1. Project Data

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Prepared by Richard Anson  
Reviewed by Christopher David Nelson  
ICR Review Coordinator Christopher David Nelson  
Group IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

The Project Development Objective of COMRURAL, as stated in the Project Agreement (PA, 2008) and Project Appraisal Document (PAD, 2008), was: “To contribute to increased productivity and competitiveness among organized rural small-scale producers through their participation in productive alliances”.
The revised PDO, as stated in the amended PA (2017) was: to contribute to increased productivity and competitiveness among organized rural small-scale producers through their participation in productive alliances; and (b) to enable the Government to respond promptly and effectively to an eligible emergency.

For purposes of assessing the extent to which the PDO (revised version) was achieved (Section 4), this review parses the PDO into three objectives (and their corresponding outcomes and indicators):

Objective 1: to contribute to increased productivity among organized rural small-scale producers through their participation in productive alliances;

Objective 2: to contribute to increased competitiveness among organized rural small-scale producers through their participation in productive alliances; and

Objective 3: to enable the Government to respond promptly and effectively to an eligible emergency.

b. Were the project objectives/key associated outcome targets revised during implementation? Yes

Did the Board approve the revised objectives/key associated outcome targets? Yes

Date of Board Approval
28-Sep-2017

c. Will a split evaluation be undertaken? No

d. Components
   A) Support for Productive Alliances: (Original allocation: US$ 9.0 million; Actual Cost: US$ 8.6 million). This component supported subcomponents/activities to: (i) provide outreach to the Rural Producer Organizations (RPOs), Commercial Partners (CPs) and Private Financial Agencies (PFAs); (ii) create and consolidate Productive Alliances (PAs); (iii) identify potential business opportunities; (iv) prepare Business Plans (BPs); and (v) build the capacity of Technical Service Providers (TSPs) to increase the quality of services provided to the PAs, including facilitating the preparation and implementation of viable BPs;

   B) Productive Investments: (Original allocation: US$ 39.6 million; Actual Cost: US$ 62 million). The core activity was to co-finance the implementation, via grants, of BPs formulated under Component A. Eligibility for funding under the project depended on a BP being financially viable, linked to one or more concrete PAs, and having secured up-front resources from PFIs (a minimum of 30 percent) to support the BP;

   C) Project Coordination, Monitoring and Evaluation: (Original allocation: US$ 2.6 million; Actual Cost: US$7.0 million. The main activities were: project administration, and M&E, including: the setting up and implementation of a participatory M&E system, baseline information collection, mid-term evaluation and final evaluation.
With the AF in 2017, two components were added:

**D) IRM Contingency:** (Original allocation: zero; Actual Cost: 2.2 million). No funding was allocated to Component D at the time it was introduced, but if an eligible emergency were to occur, this component was intended to provide a conduit for the use of up to US$5 million in uncommitted project funds to support activities by the appropriate agencies to respond to the emergency.

**E) Cross-Cutting Institutional Strengthening:** (Original allocation, via AF: US$1.9 million; Actual Cost: US$ 0.57 million). This component aimed to support strategic activities to strengthen the agricultural sector, including: (i) consulting services to conduct studies to identify issues affecting the main value chains and proposals for increasing competitiveness, and (ii) studies to promote productive alliances;

e. **Comments on Project Cost, Financing, Borrower Contribution, and Dates**

**(i) Project Cost:** The total project cost at approval was US$ 76.2 million. The revised costs (following eight restructurings) was US$72.0 million. The actual project cost/disbursements at closing was US$78.9 (or 103.5% of the total original cost and 109.6% of revised cost). The difference in the original and revised costs with the final costs/disbursements was due to an increase the counterpart contribution from the Government and private capital sources (see ICR, Data Sheet and Annex 3).

**(ii) Financing:** At approval and final actual/disbursed amounts, the sources/amounts of original financing and disbursement were as follows, respectively: 2 IDA Credits: ($55 million vs. $40.2 million); Other ($29.75 vs. $38.7 million). The actual other source of financing (ref. $38.7 million) was as follows: private capital sources of US$33.5 ($20.25 million from private financial institutions/PFIs; and $13.25 million from rural producer organizations/RPOs); COSUDE Trust Fund (US$3.8 million); and Government: US$1.4 million.

**(iii) Borrower/Other Contribution: Original amount: US$ 21.2 million; Actual/Disbursed amount: US$38.7 million (which included funding from PFIs and RPOs, as shown above).

**(iv) Dates:** The project was approved on June 17, 2008, and became effective on May 28, 2010. A midterm review was carried out in February, 2013. The original closing date was November 30, 2015, with the actual closing date on June 30, 2021 (i.e., an extension of 67 months). This extension was due to various delays in Credit effectiveness and implementation, reflecting various capacity weaknesses and project restructurings.

