



**The World Bank**

Honduras - Innovation for Rural Competitiveness Project - COMRURAL III (P174328)

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# Concept Environmental and Social Review Summary

## Concept Stage

### (ESRS Concept Stage)

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**BASIC INFORMATION****A. Basic Project Data**

| Country              | Region   | Project ID               | Parent Project ID (if any) |
|----------------------|--|--------------------------|----------------------------|
| Honduras             | LATIN AMERICA AND CARIBBEAN  | P174328                  |                            |
| Project Name         | Honduras - Innovation for Rural Competitiveness Project - COMRURAL III |                          |                            |
| Practice Area (Lead) | Financing Instrument   | Estimated Appraisal Date | Estimated Board Date       |
| Agriculture and Food | Investment Project Financing   | 3/19/2021                | 6/25/2021                  |
| Borrower(s)          | Implementing Agency(ies)   |                          |                            |
| Republic of Honduras | Secretariat of Agriculture and Livestock                               |                          |                            |

**Proposed Development Objective**

To contribute to economic recovery, improved competitiveness and climate resilience of targeted beneficiaries in selected agricultural value chains.

| Financing (in USD Million) | Amount |
|----------------------------|--------|
| Total Project Cost         | 160.00 |

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

Honduras has been experiencing broadly modest, volatile growth and facing a series of structural challenges towards achieving inclusive and sustainable economic development. This modest economic growth has been insufficient to reduce poverty and Honduras remains the third poorest country in Latin America and the Caribbean region. The rural poor rely largely on low-productivity agricultural activities for income, have limited access to basic services, and are highly vulnerable to natural and macroeconomic shocks. Around 70 percent of indigenous populations live in poverty and female labor force participation in Honduras (46 percent) is far lower than the male rate (85 percent).



The agri-food sector is one of the key pillars driving the Honduran economic performance. The agriculture sector accounted for 12 percent of the country's Gross Domestic Product (GDP) in 2018, further expanded to around 23 percent when considering the backward and forward linkages with other sectors. The sector provides 30 percent of the country's labor force. However, sectorial performance is undermined by low productivity and value addition, vulnerability to climate change, low technical and managerial capacity to start and develop agribusiness, limited access to financial services and to farm and organizational innovations, weak public sector institutional capacity to provide key services and improve the agribusiness enabling environment, insecurity over land ownership and food security issues. The sector is mostly composed of small-scale productive systems (92 percent), formed by family farmers, whose operations are characterized by low scale, productivity and competitiveness, low levels of organization and income generation, and high vulnerability to climate and internal market shocks.

The economic recession caused by the COVID-19 pandemic in 2020 and the tropical storms Eta and Iota that hit Honduras in November 2020 is expected to increase poverty and inequality rates, further deteriorate childhood malnutrition and food insecurity among the rural poor, and severely affect the national productive capacity of agri-food chains. Economic growth halted in the first half of 2020, registering a 9.9 percent decline in Real GDP (y/y) due to domestic and external shocks amid the COVID-19 pandemic. The tropical storms Eta and Iota caused additional impacts with floods, extensive crop damage, destruction of housing, livelihoods and critical infrastructure, mass evacuations and loss of life.

The proposed operation will contribute to economic recovery of smallholder family farmers by improving competitiveness, resilience and innovation in prioritized value chains, towards a more sustainable agri-food system. The concept is based on turning the crises into an opportunity to build-back better the national agri-food system and prevent further nutritional and food security deteriorations. Competitiveness will be driven by environmentally friendly and inclusive investments in productive alliances to improve the ability of family farmers to increase productivity and value addition to successfully compete in the markets by meeting customers' demands for price, quality, and quantity of products.

The project will focus on supporting smallholder family farmers and their organizations to: (i) identify and prepare agribusiness plans that rely on productive alliances with key technical, commercial, and financial partners; (ii) improve the human capital in rural producer organizations for leading the transformation of the agri-food system; and (iii) simplify and modernize the public services that are success factors for the productive alliances, including with the upgrading of key rural infrastructure. The project will also help creating an immediate demand for jobs in the agribusiness sector as one of the key drivers for the country to restore and strengthen its economic dynamism, to mitigate the socioeconomic impacts of the crises.

The direct beneficiaries will include primarily: (i) households lead by farmers or agri-food entrepreneurs who will participate in the project through the preparation of investment sub-projects, preferably as part of a producers' group, association or cooperative and (ii) public and private sector institutions and their staff that play a primary role in facilitating and improving the agri-food system's performance. The proposed project will also have indirect benefits for a much broader range of stakeholders in the agriculture sector through (i) enhancing the overall agriculture sector business environment by modernizing the public entities that provide services to those engaged in the agriculture sector (over 300 thousand families or nearly 1.5 million Hondurans); and (ii) helping improve rural productive infrastructure within the prioritized territories.



