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IMPLEMENTATION COMPLETION AND RESULTS REPORT

ON CREDITS IDA-44650 and IDA-60460

IN THE AMOUNT OF SDR36.9 MILLION

(US$55 MILLION EQUIVALENT)

TO THE

Republic of Honduras

FOR THE

Honduras Rural Competitiveness Project (P101209)

March 15, 2022

Agriculture And Food Global Practice
Latin America and Caribbean Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective July 29, 2021)

Currency Unit =	Lempira
23.8 Lempira =	US$1
US$1.43 =	SDR 1

FISCAL YEAR
January 1 – December 31

Regional Vice President:	Carlos Felipe Jaramillo
Country Director:	Michel Kerf
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ABBREVIATIONS AND ACRONYMS

ACS	Alliance for the Dry Corridor (*Alianza para el Corredor Seco*)
AF	Additional Financing
BP	Business Plan
CAS	County Assistance Strategy
COMRURAL	Honduras Rural Competitiveness Project
CP	Commercial Partner
DO	Development Objective
DR-CAFTA	Dominican Republic-Central America-United States Free Trade Agreement
EFA	Economic and Financial Analysis
EIRR	Economic Internal Rate of Return
ESMF Framework	Environmental and Social Management Framework
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GoH	Government of Honduras
GRID	Green, Resilient, and Inclusive Development
ICR	Implementation Completion and Results Report
INVEST-H	Honduran Strategic Investment Office (*Inversión Estratégica de Honduras*)
IP	Implementation Progress
IRM	Immediate Response Mechanism
IRR	Internal Rate of Return
M&E	Monitoring and Evaluation
MIS	Management Information System
MTR	Mid-Term Review
NPV	Net Present Value
OP / BP	Operational Policy / Bank Procedure
PA	Productive Alliance
PACTA	Access to Land Pilot Project
PAD	Project Appraisal Document
PFI	Private Financial Institution
PIU	Project Implementation Unit
RF	Results Framework
RPO	Rural Producer Organization
SAG	Ministry of Agriculture and Livestock (*Secretaría de Agricultura y Ganadería*)
SEFIN	Ministry of Finance (*Secretaría de Finanzas*)
SIAFI	Integrated Financial Administration System
TA	Technical Assistance
TSP	Technical Service Provider
UAP/SEFIN	Project Administration Unit, Ministry of Finance (*Unidad de Administración de Proyectos / Secretaría de Finanzas*)
USD	US Dollar

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DATA SHEET

BASIC INFORMATION

Product Information

Project ID	Project Name
P101209	Honduras Rural Competitiveness Project
Country	**Financing Instrument**
Honduras	Investment Project Financing
Original EA Category	**Revised EA Category**
Partial Assessment (B)	Partial Assessment (B)

Organizations

Borrower	Implementing Agency
Republic of Honduras	Secretaria de Agricultura y Ganaderia, Honduran Strategic Investment Office (INVEST-H)

Project Development Objective (PDO)

Original PDO

The Project Development Objective of COMRURAL is to contribute to increased productivity and competitiveness among organized ruralsmall-scale producers through their participation in productive alliances.

Revised PDO

The revised PDO is (a) 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.

FINANCING

	Original Amount (US$)	Revised Amount (US$)	Actual Disbursed (US$)
World Bank Financing			
IDA-44650	30,000,000	22,947,549	20,900,281
IDA-60460	25,000,000	19,259,438	19,259,438
Total	**55,000,000**	**42,206,987**	**40,159,719**
Non-World Bank Financing			
Borrower/Recipient	21,200,000	29,750,000	38,700,000
Total	**21,200,000**	**29,750,000**	**38,700,000**
Total Project Cost	**76,200,000**	**71,956,987**	**78,859,718**

KEY DATES

Approval	Effectiveness	MTR Review	Original Closing	Actual Closing
17-Jun-2008	28-May-2010	04-Feb-2013	30-Nov-2015	30-Jun-2021

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Amount Disbursed (US$M)	Key Revisions
05-Jul-2011	1.23	
19-Sep-2011	1.23	
06-Feb-2012	2.66	
19-Nov-2015	16.23	Change in Loan Closing Date(s) Reallocation between Disbursement Categories
15-Nov-2016	19.17	Change in Loan Closing Date(s)
11-Sep-2017	20.67	Change in Loan Closing Date(s)
11-Nov-2020	39.95	Change in Components and Cost Change in Loan Closing Date(s)
16-Mar-2021	42.14	Reallocation between Disbursement Categories

KEY RATINGS

Outcome	Bank Performance	M&E Quality
Satisfactory	Moderately Satisfactory	Substantial

RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US$M)
01	26-Sep-2008	Satisfactory	Satisfactory	.42
02	13-Apr-2009	Satisfactory	Moderately Unsatisfactory	.36
03	16-Nov-2009	Moderately Satisfactory	Unsatisfactory	.36
04	20-Apr-2010	Moderately Satisfactory	Moderately Satisfactory	.36
05	27-May-2010	Moderately Unsatisfactory	Moderately Unsatisfactory	.36
06	27-May-2010	Satisfactory	Satisfactory	.36
07	13-Feb-2011	Moderately Satisfactory	Moderately Satisfactory	1.36
08	10-Aug-2011	Satisfactory	Satisfactory	1.59
09	28-Dec-2011	Moderately Satisfactory	Moderately Unsatisfactory	3.01
10	29-Jun-2012	Moderately Satisfactory	Moderately Unsatisfactory	3.42
11	13-Feb-2013	Moderately Satisfactory	Moderately Satisfactory	6.05
12	11-Aug-2013	Satisfactory	Satisfactory	9.79
13	22-Feb-2014	Satisfactory	Satisfactory	16.02
14	08-Apr-2014	Satisfactory	Satisfactory	16.02
15	07-Nov-2014	Satisfactory	Satisfactory	16.37
16	27-Apr-2015	Satisfactory	Satisfactory	16.41
17	19-Nov-2015	Satisfactory	Satisfactory	16.59
18	06-Mar-2016	Satisfactory	Satisfactory	18.21
19	19-Sep-2016	Satisfactory	Satisfactory	18.45
20	17-Mar-2017	Satisfactory	Satisfactory	20.33
21	22-Sep-2017	Satisfactory	Satisfactory	21.03
22	30-Mar-2018	Satisfactory	Satisfactory	21.03
23	19-Nov-2018	Satisfactory	Satisfactory	23.71
24	31-May-2019	Satisfactory	Satisfactory	23.71

25	18-Dec-2019	Satisfactory	Satisfactory	35.31
26	26-Jun-2020	Satisfactory	Satisfactory	40.31
27	16-Dec-2020	Satisfactory	Satisfactory	40.31

SECTORS AND THEMES

Sectors

Major Sector/Sector	(%)
Agriculture, Fishing and Forestry	**42**
Other Agriculture, Fishing and Forestry	42
Public Administration	**10**
Central Government (Central Agencies)	10
Industry, Trade and Services	**48**
Agricultural markets, commercialization and agri-business	48

Themes

Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)
Finance	**0**
Finance for Development	17
Agriculture Finance	17
Urban and Rural Development	**0**
Rural Development	84
Rural Markets	34
Rural Non-farm Income Generation	33
Rural Infrastructure and service delivery	17
Private Sector Development	**100**
Jobs	100

ADM STAFF

Role	At Approval	At ICR
Regional Vice President:	Pamela Cox	Carlos Felipe Jaramillo
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I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES[1]

A. CONTEXT AT APPRAISAL

1. **Context:** At the time of Appraisal of the Honduras Rural Competitiveness Project (also referred to as COMRURAL/the Project) in 2007, Honduras was a lower middle-income country challenged by persistent poverty and inequality. Of the total population of 6.8 million, an estimated 70 percent were considered poor and 53 percent extremely poor. In rural areas, these figures rose to 82 percent and 62 percent respectively.[2] The country had not yet recovered fully from the severe damage wrought by the deadly Hurricane Mitch in 1998, with poverty figures in 2007 essentially unchanged from 1997. On a per capita basis, Gross Domestic Product (GDP) grew at an average of 0.2 percent per annum during 1994-2004, far below the Latin American average.

2. **Agriculture was a key driver of economic activity, accounting for 14 percent of GDP,[3]** 35 percent of employment of the Economically Active Population and 75 percent of total exports. The sector was even more important for the rural poor, with 81 percent of the heads of households living in extreme poverty in rural areas engaged in agriculture.[4] The lack of adequate employment and livelihood opportunities in rural areas was a major force driving Honduras' high level of emigration.