**(v) Restructurings and Significant Changes During Implementation:** The project had eight restructurings, including revision of the PDO and a restructuring which was approved by the Bank's Board of Directors (in September, 2017), and Additional Financing/AF which added two components (i.e., cross-cutting institutional strengthening and immediate response mechanism/IRM) and adjustments to the PDO outcome targets during various restructurings, and was generally based on a sound rationale (for further details/rationale, see ICR, paras. 9 – 24, and Annex 6, especially summary Table A.6.1). In summary:

**(a) July 2011:** The PDO indicators and implementation arrangements were modified in this restructuring;

**(b) September 2011:** SDR4.4 million (US$7.05 million equivalent) was cancelled;
(c) **February 2012:** Two indicators adjusted to reflect the cancellation following the September 2011 restructuring;

(d) **November 2015:** The Project's closing date was extended by 13 months, and some of the Credit funds were reallocated among categories;

(e) **November 2016:** The Project's closing date was extended by nine months;

(f) **September 2017:** Board-approved Restructuring and AF: (a) an AF of US$25 million was approved; (b) the project area was expanded to include six new departments; (c) the AF would benefit 5,500 new direct beneficiaries; and (d) technical implementation of the parent Project was transferred to the Honduran Strategic Investment Office (INVEST-H);

(g) **November 2020:** The Project's closing date was extended by seven months;

(h) **March 2021:** This restructuring reallocated credit proceeds and revised component costs.

### 3. Relevance of Objectives

**Rationale**

The project’s objectives were **Highly** relevant, at appraisal and throughout implementation, to addressing the country’s key developmental challenges and to contributing to the implementation and achievement of: (a) the country's development plans, including its Plan for the Agricultural Sector for 2006 – 2010, launching of the DR-CAFTA Free Trade Agreement in 2008, GoH's long-term agenda to develop and modernize the rural and agri-food economy; (b) the Bank country strategy developmental strategies (e.g., CAS: FY2006-2010, CPS: FY2012-2015; CPF FY16-20, Honduras Private Sector Diagnostic of 2021, Honduras Country Diagnostic, 2022, thematic priorities of the World Bank, and framework for Green, Resilient, Inclusive Development/GRID). Accordingly, the Project addressed 2 core developmental challenges at the design and implementation stages, involving low productivity and competitiveness of the agricultural sector, especially with respect to targeting low-income smallholders, including disadvantaged subgroups involving indigenous and women farmers (ICR, paras. 1-4). As a reference, at project design, in rural areas about 82% and 62% of the rural households were poor and extremely poor, respectively. The Project design targeted the lower income districts and smallholder groups who had been excluded from productivity initiatives (ICR, para. 8). In addition, the Project’s follow-up phases through the Bank-funded Phases II (under implementation) and III (expected to be effective later in 2022) are providing relevant support to the continued support of strategic productive alliances among beneficiary farmers and low income target groups, in continuing to address the core developmental challenges of low productivity and value chain competitiveness among smallholder farmers, and building on the positive experiences and lessons from COMRURAL I.

**Rating**

High
4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
Objective: to contribute to increased productivity among organized rural small-scale producers through their participation in productive alliances;

Rationale
The project’s original design included a results framework in the Project Appraisal Document (PAD), but did not include a theory of change (ToC) because it was not required at the time the PAD was written. The ICR reconstructed a ToC for the project, based on the implicit results chain outlined in the PAD, and which is consistent with the overall PDO, core outcomes and supporting components/outputs/activities (ICR, Figure 1, paras. 10 – 17). The ToC figure clearly illustrates the rationale for and operational logic and linkages of this objective, to help achieve/contribute to the overall PDO.

Theory of Change:

The core expected outcome of increased productivity is generated by targeted beneficiaries adopting innovative, climate-resilient, nutrition-smart technologies and practices, which is enabled by the project: providing expanded access to improved technologies and inputs; providing productive investments through matching grants which leverage private financial and technical resources; organizing beneficiaries to gain access to established productive alliances, including expanded access to improved technologies, finance and competitive markets.

Outcome indicators: (ICR, Annex 1) (original and revised targets are shown below)

i) Percentage increase in land productivity by rural producers participating in the project: Original target: 20; Actual: 23.5 (as % of original target: 118%);

(ii) No. of technical service providers approved to provide support to rural producer organizations: Original target: 15; Revised target: 55; Actual: 65 (as % of revised target: 118%);

(iii) No. of productive alliances under implementation: Original target: 150; Revised target: 190; Actual: 163 (as % of revised target: 86%);

(iv) No. of direct project beneficiaries: Original target: 6,700; Revised target: 10,780; Actual: 12,878 (as % of revised target: 119%);

In summary, the efficacy with which Objective 1 was achieved is rated Substantial, because 3 of the 4 outcome and intermediate outcome targets were achieved. At the same time, the ICR provided limited information to assess with greater reliability two aspects: the source of the reported productivity increases and attribution to project activities; and the nature and extent of climate-resilient and nutrition-smart technologies provided by the project. This shortfall was due to the absence of evaluation studies carried out for the project, and which are now being included under the follow-up phases. In addition, the ICR stated that “producers
also made productivity gains in processing” (ICR, para. 32). The efficiency analysis showed that coffee producers were able to reduce processing costs by 40%, grain producers reduced processing costs by 13%, and dairy producers were able to improve overall productivity by 23% (ICR, para. 32).