The project is organized in five components:

Component 1 will continue promoting the COMRURAL productive alliance model to improve the competitiveness, resilience, and inclusion of family farmers and their organizations within strategic value chains and to mobilize the co-financing of these investments by private financial institutions. The participatory design and implementation of the subprojects (business plans) will be supported with technical assistance for agribusiness development and a matching grant scheme to unlock the provision of co-financing from private financial institutions. Subprojects will be identified and selected through a demand-driven and transparent mechanism that will ensure the participation and inclusion of women, indigenous people and afro descendants, and the prioritization of climate-smart and nutrition-smart innovations, as well as farm innovations to boost productivity, value addition, food processing and bio-sanitary and safety procedures, food and nutrition security, and digitalization of agriculture.

Component 2 will support the upgrading of rural infrastructure of public or community nature to improve connectivity, access to markets and resilience of the productive alliances in prioritized territories and value chains. The prioritization of rural infrastructure investments (i.e. market infrastructure, storage facilities, tertiary roads, ford bridges, drainage infrastructure) will have a territorial approach driven by the location and concentration of investments in Component 1. The design, implementation, and oversight of the investments under the component will be coordinated with the corresponding government sectorial agencies involved in the provision of such public services, in order to ensure operation, maintenance, and sustainability in the long term.

Component 3 will help improve the enabling environment of agribusinesses by supporting the modernization and strengthening of selected public sector services that are key to improve the performance and competitiveness of agribusiness in agri-food system of Honduras. The component will support this type of improvements in the Ministry of Agriculture and Livestock (SAG), National Service for Agri-food Health and Safety (SENASA), the Sanitary Regulation Agency (ARSA), and in a group of Technical Agricultural Schools located in the project area.

Component 4 will finance the overall project management including: (i) project management and coordination among different stakeholders; (ii) project monitoring, evaluation, and impact assessment; (iii) project fiduciary administration, internal controls, and audits; (iv) project environmental and social risk/safeguards management; (v) a citizen's engagement mechanism; and (vi) project-related studies.

Component 5 will be a Contingency Emergency Response Component (CERC) that will provide immediate response to future eligible emergencies. An eligible emergency is an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact associated with natural or man-made crises or disasters. At the request of the Government, the World Bank would reallocate uncommitted funds from other components into this component. The mechanism for declaration of an eligible emergency would be agreed between the World Bank and the Government of Honduras.

#### **D. Environmental and Social Overview**

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]



While the project will be implemented at the national level for certain interventions, it will target strategic national value chains. The institutional strengthening, human capital, and business climate-enhancing activities will have a national coverage. Subproject investments (comp. 1) and rural infrastructure work (comp. 2) will be identified through a geospatial approach prioritizing value chains and agribusiness initiatives by region. Although the geospatial approach has not been defined yet, components 1 and 2 will focus on 16 out of 18 of the departments of Honduras (except Islas de la Bahía and Gracias a Dios). COMRURAL AF AND COMRURAL II are currently under implementation, and COMRURAL III is proposed to largely continue and scale up their good practices and experience. Among these practices, the project will consolidate the inclusive approach brought under COMRURAL II for targeting vulnerable groups, maximizing the participation of women, youth, Indigenous Peoples (IP), and Afro-descendants (AD).

Honduras is the third poorest country in the Western Hemisphere, with one of the highest poverty rates in the LAC region: 16.5 percent in 2018. Despite some progress achieved through several policy reforms and programs undertaken since 2015, the country's economic and social development continues to suffer from governance, fiscal, infrastructure, high emigration, and low-skilled labor force challenges, as well as a high vulnerability to external shocks. Inequalities remain high which, among other factors, are driven by uneven access to basic services, poor social protection and high crime rates.

Honduras is a multiethnic, multilingual and multicultural diverse country where approximately 18 percent of the national population belongs to the 9 IP/AD groups, located in 16 out of its 18 departments. There are 7 IP groups, namely: Maya-Chortí, Lenca, Nahua, Tawahka, Pech, Miskitu, and Tolupan and 2 AD groups: Garífuna and English speaking AD. The Lenca and Garífuna are the largest groups. Most IP/AD communities are below the poverty level, out of which 40 percent live in extreme poverty.

While homicide rates have fallen from 86 per 100,000 residents in 2012 to 43.6 at the end of 2019, crime and violence remain high. Most crime victims are members of rival gangs, small business owners who resist gang extortion, or those involved in land tenure disputes, as 80 percent of the private land is not properly titled. Although road infrastructure has dramatically improved in the last 5 years for main routes; connectivity with most rural areas is poor and only 52 percent of the rural population lives within 2 kilometers of a full-season road.

Honduras is an ecologically diverse country that contains tropical and sub-tropical life zones and extensive pine forest, rainforest, mangrove forest and wetland habitats. The three new departments incorporated into COMRURAL III, in addition to those that are the focus of COMRURAL AF and COMRURAL II, include water catchments that flow to both the Pacific (Valle) and the Atlantic (Yoro, Olancho). Yoro is drained by the upper Aguan river, and Olancho by the Coco, Paduca and Sico Tinto rivers which are the main freshwater sources for Miskito and other indigenous communities living in Gracias a Dios and Colon Provinces. Valle is drained by the lower Goascaran, Nacaome and Choluteca rivers and estuaries. Each province includes significant areas within protected areas: Olancho – 11, Yoro – 6 and the entire coastline and near shore inland area of Valle, which is characterized by extensive mangrove forests and wetlands, is protected with in a series of contiguous protected areas.

