

The project will also ensure that farming and post-harvesting techniques are made climate resilient, through a variety of measures (testing and introducing new varieties, improved pasture seeds, better storage to reduce post-harvest losses, etc).

Finally, the project will assist in climate-proofing agriculture infrastructure (rural roads, bridges, paths, etc) via better design and construction, and incorporation of basic protection items, and better organization of its maintenance.

The **expected adaptation benefits** arising from this component are associated to: (i) increased resilience of agriculture systems to climate change impacts, increasing the productivity of the value chains and protecting rural livelihoods; (ii) improved management of natural resources (water, soil), resulting in increased soil fertility and reduced erosion, among other, and (iii) reduced post-harvest losses.

Expected outcomes

- 2.1. Natural resources (soil, water) are better managed and protected using sustainable management approaches
- 2.2. Farming systems and post-harvesting are made climate resilient through new techniques and technologies
- 2.3. Rural infrastructure is climate-proofed and its maintenance improved for better protection

Expected outputs

- 2.1.1. No less than 9,000 smallholder farmers include soil and water conservation measures in 12,000 hectares
- 2.1.2. Up to 3,000 coffee and cocoa producers establish 2,500 ha. of agroforestry systems
- 2.1.3. 1,000 small cattle farmers plant up to 1,500 ha. of perennial pastures

- 2.2.1. 2,000 rural households enhance their post-harvest techniques through improved silos and other climate resilient processing techniques
- 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
- 2.3.2. At least 2,000 users are trained for preventive maintenance of roads and drainage

- B.3. 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) or adaptation benefits (LDCF/SCCF). As a background information, read ["Mainstreaming Gender at the GEF"](#):

Main categories of benefits generated. The project's cost-effectiveness analysis shows that most investments will reach the target group by means of: (a) capitalization of farms, agribusinesses and rural microenterprises; (b) strengthening of target-group producer organizations, improving their social, managerial, financial and commercial capabilities; (c) improvement of agricultural production/productivity; and enhancement of business management and entrepreneurial capabilities; (d) enhancement of the position of rural women in their family, social and productive contexts; (e) facilitation of the access of young people to remunerated employment and business development training; and (f) reduction of food insecurity, malnutrition and environmental vulnerability in the project area. In addition to business-as-usual benefits, the proposed GEF project will catalyze incremental benefits derived from more focused climate change adaptation activities and thus enhanced resilience of communities and households in the northern zone.

Gender strategy. The project will promote women participation and overall gender and youth equity in

all activities/ investments, i.e., agribusiness, MER and saving associations, etc. This approach is consistent with the IFAD's targeting and gender strategies, which has already been examined by Quality Enhancement/ Quality Assurance reviewers. The approach also includes: (a) Institutionalization of the gender perspective in the Project management Unit and services providers; (b) Partnerships with public institutions and NGOs in the project area; (c) Strengthening of capacities for women participation in decision-making and management; (d) Technical support to the Municipalities Offices for Women; and (e) Implementation of social infrastructure to improve the living conditions of women and facilitate their participation in production and social/business management.

- B.4 Indicate risks, including climate change risks that might prevent the project objectives from being achieved, and if possible, propose measures that address these risks to be further developed during the project design:

Main risks and mitigation measures. The project may face these four main risks: (a) political intervention in the hiring of project staff; (b) aversion on the part of users-beneficiaries to assume business and commercial risks; (c) weak management by producers' organizations; and (d) the environmental vulnerability of the project area.

Planned mitigation measures for these risks include: (a) IFAD direct supervision and UNDP financial management to limit political interference; (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) use of sustainable land management approaches (including soil and water conservation activities) and agroforestry systems to reduce impact on natural base. The project is designed to achieve sustainable rural businesses, with their accompanying income and employment benefits, in the overall context of the social, technical and environmental factors.