Rating
Substantial

OBJECTIVE 2
Objective
To contribute to increased competitiveness among organized rural small-scale producers through their participation in productive alliances.

Rationale
Similar to Objective 1, the rationale for Objective 2 is reflected in the project’s original design and in the ToC reconstructed in the ICR (Figure 1), with respect to the various types of project-funded activities, which contributed to generating sustainable IRIs/outputs, which in turn, contributed to the sustainable outcome of increased competitiveness among rural small-scale producers.

Theory of Change: The prioritized interventions with respect to achieving Objective 2 include 3 types:

i. providing technical support to formulating and financing business plans;
ii. organizing farmers into productive alliances;
iii. mobilizing private capital, and expanded and inclusive access to it.

Outcome indicators: (ICR, Annex 1) (original and revised targets are shown below)

i. Percentage increase in value of gross sales of rural producer organizations, based on implementation of business plan: Original target: 10; Actual: 25.5 (as % of original target: 255%);
ii. No. of technical service providers approved to provide support to rural producer organizations: Original target: 15; Revised target: 55; Actual: 65 (as % of revised target: 118%);
iii. No. of rural producer organizations produced a profile that is approved to become business plan: Original target: 215; Revised target: 235; Actual: 236 (as % of revised target: 100.4%);
iv. No. of productive alliances under implementation: Original target: 150; Revised target: 190; Actual: 163 (as % of revised target: 86%);
v. No. of direct project beneficiaries: Original target: 6,700; Revised target: 10,780; Actual: 12,878 (as % of revised target: 119%);
vi. Percentage of investments identified in the business plans completed on schedule: Original target (2011): 80; Actual: 97 (as % of original target: 121%);
vii. Percentage of business plans financed by project implemented using good environmental practices: Original target (2011): 70; Actual: 89.7 (as % of original target: 128%);
viii. Percentage of business plans in project successfully implement measures targeting youth and indigenous communities: Original target (2011): 70; Actual: 97 (as % of original target: 139%)
ix. Amount of private capital mobilized (US$ millions): Original target: 12.5; Revised target: 24.3; Actual: 24.3 (as % of revised target: 100%);
x. Percentage of rural producer organizations working under alliance approach 24 months after disbursement: New/Revised target: 80; Actual: 91 (as % of new/revised target: 114%).

In summary, the efficacy with which Objective 2 was achieved is rated High, because 9 of the 10 outcome and intermediate outcome targets were achieved, with some by significant margins, and most targets were increased during the restructurings. While the indicators were generally sound, some of the indicators provide limited perspective on the progress toward the competitiveness objective (e.g., modest increase in sales, number of business plans prepared).

Rating
High

OBJECTIVE 3
Objective
To enable the Government to respond promptly and effectively to an eligible emergency. Added as part of the restructuring in 2017.

Rationale
Honduras has experienced frequent natural disasters, resulting in significant loss of life and economic and social damages. On the request from Government, and recognizing limited availability of resources in the event of a natural crisis, the Bank approved the addition of this objective and component, and use of unallocated project funds, while recognizing the need for flexibility, subject to the occurrence of some natural disaster.

Theory of Change: Given the nature of the need to use public funds for an emergency situation, the main rationale underpinning the addition of this component is the vital role of Government to provide “public goods and services”, in the event of an occurrence of the crisis event.

This objective involved two targets involving the establishment and operation of an Internal Response Mechanism/IRM: (1) the contingent emergency response was triggered by COVID conditions, and guided by the IRM manual which was developed in time to guide the response process; and (2) the disbursement window was an actual 27 weeks, well above the targeted 4 weeks.

In summary, while the IRM system was established, there was a significant delay in the Bank’s disbursement of funds, due to the delays in the international procurement of the sanitary goods/inputs, which were used to combat COVID effects in Honduras). This delay was due to acute global supply constraints. Also, the ICR reports that the distribution of the supplies once procured/delivered were managed effectively (ICR, para. 40).

Rating
Modest
OVERALL EFFICACY

Rationale
The overall efficacy of the extent to which the original and revised PDO and supporting 3 objectives, and their original and revised targets arising from the restructurings (especially in September, 2017) were achieved is rated Substantial. The ICR reached a sound conclusion in recognizing that the “project piloted an innovative and agile approach in a complex environment and fragile governance framework to substantially achieve the PDO outcomes of increased productivity and competitiveness” (ICR, para. 41). Supporting evidence included:

- Four of the five PDO indicator targets were exceeded;
- Out of the 14 intermediate result indicators, 12 out of 14 targets met or exceeded their original or revised targets; and
- There is promising scaling-up and sustainability of project benefits, as evidenced by: RPOs’ continued contracts with commercial partners (CPs), ongoing relationship with PFIs, and the ongoing implementation of COMRURAL Phases II and III, which are further reinforcing this scaling-up and sustainability of COMRURAL Phase 1.