Honduras is exposed to the negative impacts of climate change with Valle being in the Dry Corridor suffering intense and prolonged seasonal droughts, and negatively affected by the flooding caused by intensified and frequent tropical storms including Hurricane Mitch and recently by Tropical Cyclones Iota and Eta.

#### D. 2. Borrower's Institutional Capacity



COMRURAL III is expected to be implemented by the Ministry of Agriculture and Livestock (Secretaría de Agricultura y Ganadería – SAG). The SAG currently chairs the steering committee that is responsible for the implementation of the COMRURAL AF and COMRURAL II; however, under COMRURAL III, it is expected to assume a more significant role for the implementation of the proposed operation. A PIU will be created within SAG and the team of the current PIU at INVEST-H (a government agency) implementing COMRURAL AF and COMRURAL II is expected to support the preparation and readiness of this Project with its Environmental and Social capacity.

The COMRURAL model implemented through COMRURAL I and its AF (P101209) and COMRURAL II (P168385) has accumulated more than 10 years of experience in promoting the development of the country's agri-food sector, with the active participation of the private financial sector to co-finance and maximize the impact of investments. The current PIU at INVEST-H has developed institutional capacity and procedures to satisfactorily undertake actions to ensure E&S compliance while strengthening the social inclusion approach. The COMRURAL AF has had a satisfactory safeguards rating in the two most recent ISRs; the COMRURAL II has been declared effective in May 2020 and is off to a good start. Besides the PIU based in Tegucigalpa, COMRURAL AF also works with 3 regional offices that are expected to be expanded to 5 under COMRURAL II and to support COMRURAL III. The current PIU has a full-time social specialist and two full-time environmental specialists already working in COMRURAL AF and COMRURAL II who are ready to support ESF compliance in COMRURAL III.

During preparation, the current PIU Environmental & Social team at INVEST-H will support the development and consultations of required environmental and social instruments. If the ongoing COMRURAL II project is restructured to also shift implementing agencies to SAG, then additional environmental and social staff may also be contracted if needed to be able to manage both projects in parallel. These needs will be thoroughly discussed during project preparation, and an appropriate staffing plan on environmental and social management will be put together prior to appraisal. Project preparation will also explore and define the extent to which the existing environmental unit at SAG, and any other existing environmental or social capacity within the ministry, may provide support to the PIU, with the goal of strengthening their permanent capacity on E&S management through the project where institutionally feasible.

## II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Substantial

#### Environmental Risk Rating

Substantial

Investments under the project will be made in institutional strengthening, human capital, and business climate-enhancing activities as well as technical assistance to improve production techniques. It will also include improvements to rural infrastructure possibly including irrigation and improved secondary and tertiary roads to facilitate access to markets.

Environmental risk is assessed as SUBSTANTIAL due to: (i) some potentially significant risks associated with construction/rehabilitation of rural roads, including possibly increasing accessibility to areas of natural habitat, which may then increase risks to those habitats of unsustainable exploitation, particularly given the absence of strong



enforcement capacity in protected area administration; ii) disruptions and traffic/road safety risks to workers, communities and road users; iii) pesticide use, iv) water balance issues associated with irrigation works, v) phytosanitary aspects of livestock production supported under the project, and vi) vulnerability to climate-associated drought and flooding. This risk rating will be reviewed during preparation, and adjusted if needed, based on further information and analysis of the proposed activities and dialogue with the client.

The construction and rehabilitation of rural roads under Component 2 may generate adverse impacts, including potential affectations covered under ESS3 (raw material sources, waste management, water pollution), ESS 6 (aquatic and forest habitats, protected areas) and ESS 8 (excavations and earth movement may encounter /affect tangible cultural heritage values). Other potential impacts are related to activities aimed at improving crop and livestock production including the installation of irrigation systems (ESS3, ESS6), pesticide use (ESS2, ESS3, ESS6), and use of antibiotics and phytosanitary arrangements with livestock (ESS2, ESS3, ESS6).

#### Social Risk Rating

Substantial

COMRURAL III is expected to directly benefit over 25,000 households (about 100,000 people) of farmers or agri-food entrepreneurs. The direct beneficiaries will participate through the preparation of investment subprojects, preferably as part of a producer group, association or cooperative. Other direct beneficiaries include public and private sector institutions and their staff as well as private financial institutions, universities, schools, wholesalers, aggregators, among others. It will also indirectly benefit a broader range of stakeholders in the agriculture sector through enhancing the overall agriculture sector business environment (over 300 thousand families or nearly 1.5 million Hondurans).