3. **While lowland agriculture productivity had improved, small-scale producers with less than 5 hectares, who formed the majority of farmers, remained excluded from this improvement and there were sharp inequalities in the rural sector.** Lowland agricultural productivity had improved, notably through the expansion of non-traditional export crops (e.g., melon, watermelon, oriental vegetables, vegetable oils, rambutan, organic banana and cacao) and aquaculture (e.g., shrimp, tilapia, and lobster). However, small-scale producers with less than five hectares of land (*minifundios*), representing 72 percent of all farm units, lacked access to key assets (such as land and financial capital), technical capacity, modern production technologies, and markets, while poor land management practices amplified the growing risks they faced from natural disasters and climate change. The analysis at appraisal identified indigenous people as one of the most disadvantaged groups in the targeted area, and underscored the need to strengthen opportunities for women farmers. To address the above challenges and link small-scale producers to finance, technology, and markets, it was important to build on and strengthen existing farmer organizations, and therefore to pilot the productive alliances approach in selected departments in Honduras with productive potential and with extant social capital, including small-scale producers already organized into groups with legal standing. In addition, it was important to ensure that they could adopt climate-smart agricultural technologies and practices to enhance their resilience to climate-related natural disasters.

4. **The launching of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA) in 2008 was about to transform the economic context, creating new opportunities for access to foreign markets but also exposing rural producers to a more competitive environment**. The challenge for

[1] This is the second Implementation Completion and Results Report (ICR) for this Project. An Interim ICR was prepared following the first 10 years of project implementation. See Annex 6, Table A.6.6 for a comparison of the Interim ICR ratings and this final ICR's ratings.
[2] National Census 2002 (taken from the Project Appraisal Document, PAD).
[3] When agroindustry and other related services were included, the figure rose to 40-45 percent.
[4] IFPRI Research Report 147: "Rural Development Policies and Sustainable Land Use in the Hillside Areas of Honduras", 2006, (Taken from the PAD).

the Government of Honduras (GoH) was to create the conditions for rural producers to tap into Honduras' natural advantages, such as proximity to major markets and favorable climatic conditions for agriculture, to benefit from DR-CAFTA and other trade prospects, and at the same time mitigate the risk of adverse impacts from greater competition on the country's poor farmers. As the GoH had weak institutional capacity and limited resources, it sought to leverage World Bank technical and financial resources and private financing to address the challenge.

5. **The GoH's strategic priorities were set out in its Operational and Strategic Plan for the Agricultural Sector 2006-10**, and included: increased production, productivity, and human resource development among small-scale producers; integration and development of agricultural value chains; qualitative progress in terms of competitiveness vis-a-vis DR-CAFTA; development and strengthening of producer organizations (including those in indigenous areas), and improved well-being of the rural population.

6. **Rationale for World Bank involvement**: The above challenges and priorities set the stage for the proposed Project. COMRURAL was aligned with the World Bank's Country Assistance Strategy's (CAS 2007-2010)[5] strategic objectives of: (a) sustainable and equitable economic growth for employment generation through promotion of competitiveness in rural areas; and (b) development of human capital through capacity-building of rural producers focused on competitiveness. The Project also responded to the key issue raised in the Poverty Reduction Strategy (PRS September 17, 2001): improve productivity of the poor by creating conditions for them to access productive assets and encouraging business development and investment.

7. **COMRURAL drew on experience with the Enhancing Competitiveness: Trade Facilitation and Productivity Improvement Project** (P070038), that supported investment promotion strategies for agroindustry and tourism, and rural enterprise development, *inter alia*, as well as experience with the Access to Land Pilot Project (PACTA, P073035), which had successfully leveraged participation of the private financial sector in individual and group loans for land purchase and complementary productive investments. The Bank had also financed greater market access for rural producers via productive alliances in several countries in the region, such as Colombia, Bolivia, Guatemala, and Panama, providing important lessons for the operation's design. At the same time, the Bank was aware that the risks would be substantial. The recent Country Assistance Evaluation (CAE 2006)[6] had rated the overall outcome of the Bank's assistance strategy as moderately unsatisfactory, highlighting challenges related to capacity constraints and political resistance to reforms. However, considering the changing economic context with DR-CAFTA, the manifold challenges and deep poverty facing small rural producers and the GoH's strategic commitments in its Plan for the Agricultural Sector for 2006-2010, the Bank took the ambitious decision to pilot the rural productive alliances approach in Honduras.

8. **Project targeting Rationale:** The Project was designed to target agricultural and non-agricultural small-scale producers who had been excluded from the productivity improvements in the sector. In order to reduce the bargaining asymmetry faced by small-scale producers, the Project targeted small-scale producers who were

[5] Country Assistance Strategy for the Republic of Honduras (Report No.: 37280-HN), discussed by the Board of Directors on November 7, 2006.
[6] Honduras Country Assistance Evaluation (October 2006). Report No. 37861. The essence and primary focus of IDA's strategy had been to help modernize the public sector, promote agricultural development and management of the forests, and to improve the reach and quality of education and health services and the efficiency of operation of the relevant ministries. These endeavors together absorbed more than 60 percent of IDA's assistance, and their outcomes were all rated less than satisfactory.

organized into groups with legal standing. Clear criteria were defined for the selection of the seven targeted departments covered by the Project.[7]

9. **Context and Rationale for the Additional Financing (AF):** In the years leading up to the AF, the economy had suffered various shocks, including a decline in international prices for coffee, the country's main export; a fall in coffee production, due to the leaf rust disease that affected over 25 percent of the area cultivated with coffee; and droughts that affected food security. While GDP growth had risen to 3.8 percent in the first half of 2016, supported by improved investor confidence and higher agro-industrial exports, and poverty had declined by around four percentage points since 2007, poverty was still deep in rural areas, with the rural poor accounting for more than half (56 percent) of the poor and two-thirds (67 percent) of the extreme poor. There were continuing needs to strengthen production, knowledge, and organization among small rural producers, while institutional capacity in the agricultural sector remained weak and risks related to natural disasters remained high. In this context, and with COMRURAL showing promise among its targeted rural producers and making satisfactory progress towards its development objectives, the original Project rationale remained highly relevant at the time of the AF, while adjustments under the AF enabled further strengthening of institutional capacity and facilitation of support in the event of an eligible emergency.[8]

Theory of Change (Results Chain)

10. **The Project was approved before presentation of a Theory of Change in the Project Appraisal Document (PAD) became mandatory**, and consequently, the PAD did not contain a diagrammatic representation. Figure 1 presents the Theory of Change based on the implicit results chain described in the PAD, and notes applicable changes to the Project over time, discussed further in Section I.B.

[7] The project targeted the seven Western departments of Comayagua, Copán, Intibuca, La Paz, Lempira, Ocotepeque, and Santa Barbara. This selection was made using the following criteria: (i) productive potential; (ii)access to roads and potential markets; (iii) presence of a network of value chains that could be rapidly leveraged towards the competitiveness goal of the project; (iv) extant social capital that could be further exploited to install participatory decision-making and monitoring and evaluation; and (v) ongoing initiatives that could complement the proposed operation.

[8] The Immediate Response Mechanism (IRM) was approved by the Board of Directors in December 2011, three years after the original Project had been approved, and the AF enabled an IRM component to be added to the Project.

Figure 1- Theory of Change

CAUSES	**INTERVENTION	INTERMEDIATE OUTCOME	PDO OUTCOMES	LONGER-TERM IMPACTS
Limited access to technologies and inputs	Pre-investments fir the preparation of innovative investment projects(subprojects)	Agribusiness subprojects are implemented in targeted value chains	Increased productivity and competitiveness among organized rural small-scale producers through their participation in productive alliances	**Increased rural incomes**
Limited access to markets	Productive investments through matching grants that leverage private financial and technical resources	Targeted beneficiaries adopt innovative, climate-resilient, nutrition-smart technologies and practices		**More inclusive, resilient and sustainable rural development**
Limited access to financial instruments	Complementary Guatantee fund to encourage private capital mobilisation			**Improved food and nutrition security**
*Limited resources to respond to crisis	Money reallocated to emergency response to Covid-19 crisis	Procurement of sanitary inputs	Medical services and hospital infrastructure better able to support actual Covid-19 cases	**Strengthened GoH response to Covid-19 crisis**
CRITICAL ASSUMPTIONS	Beneficiaries are motivated to organize and establish more competitive agribusinesses	Financial partners are willing to co-finance business proposals; Project´s demand for technical capacity/ services can be met		There is continued political will to implement the project.