At the same time, there were shortcomings. The project experienced significant delays, at start-up, and at closing, with an extension of 67 months of Credit closing. Overall, the efficacy is rated Substantial.

Overall Efficacy Rating
Substantial

5. Efficiency

Overall, the project’s performance and results demonstrated Substantial efficiency, based on various evidenced-based tools, and analyses applied and presented in the ICR (ICR, paras. 42-49, with further details in Annex 4). The methodology and results used to assess efficiency involved applying ex-post financial and economic analyses, with respect to the project’s components, as follows:

(a) Financial Analyses (paras. 42-44). The ex-post financial analysis took into account the financial analyses conducted at appraisal, which used 10 prototype farm/enterprise models, each focused on a specific activity (e.g., potato seed production, tilapia production, coffee production, tourism, and strawberry production), and extrapolated to a total of 125-150 subprojects that the project planned to finance/implement. By project closing, the project had financed about 120 subprojects, based on formulated business plans (BPs). While the coffee value chain represented about 75% of the investments and 70% of the beneficiaries, several other value chains were included to assess the financial benefits. A random sample of 12 case studies/financial models were analyzed to assess/extrapolate the project’s financial cash-flows/benefits, covering the main value chains supported by the project, based on various sources of information. The cash flows of the analyzed case studies were used to extrapolate cash flows for the total investment of the Project in each value chain. Financial rates of return (FRR) were found to be "robust" at the time of project closing (para. 45, and Annex 4), in
comparison with the FRR estimated at appraisal (of 16%). The financial and economic returns were affected adversely due to the delay in project start-up, which resulted in losses in financial and economic efficiency.

(b) Economic Analyses (paras. 43-48). The ex-post economic analyses was based on a similar methodology used for the financial analyses, with some adjustments, including: application of estimated economic prices for the relevant commodities; and inclusion of all project costs. The economic internal rate of return (EIRR) was estimated to be 20 percent, which is consistent with the appraisal value (also, 20%), and lower than the EIRR estimated at the time of the interim ICR (in 2017, of 25%). This final estimated EIRR, although generally satisfactory and consistent with the appraisal value estimated in 2008, was due to the types of businesses which the project supported and to decreases in the international coffee prices, for the project’s critical coffee value chain. The ICR conducted a sensitivity analyses of the EIRR to show that the ex-post EIRR is robust and remains positive up to a combined impacts of 20 percent decline in benefits and a 10 percent increase in costs.

(c) Other Efficiency Effects (ICR, para. 48). The ICR was not able to quantify the environmental benefits achieved through adopting improved production and manufacturing practices (e.g., adoption of drought and disease resistant seed varieties, drip irrigation techniques and micro greenhouses). Moreover, the project’s contribution to an overall increase in environmentally sustainable economic activity also led to increased employment opportunities in the targeted rural areas, with the creation of an estimated 24,673 permanent and temporary jobs.

In summary, the project’s efficiency is rated Substantial, based on overall financial and economic results, and also considering the following factors:

(i) the difficult national context, including the institutional capacity challenges, which were improved following project restructuring in 2017, which assigned a key implementation/coordination role to INVEST-H;

(ii) the evolving economic context following the approval of DR-CAFTA;

(iii) repeated weather-related shocks, the severe political crisis around a change in administration in 2009;

(iv) the pilot nature of the operation, which introduced an innovative productive alliances approach to around 3 percent of Honduran small-scale rural producers;

(v) notwithstanding the initial delays in implementation, the Project yielded robust economic returns (not including the environmental benefits mentioned above), with an EIRR of 20 percent, in line with the EIRR projected at Appraisal.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

<table>
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<th>Rate Available?</th>
<th>Point value (%)</th>
<th>*Coverage/Scope (%)</th>
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6. Outcome

The overall outcome rating is based on the assessment of the 3 dimensions as summarized above. While the project had eight restructurings, this evaluation focuses on considering more substantive restructuring (in 2017), involving a change in the PDO, additional financing and adjustments to various indicator targets (see details in Section 4). Accordingly, the assessment of the entire project is based on the original and revised outcome and output targets and achievements. Accordingly, and based on IEG guidelines for deriving the overall outcome rating for projects (ref. to IEG Guidelines, Tables 9.1 and 9.2), this review concludes that the project’s overall outcome is rated Satisfactory. The following points provide a summary of the outcome assessment.

(a) High rating for Relevance of Objectives: This rating is based on the project’s initial and continued (throughout implementation) strong alignment of objectives and priority activities with: Government’s national and agricultural sector policies, strategies, national investment program, and contribution to their strategic targets; and the Bank’s Country Partnership Strategy/Framework (covering three periods: 2006-2010, 2012-2015, and 2016-2020), and various analytical reports. Also, the country’s fragile, conflict and violence (FCV) challenges involving the project area reinforced the relevance of the project in addressing key agricultural growth and rural poverty challenges.