Social risk is considered SUBSTANTIAL due to: (i) potential impacts generated by construction/rehabilitation of rural infrastructure as described below; (ii) the challenges of implementing projects with multiple and diverse indigenous groups dispersed nationally; (iii) implementation difficulties in remote and difficult to access areas that may overlap with high-crime areas, and; (iv) challenges related to establishing and adjusting to the new institutional arrangements for the PIU. However, this SRR will be reviewed during preparation based on further information and analysis of the activities and dialogue with the client.

Rural infrastructure works (possibly including construction/rehabilitation of rural roads) under Component 2 may generate local adverse impacts, including: (i) potential affectations covered under ESS5 (resettlement, restriction to access certain areas, interruption of businesses, etc.); (ii) exacerbation of local land tenure disputes; (iii) impact on community dynamics due to labor influx and involvement of community workers in areas difficult to supervise; and (iv) increased risk of spreading COVID-19 due to the on-site nature of Project activities.

Amongst beneficiaries/affected people, there will be indigenous peoples. Working with IPs requires consultations and other measures addressed under ESS7, which poses challenges for adequate implementation, including the direct involvement of social specialists hired by the Borrower with experience working with IPs. It also calls for adjustments to the communications strategy and stakeholder engagement to ensure that they are culturally appropriate and that they respond to stakeholders' challenges and circumstances.

Areas of intervention may be remote and difficult to access due to inadequate and limited infrastructure, particularly during the rainy season in rural areas, creating challenges for providing technical support and effective monitoring.



Although crime and violence in Honduras is mostly focused on urban settings, some regions may face these challenges and hence, the use of security forces will need to be assessed at the local level.

## B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

### B.1. General Assessment

#### ESS1 Assessment and Management of Environmental and Social Risks and Impacts

##### *Overview of the relevance of the Standard for the Project:*

ESS1 is relevant. The project has 5 components: (i) matching-grant scheme for co-financing subprojects under the Productive Alliance (PA) model successfully being implemented by COMRURAL, COMRURAL AF and, now, COMRURAL II; (ii) improvement of rural infrastructure and access to markets of prioritized territories; (iii) modernization of public services for enabling the agribusiness environment; (iv) project management; and (v) CERC. The Project is national in scope (implemented in 16 out of the 18 departments of Honduras), and investments through components 1 and 2 will focus on prioritized value chains based on a demand-driven approach.

Based on the scope of the proposed activities, for which exact locations are not yet known, the Ministry of Agriculture and Livestock (SAG) will develop an Environmental and Social Management Framework (ESMF) in compliance with the ESF, but drawing extensively on the ESMF prepared under Bank Safeguard Policies for COMRURAL II, to ensure it effectively guides the screening, assessment, management, monitoring and reporting of Environmental and Social (E&S) risks and impacts emerging from the new areas of intervention planned under COMRURAL III. The ESMF will include guidelines for the development of Environmental and Social Management Plans (ESMPs) for subprojects in component 1 and 2, including WB EHS Guidelines (both General as well as applicable specific guidelines for Agribusiness and Food Production). Furthermore, the project's ESMF and Operations Manual (OM) will include a negative list of activities to exclude those that may result in long term, permanent or irreversible negative environmental and/or social impacts and impacts on highly sensitive areas in terms of their biodiversity and cultural heritage value. The ESMF will also identify project affected groups and beneficiaries, including Indigenous Peoples (IPs) and Afro descendants (ADs) that meet the four criteria set forth in ESS7 to be identified as IPs, as well as other Afro descendants and vulnerable groups. Finally, the ESMF will also include a specific section related to the CERC (Component 5), including (but not limited to) a positive list of eligible expenditures from an E&S perspective, and institutional arrangements for E&S assessment and management, in case of activation.

Following an initial stakeholder mapping, a process of relevant and meaningful consultations will take place during the development of the ESMF to integrate stakeholders' concerns and expectations into the analysis of potential risks and impacts as well as the proposed management measures. Consultations will be adapted to the Government of Honduras's (GoH) measures, policies and guidelines in response to the COVID-19 pandemic and will follow the recommendations set forth in the WB's Technical Note: "Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings, March 20, 2020", avoiding in-person gatherings, diversifying means of communication and relying more on social media and online channels as well as traditional channels of communication (TV, newspaper, radio, dedicated phone-lines, public announcements and mail) when stakeholders do not have access to online channels or do not use them frequently.



Stakeholders' feedback will feed into the ESMF that will be developed, consulted and disclosed by appraisal both in country and on the WB's website, as well as through other communication means deemed necessary. The SAG will lead the development and consultation of the ESMF, but will count on the technical expertise of the COMRURAL AF & COMRURAL II's PIU at INVEST-H.

The SAG will also develop, consult upon and disclose in country and on the WB's external website the following advanced drafts: (a) Stakeholder Engagement Plan, (b) Labor Management Procedures, (c) Resettlement Framework, (d) Indigenous Peoples and Afro descendants Planning Framework, which will include a section targeting the needs of ADs to ensure their social inclusion in the project, per ESS1, and (e) a draft Environmental and Social Commitment Plan (ESCP) prior to appraisal. The ESCP will include all necessary measures that the project will need to address during implementation to comply with the ESF, as well as monitoring and reporting arrangements. Further details on the other instruments listed here are provided in the sections below.