- B.5. Identify key stakeholders involved in the project including the private sector, civil society organizations, local and indigenous communities, and their respective roles, as applicable:

Key implementing partners. The project will be executed by the Secretariat of Agriculture and Livestock (SAG), while field implementation will be the responsibility of a PMU, to be established by SAG. The UNDP-Honduras will provide assistance to the PMU in loan administration. Project policies and annual working plans will be approved by a steering committee, while business plans and other infrastructure investments will be approved by an investments approval committee. Other key implementing partners include: (a) the municipalities which are expected to benefit from technical assistance and capacity building for territorial planning and climate-change matters, and their rural women planning offices supported. Municipalities are expected to assume responsibilities related to the extension service (PRINS) and to cofinance key soil conservation and rural road projects; (b) technical service providers; (c) government agencies, in terms of coordination, e.g., Secretariat of Natural resources and the Environment (SERNA); and (d) rural savings associations and microfinance institutions.

Social participation. The Northern Horizons project was designed applying a wide participatory process, with key actors, including SAG, SERNA, Ministry of Planning (SEPLAN), municipalities of the project area (Zona Norte, Lago de Yojoa), members of the Mesa Agroforestal (donors), and proposed users/beneficiaries, as per the IFAD targeting and gender procedures. Additionally, other stakeholders, such as the Executive Director of Fundación Vida, the Coordinator of the Biological Corridor of the Honduran Caribe (PROCORREDOR) and the General-Director of Hondulago (protection of Lago Yojoa), were also consulted. The beneficiaries will participate in its implementation through direct representation in the Project Steering Committee, and indirectly through the municipalities' representatives.

Governance. The following planned measures are intended to enhance the governance aspects of the IFAD loan and the GEF grant: (a) social audit by beneficiaries; (b) participation of beneficiaries, municipalities and private-sector representatives' in the Project Steering and Investment Approval Committees; (c) annual independent audits in accordance with IFAD's audit guidelines; (d) an operational manual; (e) enhanced financial management/ procurement capacity of the project management unit (PMU) in line with the Ministry of Finance's integrated financial management system; (f) a financial and administrative agreement with UNDP; and (g) an active country programme IFAD/Honduras Committee,

together with a continuous supervision/ implementation follow-up and technical support by IFAD management and technical staff, in the context of direct supervision responsibilities.

B.6. Outline the coordination with other related initiatives:

Seeking to avoid duplication of efforts, foster complementarities, while taking advantage of agricultural and business-related best practices and technological innovation, the overall Fund's country strategy in Honduras, and the execution of the proposed project, is based on: (a) partnership building with the private sector and other stakeholders, particularly for expanding market access networks and technical assistance services; (b) cooperation with the donor community, composed by the group of 16 donors (G16), an active association created in the aftermath of the Mitch disaster. Enhanced communication is also maintained in the context of the Agroforestry Round Table; (c) operational agreements with FAO and WFP, seeking joint investment operations at field level and activation of Purchases for Progress (P4P); (d) cofinancing, notably with the OPEC Fund for International Development and the Central American Bank for Economic Integration, both continuing partners of IFAD in Central America; and (e) harmonization with initiatives from development partners, primarily the World Bank-financed COMRURAL and the Inter-American Development Bank's PRONEGOCIOS programme, and the new initiatives to be financed by USAID after the conclusion of the United States' Millennium Challenge Account (MCA).

Attention is drawn to the fact that: (a) SAG will monitor the overall implementation of the three programmes/ projects financed by IFAD: Project for Enhancing the Rural Economic Competitiveness of Yoro (PROMECON); Sustainable Rural Development Programme for the Southern Region (Emprende Sur), and Northern Horizons, through a country programme IFAD-Honduras Committee. This coordinating committee will strengthen the mechanisms of coordination between SAG, IFAD's activities and those of international cooperation agencies in order to harmonize rural development interventions; and (b) Honduras is taking part in the special action-research/ knowledge management initiative –Rural Territorial Dynamics– conducted by the Latin American Centre for Rural development (RIMISP) with IFAD support. Honduras, together with all the Central American countries, is participating of the special initiative undertaken by AGEXPORT (Guatemala) in support of market access and rural enterprise development, i.e., US\$2.0 million grant-funded regional programme titled: *PRO Mercados: Market Access Programme for Rural Associative Micro-, Small and Medium-sized Enterprises in Central America*.