(b) Substantial rating for Efficacy: The project piloted an innovative and agile approach in a complex environment and fragile governance framework to substantially achieve the PDO outcomes of increased productivity and competitiveness. Supporting evidence included: four of the five PDO indicator targets were exceeded; out of the 14 intermediate result indicators, 12 met or exceeded their original and revised (upwards) targets; and there is strong evidence to support promising scaling-up and sustainability of project benefits (as reflected in the follow-on projects, COMRURAL I and II). Also, the addition of the IRM proved to be useful in helping the country address the adverse effects of COVID.

(c) Substantial rating for Efficiency: The ex-post analyses demonstrated positive overall financial and economic results, consistent with appraisal estimates, and also demonstrated positive efficiencies in the context of a challenging political and economic environment. At the same time, the project experienced various implementation delays, resulting in a project extension period of almost 6 years.

a. Outcome Rating
   Satisfactory

7. Risk to Development Outcome
Overall, there is **modest risk** to sustaining the project's development outcomes and overall PDO, especially with regards to the sustainability of the productive alliances/PAs supported by the Project. The main associated risks involve the following main aspects and evidence (ICR, para. 77):

(a) **COMRURAL worked with relatively well-established Rural Producer Organizations/RPOs.** This is evidenced in the organizational capacity index score that the Project collected for 100 RPOs.

(b) **Specific design aspects of the PA model appear to have been successful in reducing risk and improving the sustainability of the PAs,** including: (i) close technical project support provided to the RPOs; and (ii) the model's intrinsically high level of sustainability once the economic advantages have become apparent to producers and buyers, and once a successful business relationship with CPs and PFIs has been established. The ICR provided positive evidence of the sustainability of formal financing to the RPOs.

(c) **Market risk associated with commodity prices, production quality, and timing of delivery for honoring contracts could potentially hamper the profitability of various productive investments.** The ICR provided evidence (via closing survey and sensitivity analysis) that the Project contributed to equipping the RPOs with a deeper awareness of market demands and more integrated production systems.

(d) **The Project has contributed to a better understanding of and improved approaches to the risks associated with external weather events and climate variability,** by encouraging the adoption of appropriate and sustainable agricultural practices promoted/supported by the project. The inclusion of the IRM also enabled the GoH to respond to the COVID-19 pandemic, although with a disbursement delay; and

(e) **The Project has been followed by two other phases of COMRURAL (Phase II and Phase III),** which are continuing with the now-tested model of PAs, while reported to be incorporating lessons learned from this Project (e.g., greater focus on institutional strengthening of critical sector institutions, adoption of climate smart productive technologies and practices, and targeting of vulnerable groups).

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### 8. Assessment of Bank Performance

#### a. Quality-at-Entry

Overall, quality at entry of this project is positive and **moderately satisfactory**, notwithstanding the challenging operating environment and institutional weaknesses to design, implement and sustain the project. The ICR highlights 7 features, and their supporting evidence of what was done well and of the challenges (ICR, see para. 74 for further details). First, Project design was based on sound background analysis and implementation experiences in Honduras, which considered national and international lessons learned, as well as sectoral strategies. Second, Project design was simplified to the extent possible, after having been reviewed and analyzed extensively during project preparation. Third, Project design was ambitious relative to the capacity of key implementing partners, and the project’s implementation risk was still underestimated. Fourth, the geographical scope of the Project was selected based on explicit criteria, including existing social capital. Fifth, the fiduciary (financial management and procurement) and safeguards aspects were adequately assessed, although changes in fiduciary implementation arrangements during the project life suggest that a more careful assessment may have been needed. Sixth, M&E arrangements were formulated in detail, but their rollout was held up by
changing implementation arrangements and capacity constraints. The RF was well-designed to track Project indicators, but could have been improved by formulating more sharply likely project outcomes for the productivity and competitiveness objectives. Seventh, likely risks were correctly identified, although in retrospect underestimated, and mitigation measures proved insufficient in some cases (e.g., the initial challenges associated with coordination between SAG and UAP/SEFIN).

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision
The World Bank played an active and constructive role in monitoring and supporting the implementation of the Project, including the following six aspects/evidence (for further details, see ICR, para. 75).

First, Bank supervision missions were carried out on a regular basis, proactive, mobilizing appropriate and competent technical support from the World Bank Headquarters/field office, the Country Management Unit, and other technical agencies (e.g., FAO). Some examples of the Bank’s proactive role include: World Bank teams carried out 22 bi-annual implementation support missions between project effectiveness (May 2010) and closing (June 2021); the missions comprised teams with relevant expertise; the Mid-term Review (MTR) was conducted in a timely manner (February 2013), and provided useful recommendations, which appear to have been utilized; the Project was restructured eight times, suggesting strong proactivity in the Bank’s approach to addressing project implementation challenges for this innovative project in a difficult institutional context.

Second, the Bank’s supervision of fiduciary compliance was intensive and timely, involving financial management, procurement, and safeguards.