#### **Areas where “Use of Borrower Framework” is being considered:**

None

#### **ESS10 Stakeholder Engagement and Information Disclosure**

ESS10 is relevant. Key stakeholders include farmers or agri-food entrepreneurs, preferably as part of a producer group, association or cooperative, as potential beneficiaries. Other direct beneficiaries include public and private sector institutions and their staff that play a primary role in facilitating and improving the agri-food system's performance: SAG, SENASA, ARSA, private financial institutions, wholesalers and aggregators. IPs (which include the Garifunas that are ADs complying with 4 criteria set forth in ESS7), ADs (which do not meet the four cumulative criteria of ESS7) and vulnerable groups will be directly and indirectly impacted by Project activities. It will directly or indirectly have an impact on a broader range of stakeholders through the generation of job opportunities when funding business plans and rural infrastructure works; mobility improvements for rural communities, and maximization of the participation of women, youth, and IP/AD.

During project preparation, the SAG (with technical support of current PIU at INVEST-H) will carry out initial consultations and engagement with potential beneficiaries and affected groups, other interested parties as well as disadvantaged and vulnerable groups, about the overall project design, the proposed E&S instruments as well as suggested ways to share project information and engage with stakeholders. The specific characteristics of the consultations (e.g. timing, structure, communication means and platforms) will be determined during preparation and adapted to the GoH measures, policies and guidelines in response to the COVID-19 pandemic. Consultations will be in line with the WB's Technical Note prepared for the COVID-19 situation: "Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings, March 20, 2020", avoiding in- person gatherings, diversifying means of communication and relying more on social media and online channels as well as traditional channels of communications (TV, newspaper, radio, dedicated phone-lines, public announcements and mail) when stakeholders do not have access to online channels or do not use them frequently. The results of these consultations will be documented in the Stakeholder Engagement Plan (SEP) and integrated into the design of the project and its E&S instruments.



The current PIU at INVEST-H had developed a SEP for COMRURAL II which includes Project description, general characterization of main stakeholders, legal framework as well as a program for stakeholder engagement including guidelines to socialize Project activities and participation of indigenous and non-indigenous actors. The SAG (with the technical support of the current PIU at INVEST-H) will develop a SEP for COMRURAL III, drawing extensively on the SEP of COMRURAL II, broadening the stakeholder mapping (including IPs, per the criteria to be considered as IPs under ESS7, as well as ADs and vulnerable groups), reflecting the consultation process to be undertaken during Project preparation and proposing a consultation and engagement strategy for implementation. It will also include general measures to conduct targeted consultations with indigenous peoples or vulnerable groups identified in the area of influence of each subproject during project implementation. The SEP will include a description of the project level Grievance Redress Mechanism (GRM) that will be developed based on the GRM currently active for COMRURAL AF and COMRURAL II but adapting it to the new institutional framework.

Feedback of the consultations will be integrated into the SEP that will be disclosed, prior to appraisal, online and through other means deemed necessary to reach potentially affected communities and in a culturally appropriate manner.

## B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

### ESS2 Labor and Working Conditions

This standard is relevant. Worker categories under the project may include (i) direct workers (e.g. PIU staff); and (ii) contracted workers hired to work on infrastructure activities (e.g. construction and rehabilitation of rural roads) and/or provide consulting support. No information is currently available on whether community workers or primary suppliers will be involved in the project – this will be confirmed as project preparation progresses.

The SAG (with technical support of current PIU at INVEST-H) will develop draft Labor Management Procedures (LMP) in a stand-alone document, with reference to national labor laws and ESS2, identifying and describing the types of workers likely to be involved in the project and setting out the manner and terms in which they will be contracted and managed. If applicable, the draft LMP will describe how agreements with community workers will be reached, and the terms on which such labor will be provided, including how the voluntary nature of the work will be ascertained and documented as well as the methods by which they can raise grievances in relation to the project. The draft LMP will provide an overview of the Occupational Health and Safety (OHS) risks and key management measures and describe how the Borrower will monitor the health, working conditions and hours of work as per the requirements of ESS2 and in line with the World Bank ESF Interim Note “COVID-19 Considerations in Construction/Civil Works Project”. The SAG will also require contractors to develop and implement a workers’ code of conduct for subprojects which shall include provisions to manage risks posed by Sexual Exploitation and Abuse and Sexual Harassment SEA/SIH and COVID-19 transmission, among other risks. The draft LMP will also describe a dedicated GRM accessible to project workers, separate from the project-level GRM.



The minimum age for work under the project is 14 years old, per ESS2. Children between the ages of 14 and 18 may be allowed to work following the stipulations of paragraphs 18 & 19 of ESS2. Forced labor will be prohibited under the proposed project. The draft LMP will include measures to prevent the risks of child and forced labor.