C. DESCRIBE THE GEF AGENCY'S COMPARATIVE ADVANTAGE TO IMPLEMENT THIS PROJECT:

IFAD's comparative advantage for intervention in rural development/poverty reduction and environmental management consists of the implementation experience acquired in the design/ implementation of ten project operations in Honduras, with a cumulative financing of US\$ 123.9 million and total project cost of US\$ 226.5 million. Currently two projects are under operation, while the Northern Horizons Project will be signed before the end of September 2011. These operations imply a consistent and consolidated Country Programme, being conducted by SAG as the sectoral head in the country. On-going projects focus on market access, rural competitiveness, territorial management, sustainable agricultural production and food security, rehabilitation of natural resources and climate change adaptation.

Additionally, IFAD has almost 10 years of experience managing or co-managing GEF projects, including in the area of adaptation to climate change (SPA, SCCF and LDCF projects) and other closely related, such as sustainable land management, land degradation and sustainable water use.

C.1. Indicate the co-financing amount the GEF agency is bringing to the project:

Key financing partners/ amounts committed. The total project cost is **US\$24 million** over six years. The sources of cofinancing are IFAD (42 per cent of total cofinancing), the Central American Bank for Economic Integration (38 per cent), the Government of Honduras (10 per cent) and beneficiaries (10 per cent) (see table C). The requested GEF financing (US\$3.0 million) will support key activities and investments, primarily specialised technical assistance to achieve climate change adaptation objectives. Most management-related costs will be covered by the co-financing, dedicating 95 % of of SCCF funds

requested to cofinance adaptation activities, and only 5 % to project administration.

C.2. How does the project fit into the GEF agency's program (reflected in documents such as UNDAF, CAS, etc.) and staff capacity in the country to follow up project implementation:

The proposed project is fully consistent with the Results-based Country Strategic Opportunities Programme (RB-COSOP) of IFAD, which has the following strategic objectives: **Strategic Objective 1.** Income generation, through improving on-farm and off-farm income generating opportunities for the rural poor; and **Strategic Objective 2.** Capacity Building, improving the organizational capacities and bargaining power of rural poor and their organizations with special attention to women and indigenous people. The fulfilment of both Strategic Objectives requires a special focus on indigenous groups.

The proposed activities are also well aligned with the new IFAD Strategic Framework 2011-2015, whose overarching goal is to enable poor rural people to improve their food security, raise their incomes and **strengthen their resilience**. Finally, the SCCF proposal is fully consistent with the new IFAD's Policy for Environment and Natural Resource Management (approved last May), which recommends greater attention to risk and resilience in order to manage environment- and natural-resource related shocks, and promotes livelihood diversification to reduce vulnerability and build resilience for sustainable natural resource management.

Supervision and follow up. The Project's execution will be supervised throughout implementation by IFAD, under the Fund's direct supervision modality, seeking to achieve the objectives and targets outlined in the Logframe while guaranteeing timely implementation and technical support. The project will be supervised and supported from the regional IFAD office in neighbouring Guatemala.

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 template. For SGP, use this [OFP endorsement letter](#)).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
Ms. Irina Pineda Aguilar	Director of External Cooperation and GEF Technical Focal Point	MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT (SERNA)	09/13/2011

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF policies and procedures and meets the GEF/LDCF/SCCF criteria for project identification and preparation.					
Agency Coordinator, Agency name	Signature	DATE (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Mr. Elwyn Grainger-Jones, Director, Environment and Climate Division (ECD), IFAD		09/27/2011	Mr. Jesús Quintana, Regional CC & Env Expert, ECD, IFAD	+390654592210	j.quintana@ifad.org