Notes

*** Component was added during restructuring (and AF) in September 2017 and PDO was modified to add "enable the Government to respond promptly and effectively to an eligible emergency"**

**** Institutional strengthening component was added in September 2017 which primarily financed studies and equipment for key GoH institutions - first part of PDO statement remained unchanged**

Project Development Objectives (PDOs)

11. **The Project Development Objective (PDO) was**: *"to contribute to increased productivity and competitiveness among organized rural small-scale producers through their participation in productive alliances*". The PDO as designed in 2007 includes the means to its achievement - "through their participation in productive alliances". While this is not assessed here as part of the PDO,[9] it is discussed as an attributional link in Section II.B on Efficacy.

Key Expected Outcomes and Outcome Indicators

12. **Table 1 disaggregates the PDO by outcome and organizes the PDO indicators accordingly as at Appraisal and at project closing**:

Table 1: PDO Indicators at Appraisal (PAD) and at Project Closing

PDO Outcome	PDO Indicators as per PAD	PDO Indicators at Project Closing
(a) Contribute to increased productivity among organized rural small-scale producers	-Annual sales income of Rural Producers Organizations (RPOs) under productive alliances increase by 10 percent -Land and labor productivity in terms of net income increased by 25 percent -US$12.1 million co-invested in Business Plans (BPs) by private financial entities -150 productive alliances under implementation. -At least 70 percent of participating RPOs receive project financing for their Business Plan	-Percentage increase in land productivity by rural producers participating in the Project
(b) Contribute to increased competitiveness among organized rural small-scale producers	- Annual sales income of RPOs under productive alliances increase by 10 percent -At least 40 percent increase in net revenues for participating RPOs via the productive alliances -At least 6,700 rural producers benefited from project financing -Unit production cost of RPOs reduced by 10 percent -US$12.05 million co-invested in BPs by private financial sector	-Percentage of RPOs working under an alliance approach 24 months after first disbursement -Percentage increase in the value of gross sales of RPOs based on implementation of the Business Plan -Percentage of RPOs without a loan in arrears
(c) To enable the Government to respond promptly and effectively to an eligible emergency[10]	NA	- Time taken to disburse funds requested by the Government for an eligible emergency

Components

13. **The Project was based on a Productive Alliances (PA) model** in which an agreement is made between one or more Rural Producer Organizations (RPO), a Buyer/Commercial Partner (CP), a Private Financial Institution (PFI) and a Technical Service Provider (TSP) that provides extension services for productivity enhancement and business development. The RPOs present a Business Plan (BP) that is evaluated based on market demand, strengthening productive capacity, competitiveness and increasing access to international markets and is developed with the assistance of the TSP.[11]

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[9] See ICR Guidelines, para 45.
[10] The Project added the IRM during a restructuring along with the AF in 2017. In order to help the GoH respond to the COVID-19 crisis and to two hurricanes that hit the country in November 2020, the Project's IRM Component was activated to support the provision of sanitary inputs for public health services. See Section I.B, Significant Changes during Implementation.
[11] As noted, a single Business Plan can include multiple RPOs. In this case the agreement of each RPO with the CP and the PFI is considered as a separate productive alliance. This is in line with the definitions of these terms in the PAD (page 23 of the PAD,

14. **Beneficiaries:** The Project was designed to reach at least 6,700 small-scale producers, organized into RPOs[12] in seven Western departments of the country, or about 17.6 percent of small-scale producers in the intended project area. A key criterion for selection of the target departments was the strong presence of coffee producer organizations in this area. The Project also explicitly stated its focus on making project activities more inclusive to vulnerable social groups, including women producers and indigenous producers located in the project area.

15. **Component 1: Support to Value Chains as Prioritized under Public Policy** (*Appraisal estimate: US$9 million of which IDA US$7.6 million (88 percent); Cost at project closing: US$8.63 million, of which IDA US$7.53 million (87 percent))*. The main activities to be financed were related to: (a) outreach to the RPOs, commercial partners and private financing entities; (b) creating and consolidating PAs; (c) identifying potential business opportunities; (d) preparing BPs; and (e) building the capacity of TSPs to increase the quality of services provided to the PAs. Outreach and promotional activities would identify RPOs, CPs and PFIs, and provide essential training and technical assistance (TA) to help form sound PAs. Technical services would also facilitate the preparation and implementation of viable BPs.

16. **Component 2: Productive Investments in Value Chains as Prioritized under Public Policy** (*Appraisal estimate: US$39.6 million, of which IDA US$19.8 million (50 percent); Cost at project closing: US$62.03*[13] *million, of which IDA US$24.73 million (39 percent*)). The key activity under Component 2 was co-financing the implementation, via grants, of BPs formulated under Component 1. Eligibility 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. Subprojects refer to the part of an alliance's BP that would: (a) be financed with proceeds from the Project; (b) be implemented by RPOs; (c) be governed by subproject agreements signed between the RPOs, Ministry of Agriculture and Livestock (SAG) and Project Administration Unit, Ministry of Finance (UAP/SEFIN); and (d) include fixed capital (e.g., plant and equipment, and minor infrastructure), working capital and TA expenditures. RPOs were to be responsible for a minimum of 40 percent of subproject financing, sourced through financial institutions and their own contributions (either in cash or in kind).

17. **Component 3: Project Management, Monitoring and Evaluation (M&E)** (*Appraisal estimate: US$2.6 million, of which IDA US$2.3 million (88 percent); Cost at project closing*: *US$7.04 million, of which IDA US$7.01 million (99%*)). The main activities under this component were project administration, and M&E, including the setting up and implementation of a participatory M&E system. This component was also to cover baseline information collection, mid-term evaluation and final evaluation.

18. **Final costs versus PAD estimates:** The difference between appraisal and actual costs is driven primarily by the cancellation of SDR4.4 million in September 2011, the AF of SDR18.4 million approved in September 2017 and the associated scale-up of activities. Additionally, changes in implementation arrangements led to changes in costs specifically for Component 3. Finally, activation of the Immediate Response Mechanism

Report No. 43539 - HN) which were: "*A productive alliance is the mechanism through which producers with potential can participate in value chains that will help them improve their productivity by giving them better and more equitable access to markets, technologies, and organizations. A business plan is the instrument upon which a productive alliance would be evaluated and supported.*"

[12] The project-supported RPOs were required to: (i) be legally established (or be in the process of being legally established) with at least 12 active members; (ii) have at least one year of working experience as an organization; (iii) have established administrative and financial capacity to implement a Business Plan (or be willing to build such capacity); and (iv) secure counterpart funds from private financial institutions and RPO members to leverage sub-grants financed by the Project.

[13] This includes US$33.5 million of private financing raised.

(IRM) component, following a GoH request received in May 2020, resulted in reallocation of US$2.2 million towards the GoH's COVID-19 response.

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION (IF APPLICABLE)

19. **The Project was implemented over 13 years**.[14] Seven restructurings and an AF (combined with an eighth restructuring) resulted in numerous changes.[15] The following paragraphs summarize these changes. Table A.6.2 in Annex 6 summarizes the full scope of changes over the lifetime of the Project while Figure A.6.3 adds an overview of changes in the implementation arrangements.

Revised PDOs and Outcome Targets

20. **The PDO was revised once as part of an AF credit (of US$25 million equivalent) and restructuring approved by the World Bank Board of Directors in September 2017**. The revised PDO was: "*to (a) contribute to increased productivity and competitiveness among organized rural small-scale producers of Honduras through their participation in productive alliances; and (b) enable the Government to respond promptly and effectively to an eligible emergency.*" The elements in the original PDO related to increased productivity and competitiveness remained unchanged, while the objective linked to the IRM Component was added, thereby increasing the scope of the PDO. Adjustments to PDO Outcome targets were made during the restructurings in September 2011, February 2012 and September 2017 and are detailed in Annex 6, Table A.6.1.

Revised Components

21. **Additional Financing:** The AF (combined with a restructuring) added two new components: (a) Component 4: Cross-Cutting Institutional Strengthening (US$1.9 million AF), which was to finance 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, and (b) Component 5: Immediate Response Mechanism Component (zero allocation). No funding was allocated to Component 5 at the time it was introduced but if an eligible emergency were to occur, Component 5 would 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.

Other Changes

22. **The following additional changes were made**:

- **Restructuring in July 2011:** The PDO indicators and implementation arrangements were modified in this restructuring. The GoH requested that the function of the Payment Agent be transferred to the financial and accounting system of SEFIN.[16]
- **Restructuring in September 2011:** SDR4.4 million (US$7.05 million equivalent) was cancelled.