The draft LMP will be developed and disclosed prior to appraisal and will be updated as needed during implementation as information on subprojects become available.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

The ESS3 is relevant. In line with the PDO to improve competitiveness, resilience and innovation of prioritized value chains, contributing to the recovery process from COVID-19 and towards a more sustainable food system, the project will contribute to reductions in inefficient resource use whilst promoting improved food safety and security.

During preparation, the potential to enhance the project's positive E&S impacts will be considered in project design to ensure the siting and construction of project infrastructure to reduce vulnerability to extreme weather conditions. Project design will consider the use of renewable energy as well as energy and resource efficient technologies for project financed infrastructure and equipment. These shall be incorporated into building designs (where applicable) and will include measures such as efficient lighting and cooling where relevant, and efficient water use. Under Component 1, project investments will facilitate the adoption and scaling up of climate resilient and sustainable natural resource management practices, thus reducing Green House Gas (GHG) emissions of value chains (silvo-pastoralism, resilient water for agriculture approaches, soil management practices that reduce erosion and limit evapotranspiration, improved watershed management, etc.); supporting development of farmer-led irrigation and small-scale collective irrigation schemes that contribute to the resilience of rain-fed agriculture, such as water harvesting and water storage; construction of small-scale irrigation and drainage schemes managed collectively; on-farm irrigation technologies that increase water productivity and water savings (drip, sprinkler, etc.); and low-cost pumping systems (including solar). In line with ESS3, the Borrower will characterize and estimate sources of air pollution-related to the Project, and will determine with the Bank whether project related emissions may warrant an estimation of gross GHG emissions as per this standard, as well as its technical and financial feasibility. If the estimation is deemed warranted and is feasible, this gross GHG estimation will be reported in the appraisal ESRS.

During preparation, the project will assess whether the cumulative use of water across all beneficiaries could meet the ESS3 threshold for requiring a water balance assessment (potentially significant adverse impacts on communities, other users or the environment). If so, an initial high level water balance will be included in the ESMF, and provisions included for its updating during implementation as subprojects are identified and planned in more detail.

Waste management practices including for roads, animal byres and coffee processing facilities as well as others will aim to avoid, reduce, reuse or dispose of waste materials in a manner that is safe for human health and the environment, especially water bodies. The ESMF will include guidelines for the development of site-specific Waste Management Plans for activities under components 1 and 2. Specific measures will aim to ensure there is no soil, water and/or air contamination from handling and disposal of construction waste. For the operations phase, site specific waste management plans shall be developed to ensure processing facilities, eg coffee plantations, manage their waste streams in line with the requirements of this standard.



Where potential environmental liabilities are identified as part of subproject level assessment and planning, these shall be assessed and where necessary, site-specific remedial plans developed as part of subproject level ESMPs and executed under the project. These requirements will be outlined in the ESMF. The environmental and health risks associated with the use of agrochemicals will be assessed in the ESMF, with guidance on the development of subproject-specific Integrated Pest Management Plans (IPMP). In addition, measures will be defined to prevent and mitigate against potential adverse health impacts on project beneficiaries and adjacent communities.

#### **ESS4 Community Health and Safety**

ESS4 is relevant. Project activities will increase community exposure to health and safety risks, particularly linked to the implementation of components 1 and 2. Risks and impacts emerging from component 1 will depend on the nature of the business plan investments, but most of them will be on site (e.g. improvement of on-site infrastructure and technology) with limited impact on the broader community. Under component 2, rural infrastructure work, including construction and rehabilitation of rural roads, may result in potential traffic and road safety risks to workers, community and road users. Influx of temporary workers will also increase exposure to communicable diseases, particularly COVID-19 and other risks such as sexual exploitation and abuse and sexual harassment (SEA/SH). Potential risks will be outlined in the ESMF, along with generic measures to safeguard community health and safety during project implementation, and processes for subproject screening and more detailed planning of site-specific mitigations, as warranted.

Based on the information available at concept stage, Gender Based Violence (GBV) risks are considered low. However, mapping of institutions in charge of GBV prevention and response will be included in E&S assessments at subproject level, complemented by SEA/SH training for key stakeholders. Contractors and subcontractors will be required to develop and adopt a workers' code of conduct, including provisions on SEA/SH.

The national context is characterized by an overall lack of security and violence which may be present in Project intervention areas and present an additional risk for the Project, per ESS1. The ESMF will provide a description of baseline social and environmental conditions, including crime and violence high risk areas as well as general guidelines to assess security considerations at subproject level. At concept stage, it is not expected that the government of Honduras or Project beneficiaries may need to rely on private security, military or police forces to provide security services in connection to the project. However, if at subproject level this risk is identified, associated mitigation measures, including the preparation of dedicated plans or requirements for the use of private security personnel will be prepared.

#### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

ESS5 is relevant. Project activities under component 1 and, particularly, component 2, may generate impacts covered under ESS5. While activities to be financed through business plans are expected to cover on-site investments in privately-owned land, it is not possible to rule out the need of permanent or temporary physical or economic displacement as determined under ESS5. Moreover, rural infrastructure works, including the construction or



rehabilitation of rural roads, may require land acquisition or restriction to land use that may generate physical and/or economic displacement, including of indigenous peoples communities, thus requiring Free, Prior and Informed Consent as determined by ESS7.