Third, Project Performance Ratings for IP and DO realistically reflected project progress (see Data Sheet performance ratings).

Fourth, the Bank project team sought diligently improvements in the implementation arrangements, which underwent significant changes during the project’s life.

Fifth, while the Project made substantial improvements in monitoring during its life after a slow start, the evaluation aspect fell short, which is expected to be addressed through a more rigorous evaluation of the forthcoming COMRURAL III.

Sixth, the Bank worked with the COMRURAL project team and other executing agencies to ensure an orderly project closing and sound transition arrangements for the regular operation of supported activities.

Quality of Supervision Rating
Satisfactory
Overall Bank Performance Rating
Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
Overall, the design of the project’s M&E system was comprehensive and sound, providing detailed guidance on its functions, evaluation methodology and frequency, based on the following evidence (for details, see ICR, para. 61 and 62):

(i) The M&E system was designed to track and measure implementation of the day-to-day activities of the Project and to evaluate project outcomes;

(ii) The monitoring of implementation progress included: developing baseline data on RPOs, and monitoring progress towards project objectives; providing information and receiving feedback from key stakeholders; determining updates and recommending adjustments to project processes as needed; and generating methodologically sound inputs for the measurement, analysis, and dissemination of project results and lessons learned;

(iii) The project evaluation framework specified semi-annual, annual, mid-term and final evaluations, starting with a baseline survey of rural producers to be repeated for every cycle of the competitive grants;

(iv) Results Framework (RF) indicators were relevant, generally specific and aligned to operational objectives, although some gaps were identified.

b. M&E Implementation
Overall implementation performance of the M&E system was Substantial, based on the following evidence (for details, see ICR, paras. 63 – 66):

(i) The Results Framework was modified four times during the Project’s life. However, most of these changes only involved clarifications in wording or changes in indicator values (mostly increases);

(ii) The M&E system designed for COMRURAL has enabled the PIU to track the Project's progress with regard to the PDO and intermediate outcome indicators;

(iii) M&E implementation was delayed due to the Project’s slow/delayed launching;

(iv) The Project’s established MIS system collected key information on RPOs;

(v) The Project’s MIS was redesigned in 2017 to make data entry more efficient and improve the quality of the reports generated;
(vi) Although the MIS system was strengthened, the implementation of a rigorous evaluation methodology involving control groups was only prioritized for implementation in the successor operations;

(vii) Various studies were conducted at project closing to inform the Borrower’s Completion Report and the Bank’s ICR.

c. M&E Utilization
Overall, there was good utilization of the Project’s M&E system/reports, as follows (ICR, paras. 67-68):

(i) The Project’s M&E data collected was used to prepare the Project’s progress reports submitted twice yearly to the line ministries and World Bank, for their coordinated use;

(ii) Project management and Bank’s Project team actively used the M&E information data for monitoring implementation progress, tracking results indicators, updating the economic and financial analysis (EFA), for guiding the focus of the AF and the various project restructurings, justifying project closing date, and using as key inputs for the Completion Report and the Bank’s ICR; and

(iii) the various project reports, including lessons learned, were used as key inputs for Government requesting and designing, and the Bank supporting the follow-up COMRURAL II and III projects.

M&E Quality Rating
Substantial

10. Other Issues

a. Safeguards

Environmental Safeguards: The project was classified as environmental category “B” (partial assessment), and triggered four environmental safeguard policies, during the preparation and implementation: Environmental Assessment (OP/BP 4.01); Natural Habitats (OP/BP 4.04); Pest Management (OP 4.09); and Forests (OP/BP 4.36). All 120 BPs underwent a preliminary environmental and social assessment by the Project’s safeguards staff, based on which the RPOs implemented an Environmental Management Plan (EMP), which laid out environmental mitigation measures for each of the potential impacts identified. Safeguard performance was mixed, as follows (ICR, para. 69):

(i) The Project did not finance activities in BPs that could result in transformation or degradation of critical natural habitats;

(ii) Integrated pest management techniques were used, focused on biological controls, and types of parasites and tools for behavioral control of pests and insects; and

(iii) Safeguards performance and compliance were affected by extended periods, notably in the early stages of project implementation, when the client lacked either one or both required environmental specialists, which resulted in a lack of monitoring and reporting on compliance with environmental safeguards.
**Social Safeguards**: The ICR rated the Social Safeguard Performance and compliance as Moderately Satisfactory or Satisfactory throughout the Project’s life. The Project was classified as Category “B”, and triggered three social safeguards: OP 4.10 (Indigenous Peoples) and OP 4.11 (Physical Cultural Resources); and OP 4.12, Involuntary Resettlement, was activated as a precautionary measure. Performance was generally good, based on the following performance:

(i) An Indigenous Peoples Plan (IPP) was developed following consultations, included for key actions (ICR, para. 70), and was publicly disclosed at the Bank’s country office in Honduras and Infoshop (2007);

(ii) Any proposal submitted involving impacts on any cultural site would not be eligible for funding unless supported by the Honduran Institute of Anthropology and History (IHAH);

(iii) The Project did not approve BPs that required land purchases. This was not found to be a limitation for participation of Indigenous Peoples, since existing land tenure schemes have resulted in issuance of collective, community or individual land titles, as applicable.