[14] From approval on 17th June 2008 to closing on 30th June 2021.
[15] These include restructurings in July 2011, September 2011, February 2012, November 2015, November 2016, September 2017 (at the time of the AF), November 2020 and March 2021.
[16] An external Payment Agent was identified during project preparation as necessary for disbursing the grants to eligible producer organizations and monitoring compliance with their responsibilities during the process of evaluation and implementation of the BPs of the productive alliances. Further, commercial practices were added as a method for procurement by RPOs. This option for procurement was allowed in the Legal Agreement but had been excluded from the arrangements defined in the PAD.

- **Restructuring in February 2012:** Two indicators adjusted to reflect the cancellation following the September 2011 restructuring.
- **Restructuring in November 2015:** The Project's closing date was extended by 13 months and credit was reallocated from Categories 1 and 5 to Categories 2 and 4.
- **Restructuring in November 2016:** The Project's closing date was extended by nine months.
- **Board-approved Restructuring and AF in September 2017:** (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 (heads of households), many from indigenous communities, and (d) technical implementation of the parent Project was transferred to the Honduran Strategic Investment Office (INVEST-H),[17] although fiduciary management remained with SEFIN.
- **Restructuring in November 2020:** The Project's closing date was extended by seven months and funds were relocated to the IRM component.
- **Restructuring in March 2021:** This restructuring reallocated credit proceeds (US$2.2 million to respond to urgent needs in the health sector) and revise component costs to reflect the activation of the IRM in June 2020 in response to the COVID-19 crisis.

Rationale for Changes and Their Implication for the Original Theory of Change

23. **The reasons for these changes are summarized as follows**:

- **Restructuring in July 2011:** The role of the Payment Agent was transferred to SEFIN to accelerate implementation through further consolidation of operations. The Bank approved the request after a review of SEFIN's financial and accounting systems.
- **Restructuring in September 2011:** The cancellation of SDR4.4 million to finance another operation reflected a shift in GoH priorities and the Project's relatively slow progress at that time.
- **Restructuring in February 2012:** The GoH requested that two additional intermediate indicators that should have been modified earlier be modified to reflect the partial cancellation in September 2011 (see Annex 6, Table A.6.1).
- **Restructuring in November 2015:** The 13-month extension of the closing date was deemed necessary to allow provision of TA to and complete disbursements for 75 active BPs. The reallocation of credit proceeds from Categories 1 and 5 (the categories for Component 1 and unallocated expenditures) to Categories 2 and 4 (for Component 2 sub-projects and Component 3) was needed to finance more investments at the RPO level (driven by an increase in the size of investment per RPO rather than an increase in the number of RPOs supported).
- **Restructuring in November 2016:** The closing date was extended to allow procurement activities to be completed for 30 active subprojects and to continue provision of TA to the RPOs, thereby supporting the Project's achievement of its intended objectives.
- **Board-approved AF and Restructuring in September 2017:[18]** In accordance with Bank requirements, an interim Implementation Completion and Results Report (ICR) was prepared which noted key successes of project activities and challenges faced, and identified lessons that could be incorporated in the next

[17] INVEST-H was created in 2005 to support strategic projects for the country's socio-economic development and is responsible for overall coordination and implementation of all projects under the umbrella of the Alliance for the Dry Corridor (ACS). ACS is Honduras' flagship program for food and nutrition security. The ACS supports interventions for the vulnerable population in the Dry Corridor, characterized by the country's highest levels of poverty and malnutrition.
[18] The system refers to this change only as an extension. However, extensive modifications were made in the restructuring, as discussed in this section.

phase of the Project and in future operations. The overall outcome of the Project was rated Satisfactory in the interim ICR, based on the Project's contribution towards improving financial inclusion amongst small-holders and increases in land productivity and product sales of beneficiary farmers. The key changes incorporated during the restructuring under the AF were: (a) The scale-up of activities to finance 70 additional alliances (17 in the original project area and 53 in the six newly-added departments)[19] in light of the perceived effectiveness of the productive alliance instrument and of the parent Project's perceived success in meeting its stated objectives; (b) institutional strengthening activities were included to enhance the Project’s contribution to overall competitiveness of the agriculture sector and the enabling environment for agribusinesses to flourish, and (c) an IRM component was added to enable the GoH to respond to an eligible emergency, thereby increasing resilience to potential shocks.

- **Restructuring in November 2020:** The closing date was extended to allow: (a) completion of 35 active BPs; (b) finalization of institutional strengthening activities, and (c) reallocation of further undisbursed funds to the IRM component in response to the COVID-19 pandemic.
- **Restructuring in March 2021:** The GoH requested that the IRM component be triggered to effectively respond to the COVID-19 crisis in June 2020 and US$2.2 million was reallocated from other components for the purchase and storage of sanitary inputs needed to respond to the crisis (such as personal protective equipment and cleaning supplies). The restructuring allowed for the reallocation of proceeds from Components 1 through 4 to Component 5.

24. **Two key changes affected the Theory of Change**: (a) The introduction of the IRM Component at the time of the restructuring in September 2017 involved an expansion of the PDO statement: “enable the Government to respond promptly and effectively to an eligible emergency”, but the elements of the original PDO related to increasing productivity and competitiveness remained unchanged, and (b) the addition of the institutional strengthening activities contributed to the original part of the PDO by supporting the enhancement of the enabling environment for the success of the agribusinesses developed under the Project. In addition, a Complementary Guarantee Fund was introduced to further strengthen confidence for PFIs to support the RPOs and thereby leverage additional resources.

II. OUTCOME

A. RELEVANCE OF PDOs

Assessment of Relevance of PDOs and Rating

25. **The relevance of the PDO at project closing remained High**, as evidenced by the following:

- **The PDO was highly relevant at the time of Appraisal and remained consistently relevant throughout implementation.** At the time of appraisal of the AF in 2016 as well as at project closing, the PDO was well-aligned with all three focus areas (fostering inclusion, bolstering conditions for growth, and reducing vulnerabilities to enhance resilience) of the most recent World Bank/Honduras Country Partnership Framework (CPF for FY16-20, Report No. 98367-HN). Specifically, the Project

[19] The six new departments were selected using the same criteria used to identify the seven original departments under the parent Project, with an additional parameter that considered the country’s comparative and competitive advantage for specific high value crops and its recognized market position. The six additional departments were: Atlántida, Choluteca, Colón, Cortés, El Paraíso and Francisco Morazán.

sought to: (a) strengthen financial inclusion, human capital strengthening, and market access, including for women and Indigenous Peoples; (b) improve the enabling conditions for agribusiness; and (c) reduce the agricultural sector's vulnerability to climate and other weather-related threats to enhanced resilience.

- **The Project's PDO is also in line with the Honduras Country Private Sector Diagnostic (CPSD) 2021.**[20] The CPSD identifies agriculture as one of the top four sectors with untapped productive potential and influence over development outcomes. Furthermore, the Project was designed to reduce key constraints to growth and diversification as identified in the CPSD: lack of access to quality inputs, financing and technical knowledge, and logistics.
- **The Project not only remained aligned with but became a centerpiece of the GoH's long-term agenda to develop and modernize the rural and agri-food economy,** evinced by the GoH's request for two follow-on COMRURAL operations to the original Project and AF. It is also seen as important in the GoH's efforts to promote effective climate change mitigation and adaptation. Adaptation in the agricultural sector is a key area of the Honduran Nationally Determined Contribution (NDC), especially with regard to disaster risk management (DRM), management of natural resources, adaptation to climate change, food and nutrition security, and sustainable rural development.
- **The Project remains consistent with thematic priorities of the World Bank Group and its framework for Green, Resilient, Inclusive Development (GRID).**[21] With respect to the GRID framework, the proposed Project invested in agricultural value chains and producer associations contributing to mainstreaming climate-smart practices, creating green jobs in Honduran agri-food value chains, and supporting farmers to increase their adaptive capacity and resilience to climate change impacts.

B. ACHIEVEMENT OF PDOs (EFFICACY)

Assessment of Achievement of Each Objective/Outcome

26. **COMRURAL supported 120 BPs involving productive alliances with 163 RPOs in nine value chains, and successfully raised US$1.35 in private financing for each dollar of IDA financing.** The Project provided US$24.73 million in financing while US$33.5 million were generated through the PFIs' and RPOs' own funds. RPOs received financing for a variety of investments that enabled them to implement improved manufacturing and production practices that led to land productivity improvements and sales value increases of nearly 24 percent. While the largest share of the BPs financed were in the specialty coffee sector, nearly 16 percent of the investments were in the horticulture and grains sector, which tended to be less organized at baseline compared to the coffee sector. The Project benefitted 12,878 RPO members, of whom 27 percent were women and 33 percent were from indigenous communities. A closing survey conducted for a sample of 76 RPOs indicates that these impacts have proven to be resilient and that the RPOs have mostly retained their relationships with their Commercial Partners and PFIs. Additionally, the RPOs reported that sales have continued to grow and that they have continued to diversify in terms of markets and products.