Since subproject locations are not known until evaluation of business plans and determination of areas of intervention under component 2, the SAG (with technical support of current PIU at INVEST-H) will develop a Resettlement Framework (RF) drawing extensively on the one developed for COMRURAL II by the current PIU, to guide the preparation of specific Resettlement Action Plans (RAPs) to address potential cases of involuntary resettlement if they are identified during project execution.

The SAG will develop the RF by appraisal and once the location of subprojects is determined and the specific information is available, RAPs will be prepared for those subprojects causing impacts covered under ESS5.

#### **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

The ESS6 is relevant. Honduras has high indices of biodiversity due to its diversity of habitats including natural and critical habitat, much of which is legally protected in a network of 91 national parks and reserves. These habitats typically provide critical ecosystem services which sustain economic development -in particular, agriculture, agroforestry and fisheries.

The project proposes to be anchored in a nature-based vision of economic development for the medium and long term and to promote tree plantations to expand forest cover and its capacity for carbon sequestration, climate change mitigation, and other positive effects on the environment. Plantations will be located on lands that have already been converted or highly degraded (excluding any land that has been converted in anticipated of project funding), and measures will be taken to prevent any associated threats that invasive species may present for natural habitats. The project will also provide technical assistance to ensure that the business plans for tree plantations supported through the project provide for ongoing sustainable management of the plantations, including striving to achieve certification under an independent forest certification system (in the case of any large-scale commercial operations), or -- for small scale producers -- a standard of sustainable forest management consistent with the principles and criteria of independent certification systems even if not formally certified, and developed with meaningful participation of project-affected parties including indigenous peoples where applicable.

For any animal husbandry activities supported through the project, good international industry practice (GIIP) will be employed in husbandry techniques, in a manner consistent with this standard.

Road rehabilitation and construction to improve market access for farmers may also increase accessibility to areas of natural habitat, which may then increase risks to those habitats of unsustainable exploitation, particularly given the absence of strong enforcement capacity in protected area administration.

Given that specific site locations are not yet known, the ESMF will identify protected areas and other valuable biodiversity areas and landscapes throughout Honduras and add interventions that would adversely affect these areas to a negative list of activities ineligible for project support. The negative list will also include activities that



could incentivize land use changes that could put pressure on, or directly threaten natural habitats and/or the sustainable management of natural living resources.

The ESMF will provide generic guidance on measures to avoid, minimize or mitigate potential impacts on biodiversity and on the sustainability of living natural resources. Screening processes will be developed to prevent activities negatively impacting natural or critical habitats, protected and/or internationally recognized areas, and any residual impacts will be addressed through site-specific mitigation measures defined in sub-project ESMPs. In addition, the project will not support activities within protected areas unless (a) those activities are permitted under the protected areas' management plans; (b) adequate capacity exists to ensure effective implementation of that management plan, and (c) site-specific screening and assessment has determined that the activities do not have the potential to lead to the loss, conversion or degradation of natural habitats.

#### **ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

The ESS7 is relevant. While the 2013 national census estimated 656,000 indigenous peoples (8 percent of the national population), a census undertaken by Indigenous Peoples (IP) federations considers that the IP population reaches 18 percent (1.5 million people). IPs are located in 14 of the 16 departments of Project intervention, with the exceptions of Islas de la Bahía and Gracias a Dios (departments with IPs presence but that will not be part of the Project intervention area). There are 7 IP groups, namely: Maya-Chortí, Lenca, Nahua, Tawahka, Pech, Miskitu, and Tolupan and one AD group (Garífuna) that meet the four cumulative criteria to be identified as IPs under ESS7. The Bank will conduct a follow on assessment to determine if other groups present in the Project area of intervention meet the four criteria set out in ESS7 and therefore, also qualify as indigenous peoples. The Lenca and Garífuna are the largest groups. Most IPs are below the poverty level, out of which 40 percent live in extreme poverty. Of the IP population, 80 percent live on their traditional lands and 20 percent in urban areas but meet the requirements of ESS7.

As IPs (including the Garífunas) are involved in project's prioritized value chains, they will be impacted by the project, and, their farmers and agri-food entrepreneurs can become direct beneficiaries under component 1 and be directly or indirectly affected by rural road rehabilitation/construction under Component 2. However, these populations may be excluded if the project does not address structural barriers preventing them from (i) learning about project's activities and opportunities (e.g. communication means frequently used by IPs, limited access to internet in remote areas); (ii) accessing credits or other financial products (e.g. credit rating, bank account); (ii) submitting business plans (e.g. lack of technical capacity, language and literacy barriers); and, (iv) applying national standards or adoption of international modern practices (e.g. lack of technical capacity, lack of understanding on how they can be integrated into their traditional harvesting practices).

Subprojects will be identified and selected through a demand driven mechanism based on business initiatives submitted by a group of farmers. Criteria for the selection and financing of business plans will encourage participation of IPs and specialized technical assistance will be provided for the preparation of business plans which will be subsequently evaluated to qualify for a matching grant.