**b. Fiduciary Compliance**

(i) **Financial Management (FM)**: Based on the various assessment reports, the ICR rated financial management performance as Moderately Satisfactory (from April 2008 to Nov 2012), and Satisfactory, with some gaps, thereafter and throughout project implementation. The GoH's Integrated Financial Administration System (SIAFI) was used by the Project and operated in a satisfactory manner, allowing adequate financial monitoring and compliance with the terms of the legal agreements and applicable laws and regulations. The Project's bi-annual interim unaudited financial reports (IFRs) were submitted to the Bank and were acceptable to the Bank. Audit reports were submitted on time to the Bank and included unqualified (clean) opinions which were accepted by the Bank.

At the time of preparing the Interim ICR, there were various shortcomings in financial management, including delays in providing information needed to manage and monitor Project implementation, resulting from the separation of functions between technical (SAG) and administrative/financial (SEFIN) management of the Project. technical and administrative/ financial management aspects were later consolidated under one body (INVEST-H) at the time of the AF (2017), and subsequently, financial management performance improved.

(ii) **Procurement**: Procurement compliance was rated as Satisfactory throughout project implementation. Procurement processes for productive alliances, implemented by RPOs, followed the principles of the Procurement Regulations embedded in the guides prepared for the RPOs, which were updated as needed, based on “good practices”. These guides were reviewed and approved by the Bank. The TA for the PAs included training support for the RPOs on commercial procurement practices and enabled them to follow the procedures and reporting requirements outlined in the guides.

c. **Unintended impacts (Positive or Negative)**
d. Other

The ICR highlights 4 other positive aspects contributed by the project: women/youth/indigenous communities; institutional strengthening; mobilizing private sector financing; and poverty reduction and shared prosperity. While recognizing some attribution challenges with respect to the precise role and contributions of this project to these other strategic benefits, the ICR provides relevant evidence (paras. 52 – 60) on the nature/scope of these “other” benefits. Below are some of the key aspects.

(i) **Women/youth/indigenous communities:** The project provided direct support to enhance the role of and direct benefits to women, youth and indigenous population, including (see paras. 52 – 54): proactive targeting by the Project ensured that 27 percent of total direct beneficiaries were women and three of the BPs consisted of RPOs with only women; extensive technical support to women through the BP/preparation proposal process; developing, approving and implementing gender strategy plans, including active decision-making roles in their RPOs; increasing the number of women in management bodies/roles, thereby closing gender gaps in terms of access to finance, information and technology through the productive alliances; ensuring about 13 percent of beneficiaries were youth and 97 percent of RPOs developed and implemented measures targeting youth in the RPOs, including specific training and strategies to prepare youth to assume managerial roles in RPOs; ensuring about 38 percent of direct beneficiaries were from several indigenous communities; ensuring about 35 of the BPs (out of 120 BPs) consisted of RPOs which consisted only of Indigenous People; carrying out consultations with key representatives of indigenous communities before and during project implementation to ensure their interests were incorporated in project activities; although membership by women, youth and indigenous persons in RPOs grew by 14 percent, 27 percent and 16.1 percent, respectively, the overall rate of increase of cooperative membership was even higher -- 46 percent.

(ii) **Institutional Strengthening:** (ICR, paras. 55-56): Although institutional strengthening was added as an additional component in the latter half of the project’s implementation, and following initial implementation challenges in terms of institutional capacity of previous implementing partners and overall country capacity constraints, the project’s support to institutional strengthening and involvement of and reliance on INVEST-H entity has shown good progress. These implementation arrangements have been adopted and further strengthened by the follow-on projects of COMRURAL II and II.

(iii) **Mobilizing Private Sector Financing:** The project made important strategic contributions to expanding the role of the private sector, based on the following evidence (ICR, paras. 57 – 58): (a) Every dollar of Project financing leveraged another US$1.35 of private financing, US$24.73 million in IDA financing under the Project leveraged US$33.5 million in private capital, of which US$20.25 million were raised through PFIs and US$13.25 million RPOs’ own financing; (b) The brief survey conducted at project closing suggests that 85 percent of RPOs continued to have access to finance from the same or an alternative PFI after project closing; this reflects positively on the PA model's sustainability in mobilizing private capital; (c) the project model included several mechanisms, including technical assistance, to incentivize credit by substantially reducing the risk faced by financial institutions when dealing with small rural producers; (d) The project established a credit guarantee fund to protect the investment of the PFIs. The Complementary Guarantee Fund (FONGAC-COMRURAL) was established by the GoH and committed to insure 50 percent of the financing provided by the PFIs to the RPOs.
(iv) Poverty Reduction and Shared Prosperity (ICR, paras. 59 – 60). The project provided evidence of promoting poverty reduction and making some tangible contributions in a challenging context, including:  
(a) The project targeted small-scale rural producers, including women producers and indigenous producers who faced gaps in access to finance, technology and information, and contributed to their increased productivity and competitiveness;  
(b) The farmers constituting the project-supported RPOs were comparable to other small-scale farmers in Honduras in terms of cultivated farm size and productivity;  
(c) The Project intervention resulted in a 46 percent increase in the number of co-operative members and these additional farmers had smaller cultivated areas;  
(d) The overall increase in environmentally sustainable economic activity also led to increased employment opportunities in the targeted rural areas;  
(e) A significant contribution of the Project has been to validate and refine the productive alliance model in Honduras and in the region more broadly, and to enhance the institutional capacity of the Implementing Agency (INVEST-H) to such an extent that the follow-on operations, COMRURAL II and COMRURAL III, have been able to extend coverage to subsistence farmers and less developed value chains.