27. **The following sources of evidence are used to support the discussion on Efficacy in the absence of formal impact evaluation studies** (see Section IV.A): (a) the Project's Management Information System (MIS); (b) a

[20] Country Private Sector Diagnostic: Creating New Markets in Honduras (2021, forthcoming).

[21] From COVID-19 Crisis Response to Resilient Recovery. Saving Lives and Livelihoods while Supporting Green, Resilient, and Inclusive Development (GRID). World Bank Group Paper, April 9, 2021.

review of a sample of 15 closing reports from the total universe of 120 BPs financed by the Project; (c) a report based on a telephone survey of 76 randomly selected RPOs to assess what occurred to the PAs after the Project closed,[22] and (d) two reports commissioned by the Project that utilized MIS data and Focus Group Discussions with key Project Implementation Unit (PIU) team members to discuss the main challenges and achievements of the Project. The review, survey questionnaire and reports are referenced in Annex 7 and are available online in Project Files.

28. **The revised PDO – as shown in Table 1 - can be disaggregated into three outcomes,** of which the first two are: (a) *to contribute to increased productivity among organized rural small-scale producers;* and (b) *to contribute to increased competitiveness among organized rural small-scale producers.* Both these outcomes of the PDO were to be accomplished *through their participation in productive alliances.*[23] As such, *their participation in productive alliances* is considered a means to achieve the outcomes of the first two outcomes and is not rated here as an expected outcome. The third outcome of the PDO added at the time of the AF was *to enable the Government to respond promptly and effectively to an eligible emergency.*

29. **The direct mechanism by which the alliance was meant to achieve its objective of *increased productivity and competitiveness* was by linking rural producers to improved technology, knowledge, market access and financing.** The terms p*roductivity and competitiveness* are interpreted by the ICR based on the reading of the PAD and discussions with the task team as improvements, respectively, in: (a) agricultural and manufacturing production efficiency without compromising environmental integrity; and (b) rural small-holders' capacity to adapt to modern market mechanisms and manage business risks.

PDO Outcome 1: Contribute to increased productivity of organized rural small-scale producers

30. **Increased productivity is measured by PDO indicator 3:** *percentage increase in land productivity by rural producers participating in the project*, (see Annex 1), which uses a before/after comparison as a measurement for project impact. The Project exceeded the target, with land productivity increasing by 23.5 percent against a target of 20 percent, thereby exceeding the target by 18 percent.[24,25]

31. **Available data indicates that the Project also resulted in improvements in labor productivity**. The data from the project system indicates that labor productivity increased by 21 percent, thus exceeding the target.[26] Additionally data drawn from the economic and financial analysis at project closing indicates that for producers in the coffee value chain, labor productivity improved by 13 percent.[27]

32. **In addition to improvements in labor and land productivity in agricultural production, producers also made productivity gains in processing.** Evidence from the efficiency analysis indicates that coffee producers were able to reduce processing costs by 40 percent. Similarly, grain producers in the sample reduced

[22] The target sample for the telephone survey was 76 RPOs, out of which 71 were reached and 5 had closed operations. All the RPOs surveyed completed their business plan with COMRURAL between December 2016 and December 2018. Key tables from this report are included in Annex 6, Table A.6.3.
[23] The Results Framework clarified that measuring success in achieving PDO outcomes was in relation to 'participating RPOs'.
[24] Land productivity is measured through increases in yields per hectare for each commodity. Figures for value chains are then averaged to arrive at the land productivity increase.
[25] The wording in the RF for this indicator mentions labor and land productivity. However, this was meant to be changed to include only land productivity according to the Project Paper for the AF and restructuring approved in September 2017 (page 18 of the Report No: PAD 1766). Therefore, the values reported here only include land productivity.
[26] Labor productivity was measured for 76 Projects.
[27] As measured by qq/person/day.

processing costs by 13 percent and dairy producers were able to improve overall productivity by 23 percent.[28]

33. **These productivity improvements were also made in an environmentally sustainable manner**. The indicator *percentage of business plans financed by the project implemented using good environmental practices* was exceeded, with 89.7 percent of RPOs evaluated as implementing the good environmental practices laid out in their BPs (versus a target of 70 percent).

34. **A review of the sampled BPs' closing reports provides qualitative evidence for specific practices (and mechanisms) adopted by the PAs that contributed to improving the efficiency and sustainability of agricultural production and processing practices**. These included: (a) adoption of improved practices by all sampled RPOs, including organic fertilizers (for example, coffee pulp), drought- and disease-resistant seed varieties, drip irrigation techniques and micro greenhouses. In addition, farmers adopted improved processing practices such as solar-powered dryers for coffee beans and grains (significantly reducing losses and time required compared to the traditional method of sun drying), and the use of cold storage rooms and vehicles – the latter to transport vegetable and fruit produce – which significantly reduced post-harvest losses and increased productivity.

PDO Outcome 2: Contribute to increased competitiveness among organized, rural, small-scale producers of Honduras

35. **The main piece of evidence for increased competitiveness comes from PDO indicator 1** (see Annex 1): *percentage increase in the value of gross sales of RPOs based on implementation of the business plan* (which, like the indicator on productivity, uses a before and after comparison). The Project exceeded the target with average sales increasing by 25.5 percent against a target of 10 percent, thereby exceeding the target by 155 percent.

36. **Data from the Economic and Financial Analysis (EFA) indicates that the increase in sales value was achieved, both through an increase in volume and through price premia due to product and market diversification**.[29] Fifty-one of the 73 RPOs in the coffee value chain received internationally recognized certifications (for example, for organic produce and fair trade) that enabled them to sell to buyers such as Starbucks and Nespresso. For RPOs in the fruit, vegetable, and dairy value chains an important mechanism to achieving price premia was ensuring a reliable supply source and meeting sanitary standards, via investments in climate smart and high yielding agricultural technologies (for example, high yielding seed varieties and drip irrigation) and in processing facilities (for example, cold storage and packaging facilities). These investments allowed the RPOs to make direct agreements with larger buyers such as Walmart and the World Food Program.

37. **Additional evidence for the competitiveness of participating RPOs can be derived from their survival rates and from their ability to repay the financing they received from PFIs**. PDO Indicator 2: *Percentage of rural producer organizations that are working under an alliance approach 24 months after first disbursement* (see Annex 1) was achieved for 91 percent of RPOs, against a target of 80 percent (exceeding the target by 118 percent). PDO indicator 3: *Percentage of rural producer organizations without a loan in arrears* (see Annex 1) was achieved for 100 percent of RPOs, against a target of 95 percent, exceeding the target by 5 percent.

[28] As measured by Cost in Lempiras/quintal. For dairy producers, the improvement in the cost revenue ratio was calculated.
[29] This finding is based on discussions with, and data collected from 11 RPOs that were analyzed for the EFA analysis.

38. **Moreover, further evidence for increased competitiveness can be derived from improvements in business practices that were expected to lead to increased competitiveness**. The PIU collected data on an Organization Capacity Index for 100 RPOs.[30] The specific index varied for the RPOs financed before and after the AF was approved but both indices included questions related to improvements in core business management, financial management and environmental management. Scores improved on average by 9 percent and 14 percent, respectively, for BPs financed before and after the AF.[31] Evidence from the closing reports of the BPs indicates that RPOs developed accounting, administrative and/or procurement systems thanks to the TA provided by the Project, allowing them to improve the monitoring, follow-up, evaluation of their productive and commercial activities.

Box 1: Findings on the 'through their participation in productive alliances' approach cited in the PDO

While not rated as an expected outcome, the success of *participation in productive alliances* bears highlighting here. Evidence from a follow-up survey of 76 organizations points to the sustainability of the alliances formed during the Project period: 71 of the RPOs surveyed are still working in the same sector, 57 are in a contractual relationship with the same Commercial Partner, and 27 of these 57 have expanded these contractual arrangements to include other commercial partners. Furthermore, 65 out of the 71 RPOs are continuing their financial relationship with the same financial institution or have developed a borrowing arrangement with a new financial institution. Moreover, the survey also indicated that 65 percent of the RPOs had continued to make productivity improvements and 68 percent had seen an increase in sales following the end of Project support. The evidence also supports the point that the mechanisms by which productive alliances contributed to these improvements have remained resilient: all 71 RPOs noted that they had continued to diversify in terms of products and markets, 72 percent noted that they had continued to make capital investments and 94 percent indicated that they had retained the practices from the environmental plan designed during the survey for their BPs.