Project activities under component 1 and, particularly, component 2, for the construction or rehabilitation of rural infrastructure, including roads, may generate the need of permanent or temporary physical or economic displacement of IPs as determined under ESS5 and ESS7 that could impact IP communities, thus requiring Free, Prior and Informed Consent as determined by ESS7.

The current PIU at INVEST-H had developed an Indigenous Peoples and Afro descendants Planning Framework (IPAPF) for COMRURAL II that applies to IPs (including the Garífunas that are ADs complying with the 4 criteria under ESS7), covered under this standard. It includes a description of the project and IPs population; an analysis of the national legal framework relevant to IPs; a description of potential opportunities, risks and impacts; consultations to take place in different phases of Project cycle; differentiation between free, prior, and informed consultations and consent; guidelines for development of Indigenous Peoples Plans (IPPs); monitoring of the IPAPF and description of the GRM. The IPAPF also includes annexes with an initial mapping of IPs associations, differentiated requirements to enhance IPs participation in Component 1 and identification of strategic partners, among others.

For COMRURAL III, the SAG will develop an IPAPF drawing extensively on the one developed by the current PIU for COMRURAL II, ensuring that it is adequate and effective to respond to the array of E&S risks and impacts of COMRURAL III and that is applicable to IPs (including Garífunas). The IPAPF will also cover ADs as vulnerable groups under ESS1. The IPAPF will specify the conditions under which FPIC is required in line with ESS7 and provide guidelines for its application, if warranted. Consultations in the context of COVID-19 will follow the recommendations set forth in "Technical Note: Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings". Feedback of the consultations will be integrated into the IPAPF that will be disclosed online and shared with IP representatives to reach potentially affected IP communities in a culturally appropriate manner. The IPAPF will be developed, consulted with IP representatives and disclosed by appraisal.

#### **ESS8 Cultural Heritage**

The ESS8 is relevant since some of the construction activities will involve soil excavations. The ESMF will include provisions for subproject-level screening and assessment of any known sites of locally or nationally important cultural or historic importance which may be impacted. Project activities are not expected to have significant impacts on IPs' cultural heritage that is material to their identity and/or culture, ceremonies or spirituality. The ESMF, and all future site-specific ESMPs, will furthermore include: (i) Chance Finds Procedures for the construction areas, and construction contracts will include clauses requiring civil contractors to take proper protective measures in case cultural heritage sites are discovered; and (ii) any needed mitigation measures to avoid or restore community cultural sites. All site-specific ESMP measures will be reflected in corresponding construction contracts.

#### **ESS9 Financial Intermediaries**

ESS9 is not relevant. The project will not involve any financial intermediaries.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways** Yes

**OP 7.60 Projects in Disputed Areas** No

**III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE****A. Is a common approach being considered?** No**Financing Partners**

None

**B. Proposed Measures, Actions and Timing (Borrower's commitments)****Actions to be completed prior to Bank Board Approval:**

Prior to appraisal, the borrower will develop on the basis of COMRURAL II, consult and disclose the following environmental and social instruments:

- Environmental and Social Management Framework (ESMF).
- Resettlement Framework (RF).
- Stakeholder Engagement Plan (SEP) including project-level GRM.
- Indigenous Peoples and Afro descendants Planning Framework (IPPF).

Prior to appraisal, the Borrower will also develop and disclose draft versions of:

- Labor Management Procedures (LMP) with a dedicated GRM.
- Environmental and Social Commitment Plan (ESCP).

**Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):**

The ESCP will include details and timeframes for the implementation of the ESMF, preparation, consultation and implementation of site-specific ESMPs as needed; the implementation of the SEP with its GRM; the implementation of the LMP with its dedicated GRM for workers; implementation of the RF; preparation, consultation and implementation of site-specific resettlement plans if needed; implementation of the IPAPF; preparation, consultation and implementation of site-specific IPPs, if needed; and any necessary environmental and social capacity building measures

**C. Timing**

**Tentative target date for preparing the Appraisal Stage ESRS**

26-Apr-2021

**IV. CONTACT POINTS**



## The World Bank

Honduras - Innovation for Rural Competitiveness Project - COMRURAL III (P174328)

### World Bank

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### Borrower/Client/Recipient

Borrower: Republic of Honduras

### Implementing Agency(ies)

Implementing Agency: Secretariat of Agriculture and Livestock

### V. FOR MORE INFORMATION CONTACT

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### VI. APPROVAL

|                                  |   |
|----------------------------------|---|
| Task Team Leader(s):             | Augusto Garcia, Ramon Ernesto Arias Moncada   |
| Practice Manager<br>(ENR/Social) | Sofia De Abreu Ferreira Recommended on 22-Dec-2020 at 19:12:8 GMT-05:00             |
| Safeguards Advisor ESSA          | Marco Antonio Zambrano Chavez (SAESSA) Cleared on 23-Dec-2020 at 07:09:19 GMT-05:00 |