11. Ratings

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<thead>
<tr>
<th>Ratings</th>
<th>ICR</th>
<th>IEG</th>
<th>Reason for Disagreements/Comment</th>
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<tr>
<td>Outcome</td>
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<td>Satisfactory</td>
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<tr>
<td>Bank Performance</td>
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<td>Quality of ICR</td>
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<td>Substantial</td>
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12. Lessons

The ICR presents six main lessons from this project (ICR, para. 78). The four most relevant lessons have been consolidated and further sharpened below. These lessons are based on project-specific implementation experience and conclusions, and which can be applicable and contextualized to other projects in Honduras (as being done for COMRURAL I and II) and other countries which are considering a similar strategy.

Lesson 1: Promotion of appropriate, profitable, sustainable and productive technologies, and associated prioritized and transparent public investments, combined with improved access to markets, provided farmers with improved incentives for adoption and participation, and proved to be an effective strategy. The Project promoted adoption of profitable, sustainable production and processing practices (integrated pest management, drip irrigation, solar drying for coffee, etc.) and helped many beneficiaries acquire certifications that allowed them to access markets that provided price premiums for quality and reliability of their increased production and marketable surpluses. The project also strengthened farmer-based organizational capacity and scale, which contributed to enhanced farmer bargaining power, all of which contributed to higher productivity and production sales.
Lesson 2: Given the inherent risks in lending to the agricultural sector, an integrated package of prioritized public investments and supporting measures can increase confidence of PFIs and private capital mobilization, and lead to sustainable financing relationships with rural producers. The integrated approach reduced risks, increased bankability of business plans implemented by the beneficiaries, and contributed to sustainable increased value of production and marketed surpluses, which can be scaled-up in Honduras and customized in other countries.

Lesson 3: A strong monitoring and evaluation (M&E) system is an essential tool to track, enhance and sustain project performance and sustainable results, especially involving a project that is serving as a model for both within and beyond Honduras. Moreover, gathering timely baseline data and more disaggregated data on relevant key indicators can generate further insights into the precise nature and scope of project benefits, including the effective inclusion of vulnerable target groups.

Lesson 4: Identifying, tracking and implementing relevant factors which foster the active inclusion of vulnerable groups should be incorporated into project design and objectives. Project design should explicitly address factors that prevent vulnerable communities from engagement in project activities. While COMRURAL successfully reached large numbers of women and Indigenous Peoples with support that closed gaps in access for them, their overall participation in rural organizations grew at a below-average pace. A specific design feature that has been included in the new, ongoing COMRURAL projects, in addition to a dedicated window for subsistence farmers, is that additional points and priority are assigned during in the evaluation process for the approval of BPs to RPOs with a higher proportion of members from vulnerable groups. Revitalizing the rural economy while modernizing the agri-food sector requires both improved technologies to boost productivity and a range of specific measures to ensure greater inclusion and generation of direct and sustainable benefits for traditionally marginalized groups.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

Overall, the ICR is well written, analytical, evidence-based and results-focused, especially with respect to:

(a) most sections being supported by generally adequate evidence (including the farm models used to assess the ex-post EFA), albeit some limitations on the rigor of the project's attribution issues;

(b) providing a comprehensive results framework (ref. Annex 1), with quantifiable performance indicators at the outcome and intermediate outcome levels, and supported by a sound and clear reconstructed theory of change (ICR, Figure 1);
(c) inclusion of sound strategic lessons which have application for similar projects in Honduras (especially COMRURAL Phases II and III) and other developing countries, although the number of lessons were consolidated in the ICRR --- from 7 to 4 lessons;

(d) candid in recognizing explicitly: (i) the most important shortfalls of the project, especially regarding the significant delays in the project’s launch and subsequent implementation delays; (ii) absence of a more rigorous impact evaluation methodology and study (which has been deferred to the subsequent Project Phases (COMRURAL II and III); and (iii) the sustainability challenges, although the available evidence presented in the ICR on the continuation/sustainability of the Productive Alliances (PAs) seems promising.

a. Quality of ICR Rating
   Substantial