39. **The second part of the PDO, added during the restructuring (combined with the AF) in 2017 was to measure the Project's role in enabling the Government to respond to an eligible emergency**. On June 17, 2020, in response to a letter from the GoH, the World Bank approved the activation of the IRM to complement the GoH's ongoing COVID-19 pandemic response efforts. The initial amount identified for reallocation to the IRM component was set at US$2,218,057 in uncommitted funds. However, while the IRM component was activated within 3.5 weeks, disbursement of IRM funds did not begin until late December 2020, as the response was part of a US$10 million bidding process to be carried out using the Bank Facilitated Procurement facility for COVID-19 related contracts, in coordination with the Honduras COVID-19 Emergency Response Project (P173861).[32] The delay of 27 weeks versus the target of 4 weeks is the only PDO indicator (PDO indicator 5: *Time taken to disburse funds requested by the Government for an eligible emergency*) not achieved by the Project (see Annex 1), and the amount disbursed under the IRM represents just 5 percent of total disbursements under the Project.

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[30] This index was later included as an indicator under the successor COMRURAL Projects, namely COMRURAL II (US$67.5 million) approved in June 2019 and COMRURAL III (US$100 million) approved in June 2021. See Annex 6, Table A.6.3 for further details.

[31] This relatively small improvement appears to be due to already high baseline values for this index at Project inception (72 and 80 respectively out of 100).

[32] Disbursement of IRM funds began only when the joint bidding process was completed, the firm based in China was ready to deliver the biosanitary inputs, and the logistical services from China to Honduras were negotiated and contracted with the United Nations World Food Program.

40. **The IRM component financed the purchase of sanitary inputs**, such as personal protection supplies, cleaning supplies, disinfectant material, plastic materials, fumigation equipment (excluding pesticides) and thermometers and storage of the sanitary inputs. Although the Project faced procurement challenges in acquiring sanitary inputs (which was a common experience faced by many at the time due to the sharp rise in demand for these inputs), so that procurement was not "prompt", the distribution of the supplies once procured was managed effectively.

Justification of Overall Efficacy Rating

41. **Overall Efficacy is rated Substantial.** The Project successfully piloted an innovative, agile approach in a complex context and fragile governance framework to substantially achieve the PDO outcomes of increased productivity and competitiveness. Factors considered in determining this rating were the following:
    - Four out of the five PDO indicator targets were exceeded (see Annex 1).
    - In addition, out of 14 Intermediate Results Indicators, 13 met or exceeded their targets (see Annex 1).
    - Sustainability is promising in the context of RPOs' continued contracts with Commercial Partners (CP) and ongoing relationships with PFIs.

C. EFFICIENCY

42. **In the Economic and Financial Analysis (EFA) conducted at Appraisal in 2008, the Economic Internal Rate of Return (EIRR) of the entire project was estimated at 20 percent, with an aggregate Economic Net Present Value (NPV) of US$19.5 million**. The results were based on 10 prototype models, each focused on a specific activity (for example, potato seed production, tilapia production, coffee production, tourism, and strawberry production, *inter alia*) and extrapolated to a total of 125-150 subprojects that the project planned to implement.[33] The average financial Internal Rate of Return (IRR) was 16 percent and the aggregate net financial NPV was US$16.5 million. The analyses applied a 10-year period for most subprojects, except for 15-year period for coffee, and considered an annual discount rate of 12 percent.

43. **By project closing, the Project had financed 120 BPs** (including 88 with the original credit and 32 through the AF) with a strong focus on the coffee value chain, representing 75 percent of investments and 70 percent of beneficiaries. Investments in coffee, dairy, horticulture, and grains added up to 93 percent of total investments under Component 2. To measure the economic and financial benefits created by the Project, a random sample of 12 case studies was analyzed, which represented 10 percent of the total businesses supported by the Project. These comprise a random selection of 7 models of coffee, 2 models of dairy, 1 model of horticultural crops, 1 model of grains and 1 model of honey.

44. **All financial models were built from a mix of information** from the original BPs (crop and processing unit models), completion reports (change in sales values, in yields and in labor use), and video interviews with beneficiaries (product mix with and without project, market outlets, and prices with and without project for the last few years). 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. The cash flows for the value chains for which no case studies were produced (7 percent of total investment) were assumed to be directly proportional to the total

[33] The EFA at appraisal focused on the Project's productive investments, i.e. Component 2, accounting for 77 percent of Project costs, as this component would yield the Project's quantifiable benefits (see the EFA analysis on p.53 of the PAD). However, while the benefits emerge primarily from productive investments envisioned under Component 2, the final NPV and EIRR account for costs of the entire Project at appraisal including the costs of Components 1 and 3.

cash flow of all analyzed value chains. The analysis computed a 6.6 percent business failure rate throughout the Project, in line with what was observed for the original credit.

45. **The aggregated cash flow for all BPs supported by the Project, with all project costs included, results in an EIRR of 20 percent and an NPV of US$17 million, at 2021 prices, using a 12 percent discount rate and a 10-year period of analysis.** The final EIRR is lower than the EIRR estimated at the time of the Interim ICR (25 percent), due to further changes in the types of businesses supported by the Project after the Interim ICR and to adverse movements in international coffee prices for the critical coffee value chain. Indeed, this value chain, which developed certifications, strengthened market linkages and boosted productivity under the Project, suffered from low international prices for coffee precisely during the period in which most of the investments were made. At the same time, the final EIRR of 20 percent is in line with that projected at Appraisal, notwithstanding the slow start to the Project, due to a different mix of businesses analyzed (with more emphasis in practice on the coffee value chain) and as coffee prices were more favorable at various stages during implementation than projected at Appraisal. Financial rates of return were found to be robust on aggregate at the time of project closing, exceeding the 12 percent discount rate for most investments undertaken by the analyzed RPOs (see Annex 4 for further details on the EFA analysis).

46. **The delay in project inception caused considerable losses in efficiency.** Had all project expenditures from 2009 to 2014 occurred in only one preparatory year, the project would have yielded an IRR of 22 percent and an NPV of US$33 million. Nevertheless, many of the factors causing the delay were generally beyond the control of the Bank or the GoH (see Section III.B).

47. **A sensitivity analysis was conducted whereby the impact of an increase in costs and a decrease in benefits of up to 25 percent was evaluated**. The simulations show that the ex-post EIRR is robust and remains positive up to a combined impact of a 20 percent decline in benefits and a 10 percent increase in costs.

48. **Finally, it should be noted that the efficiency analysis is not able to quantify all the benefits of the Project.** It is not able to quantify the environmental benefits achieved through adopting improved production and manufacturing practices (for example, adoption of drought and disease resistant seed varieties, drip irrigation techniques and micro greenhouses). Moreover, the 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.

Assessment of Efficiency and Rating

49. **Efficiency is rated Substantial, based on overall financial and economic results**. Considering the difficult national context, including the institutional capacity challenges, the evolving economic context following the approval of DR-CAFTA, repeated weather-related shocks, the severe political crisis around a change in administration in 2009, and the pilot nature of the operation, which introduced an innovative productive alliances approach to around 3 percent of Honduran small-scale rural producers, and considering that 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, the Project's efficiency is evaluated as Substantial.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

50. **The overall outcome rating is Satisfactory based on the following:**
- **High** rating for Relevance of the PDO based on its sustained alignment with World Bank strategy documents and with the GoH’s strategic/planning instruments.

- **Substantial** rating for Efficacy, based on the achievement of the outcomes and achievement or surpassing of almost all key indicator targets and important collateral/complementary achievements.
- **Substantial** rating for Efficiency**,** based on positive economic and financial outcomes.

51. **It should be noted that these ratings are in line with those provided in the Interim ICR.** The ratings for project Efficacy and Efficiency were rated as Satisfactory and Substantial (a different scale was used for Efficacy but is equivalent to the Substantial rating in this ICR). The Interim ICR rating for relevance of objectives (as evaluated by alignment with the CAS 2007-2010, CPF 2016-2020 and key GoH strategy documents) was rated as High. The overall rating in the interim ICR was also evaluated as Satisfactory.

E. OTHER OUTCOMES AND IMPACTS

Women, youth, and Indigenous communities

52. **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**. Women were successfully included in the Project via extensive technical support through the BP/proposal preparation process. Some 85 percent of RPOs in the earlier phase of the Project and 97 percent of RPOs in the latter phase developed, approved and implemented gender strategy plans. These outlined how the inclusion of women was to be increased specifically in decision-making roles. Data collected by the PIU indicates that, overall, 82 percent of RPOs were able to increase the number of women in management bodies/roles, thereby closing gender gaps not only in terms of access to finance, information and technology through the productive alliances, but also in terms of voice and agency. In addition, 13 percent of beneficiaries were youth and 97 percent of RPOs developed and implemented measures targeting youth in the RPOs, including via specific training and strategies to prepare youth to assume managerial roles in RPOs.

53. **Around 38 percent of direct beneficiaries were indigenous, specifically from the Lenca community but also from the Maya-Chortí community**[34] and 35 of the BPs consisted of RPOs which consisted only of Indigenous People. The Borrower's Closing Report notes that the Project did not have a separate strategy to target indigenous communities,[35] but free, prior and informed consultation was carried out with key representatives of indigenous communities before and during implementation to ensure that their interests were reflected.

54. **Even though membership by women, youth and members from indigenous communities 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).** This suggests that the proportion of these groups as RPO members did not increase over the life of the Project.[36]

Institutional Strengthening

55. **Following initial challenges in terms of institutional capacity of previous implementing partners, reliance on INVEST-H has proven successful.** The Country Assistance Evaluation (2006) notes the capacity constraints

[34] This proportion is higher in the earlier part of the Project (44 percent vs. 28 percent) because of the higher presence of indigenous people in the seven departments selected originally, compared to the six departments added at the time of the AF.
[35] The rationale provided for this is that the communities are not clearly distinguishable from mainstream Honduran culture, except for the use of specific cultural expressions.
[36] As a caveat to this finding, note that the increase in women, youth and members of indigenous communities is calculated for the entire universe of RPOs in the Project, but the membership increase of 46 percent is based on a sample taken from the RPOs.

in the broader Honduras country context that limited the effectiveness of investments in the country. This is reflected in the COMRURAL context by initial delays in implementation that were partially attributable to SAG's limited capacity and to coordination issues between SEFIN and SAG. To respond to this challenge, the Project was transferred first to the Food and Agriculture Organization (FAO) team implementing the Pilot Project of Access to Land (PACTA), and then eventually to INVEST-H. Reliance on INVEST-H has proven successful and has been adopted for the follow-on projects COMRURAL II and III.

56. **The Project has helped strengthen public services for agribusiness via three key institutions.** COMRURAL's initial focus before the AF-related restructuring in September 2017 was on achieving rapid and resilient increases in productivity and competitiveness via the introduction of PAs, and initially the Project's design did not include a strong emphasis on institutional strengthening. However, the September 2017 restructuring included a new component to strengthen public services for agribusinesses via the following three institutions: Ministry of Agriculture and Livestock (SAG), the National Service for Health and Agrifood Safety (SENASA) and the Health Regulation Agency (ARSA). The support included training, vehicles, software and equipment. Through the funding for SAG, two preliminary assessments were conducted on the impact of COVID-19 and of Tropical Storms Eta and Iota on Honduran agriculture. Early work was also undertaken to establish a Market Intelligence Unit that has been continued under the successor project COMRURAL II.[37]

Mobilizing Private Sector Financing

57. **Every dollar of Project financing leveraged another US$1.35 of private financing, which is an important success for the innovative PA approach in Honduras.** 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 from RPOs' own financing. 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, reflecting positively on the PA model's sustainability in mobilizing private capital.

58. **Apart from facilitating contact between RPOs and PFIs, the project model included several mechanisms to incentivize credit by substantially reducing the risk faced by financial institutions when dealing with small rural producers**. In particular, the Project offered technical assistance to RPOs in key aspects including production, manufacturing, and financial management which enhanced the viability and solidity of financed BPs. In addition, another key aspect of project design was a credit guarantee fund established 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.[38] While this fund was never needed/activated (because repayment by RPOs continued smoothly) it was an important factor in encouraging the involvement of PFIs.

Poverty Reduction and Shared Prosperity

59. **The Project promoted poverty reduction and shared prosperity in a difficult context by genuinely targeting small-scale rural producers – including women producers and indigenous producers who faced gaps in access to finance, technology and information – and contributing to their increased productivity and competitiveness.** While this Project, like other productive alliance projects at the time, targeted mostly

[37] The Unit's specific tasks include: Price analysis of agri-food products, development of model business plans for specific sectors and of sub-sectoral investment plans, and development of a methodology for measuring employment in the agri-food sector.

[38] Participating producer organizations are required to have a guarantee (*prendaria*) to access private financing. Using the Complementary Guarantee Fund mechanism, the Project shared the potential risk that PFIs needed to bear in endorsing lending to those RPOs that could not provide guarantees of a sufficient value to meet the requirements on their own.

established organizations of small rural producers, it should be noted that the farmers constituting these RPOs were comparable to other small-scale farmers in Honduras in terms of cultivated farm size and productivity.[39] The average cultivated area for coffee is higher than the national average (3.68 hectares compared to 2.5 hectares), but not significantly, with the same being true for coffee yields (22.83 qq/mz versus 18.98 qq/mz.[40] The Project intervention resulted in a 46 percent increase in the number of co-operative members and these additional farmers had smaller cultivated areas, so that the average cultivated area per family actually fell (by 20 percent) relative to estimates at appraisal.[41] Additionally, while coffee yields of farmers in the RPOs included in the Project are slightly higher than the average, they are still significantly lower than the yields of the high performing farmers in Honduras which go up to 90 qq/mz. Moreover, the 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.

60. **A significant contribution of the Project has been to validate and refine the productive alliance model in Honduras and in the region more broadly**,[42] 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 (through intensive training, larger proportion of financing, and dedicated financing windows for subsistence farmers).

III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

- **The PDO was realistic, relevant to the country's rural context and linked coherently to the GoH and Bank strategies**. The objectives were clear, and set at an appropriate level of ambition, seeking to improve productivity and competitiveness of small-scale rural producers through the productive alliance model which had been successfully tested in the Latin American region.
- **The implementation approach for the core set of project activities (preparation and financing of the BPs) was logical, but in retrospect it was overly challenging given the capacity of the implementing partner (SAG).** This factor was not explicitly addressed in the PAD as a potential project risk. It required SAG to collaborate effectively with multiple partners including PFIs, TSPs, and RPOs. At the start of the Project, SAG had no experience with this type of collaboration, specifically with PFIs that were a key part of the Project's design.
- **The results framework was clearly defined and reflected the Project's goals**. The monitoring arrangements as described in the PAD were clearly laid out, and in accordance with generally accepted practices. They included the establishment and operation of an MIS, technical audits, monitoring, and evaluation reports.

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[39] This observation is made in a key report on Productive Alliances "Linking Farmers to Markets through Productive Alliances : An Assessment of the World Bank Experience in Latin America" published by the World Bank 2016.

[40] Here qq refer to *quintales* (equivalent to 46 kilograms) and mz refer to *manzanas*, (equivalent to 0.6972 hectares), so that 22.83qq/mz equals just over 1,500kg/ha. The coffee yield for farmers in the Project is taken from the baseline values of 71 RPOs surveyed, while the national average is taken from *Análisis De La Cadena De Valor De Café En Honduras* (2018).

[41] These data are derived from the sample of RPOs analyzed for the EFA (excluding honey and dairy value chains).

[42] In addition to the learnings transferred through Bank staff, the COMRURAL PIU has shared their experiences with the PIU in Paraguay and two Organization of Eastern Caribbean States (OECS) member countries that are also implementing productive alliances projects.

- **Project design was participatory in nature and developed after extensive consultations with all key stakeholders.** This proved important to secure continued GoH support in a complex political setting, as well as to bring together RPOs, PFIs, CPs and TSPs in a productive alliances approach that was innovative in the Honduran context.
- **The initial implementation arrangements which divided responsibility between SAG and SEFIN and created coordination challenges, were deemed essential because SAG was recognized as having limited capacity to undertake fiduciary tasks according to Bank requirements.** However, the Bank's persistent efforts, together with the GoH, to modify the implementation arrangements over time through restructurings (described in part B below) paid off and significantly improved the pace and quality of project implementation.
- **Significant initial delays faced by the Project after effectiveness indicate gaps in its preparation and readiness to implement**. Some of the delays were due to: (a) challenges in finalizing the implementation arrangements for fiduciary responsibilities;[43] and (b) delays in the hiring of a Project Coordinator.
- **Targeting and stakeholder selection was appropriate**. The Project initially covered seven departments and while the Project did not initially measure inclusion efforts, the PAD mentions the importance of inclusion of vulnerable groups such as women and youth, and RPOs planned how to improve inclusion of these groups in their social and environmental plans. The RPO selection criteria exploited the existing social capital present in these regions (existing producer organizations) and targeted small-scale rural producers with productive potential (i.e., neither the largest farmers nor subsistence farmers), which was a balanced decision in light of the emphasis on poverty reduction and the novelty of the productive alliance model in the Honduran context.

B. KEY FACTORS DURING IMPLEMENTATION

Factors subject to the control of government and/or implementing entities:

- **Delayed project effectiveness.** The deadline for the declaration of project effectiveness was extended three times. After Board approval, the GoH requested a change in the fiduciary arrangements, transferring fiduciary responsibilities from SEFIN (through its Project Administration Unit-UAP/SEFIN) to SAG. However, the Bank's response to the GoH's proposal, issued on March 17, 2009, communicated the Bank's intent that the GoH comply with the original institutional arrangements as presented to the Board in the PAD (reflecting the Bank's concern over the capacity of SAG to successfully take on the fiduciary responsibility). The relationship between the two ministries was strained and challenging. This, combined with other factors, meant that the Project was not declared effective until May 2010, two years after its approval by the Bank's Board of Directors.
- **Changes in Implementation arrangements.** Since project implementation continued to lag due to poor coordination between UAP/SEFIN and SAG, the GoH and the Bank agreed in June 2011 to transfer responsibilities for the technical implementation of COMRURAL to the implementation unit for the PACTA project[44] and retain fiduciary responsibility in UAP/SEFIN. The rationale for this merger was: (a) to exploit the technical capacities of PACTA staff, which were consistent with those needed for COMRURAL; and (b) the GoH's priority of consolidating project coordination units to achieve economies of scale. This merger involved the signing of an addendum to the agreement between the GoH and FAO which was responsible for implementing PACTA. Disbursements doubled from those of the previous year

[43] Explained in detail in the section below.
[44] The Access to Land Pilot Project tested a public-private partnership strategy, with private sector lending for land purchases and public sector (project) funds supporting complementary investments, and TA to enhance productivity on newly acquired lands.

as implementation accelerated, indicating that this change in implementation arrangements had a positive impact on the pace of implementation. In March 2015, responsibility for technical implementation of COMRURAL was transferred to INVEST-H while fiduciary management remained with SEFIN. This was in line with the incorporation of COMRURAL into the GoH's flagship program for food and nutrition security, the *Alianza para el Corredor Seco* (Alliance for the Dry Corridor, ACS).[45] This change is viewed positively by the GoH and stakeholders alike, as evinced by the fact that INVEST-H remained the implementing agency for the AF and the successor COMRURAL projects. The implementation arrangements were eventually stabilized with the AF (with technical and fiduciary aspects under one roof at INVEST-H) and remain the same under the follow-on COMRURAL operations. The GoH and Bank had proactively piloted different implementation arrangements to address capacity constraints and challenges in a weak institutional context, which led to but also overcame implementation delays and resulted in the strong arrangements in place since the AF.

- **Addressing PFI concerns regarding risk.** The introduction of the Complementary Guarantee Fund (FONGAC-COMRURAL) served to allay risk concerns among PFIs and resulted in the continued involvement and provision of funds by PFIs to the PAs throughout and beyond the Project's lifetime. The PFIs' confidence has been further increased by the fact that no RPOs have accrued arrears on their loans.
- **Scale-up.** The AF was approved in 2017, a year before COMRURAL's revised closing date of 2018. Evidence from the interim ICR and discussions with key stakeholders note that the COMRURAL model had proven to be effective in the Honduran context and the AF allowed for the Bank's continued engagement in the sector while a new project (COMRURAL II) was being prepared.[46] Key lessons from the Interim ICR that were incorporated in the AF to improve implementation included: (a) M&E arrangements were reviewed and improvements were made (such as the inclusion of a separate module to collect data on environmental factors); (b) INVEST-H was given responsibility for the implementation of both technical and fiduciary aspects of the Project, in light of the coordination challenges experienced in the previous phase, and (c) the importance of further institutional strengthening of key sector stakeholders for long-term sustainability of project goals resulted in the introduction of an institutional strengthening component. Key PDO indicators (increase in sales and improvement in land productivity) provide evidence that the scale-up successfully helped the Project to achieve its objectives.

Factors outside the control of implementing entities

- **Political uncertainty:** While the effects are difficult to quantify, political uncertainty impacted the Project's outcome by affecting the capacity of implementing partners and via market outcomes for agribusinesses, and by contributing to the delay in project effectiveness.
- **COVID-19**: The containment and social distancing measures introduced to deal with the COVID-19 pandemic have had an adverse impact on economic activity, especially for informal workers and poor households in urban areas and subsistence farmers in rural areas. Poverty in households under the US$5.50 line is estimated to have increased from 49 percent to 55.4 percent in 2020—an increase of more than 700,000 people. However, evidence from the telephone survey suggests that the agribusinesses financed under the Project have been relatively resilient to the impact of the COVID-19 crisis (48 of the 76 RPOs surveyed indicated an increase in sales in spite of the crisis). Additionally, as discussed in the earlier section, the COVID-19 crisis led the GoH and the Bank to respond with a reallocation of US$2.2 million to help address the crisis.

[45] The ACS supports interventions for the vulnerable population in the western and southern areas of Honduras (*Corredor Seco*), characterized by the country's highest levels of poverty and malnutrition.
[46] Implementation Completion and Results Report (IDA-44650) Report No: ICR00004060.

- **Impact of Tropical Storms:** Weather patterns with serious flooding affected project beneficiaries by weakening the field capacity of the implementing agency and disrupting production. While specific impacts on COMRURAL beneficiaries were not measured, research reported by SAG estimated that 158,000 ha of basic grains, 409,000 ha of export crops, and 23,000 ha of fruit and horticulture crops were affected by the Tropical Storms Eta and Iota that struck Honduras in November 2020.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design

61. **The M&E system was clearly and comprehensively defined in the PAD, with detailed guidance on its different functions, the evaluation methodology, and its frequency**. While ambitious given the context and capacity, it was designed to track and measure implementation of the day-to-day activities of the Project and to evaluate project outcomes by measuring quantitative and qualitative changes in key aspects including land use and income.
    - The monitoring of implementation progress included: (a) developing baseline data on RPOs with approved profiles and monitoring progress towards project objectives; (b) providing information and receiving feedback from involved stakeholders; (c) determining updates and recommending adjustments to project processes as needed, and (d) generating methodologically sound inputs for the measurement, analysis, and dissemination of project results and lessons learned.
    - 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. This methodology would permit a more rigorous analysis of project outcomes by capturing before-after as well as with-without project outcomes through quasi-experimental approaches.[47]

62. **Results Framework (RF) indicators were relevant, generally specific and aligned to operational objectives, although some gaps are evident.** These include the lack of an indicator for the total number of project beneficiaries or disaggregation of indicators for gender and other vulnerable groups.[48] Additionally, while the project documents (including the PAD and the AF Project Paper) stated the importance of encouraging adoption of environmentally sustainable practices, this information was only reported indirectly in the RF through the compliance of RPOs. The Results Framework was modified four times during the Project’s life. However, most of these changes only involved clarifications (improved precision in wording) or changes in indicator values reflecting changes in project financing (at the time of the cancellation and the AF). A few of the changes reflect adaptations in this innovative pilot Project to address capacity constraints and reduce the burden on the PIU (for example, the decision to remove labor productivity from the productivity measurement indicator) (see Annex 6, Table A.6.1 for details on changes in the RF). Critically, the M&E system that was set up for COMRURAL has enabled the PIU to track the Project's progress with regard to the PDO and intermediate indicators.

[47] Specifically, the competitive grants cycle would facilitate the formation of three groupings: (i) intervention (i.e., those RPOs with approved business plans); (ii) near control (ie., RPOs which submitted business plans but were not approved for financing); and (iii) distant control (i.e., RPOs that did not participate in COMRURAL). The formation of two control groups would mitigate the selection bias that could be expected, given that the demand-driven methodology of COMRURAL requires that RPOs “opt in” through self-selection.

[48] These were added later during the restructuring in 2017.

M&E Implementation

63. **M&E implementation was delayed because of the Project's slow start, due in turn partly to changes in implementation agencies.** Although these were adaptive changes to address capacity constraints and challenges in a weak institutional context, they created various challenges that prevented the Bank team from prioritizing M&E issues, especially during the earlier part of project implementation**.** The established MIS system collected key information on RPOs including: (a) baseline information on sales and productivity from the BP proposals submitted by the RPOs, followed by annual collection of information on the indicators and the RPOs' own financial contributions; (b) semi-annual or trimestral data (collected in coordination with TSPs) on compliance with the environmental practices and training/activities to improve inclusion as outlined in the BP proposals, and (c) PFI loans issued to the RPOs and repayments (collected in coordination with PFIs).

64. **The Project's MIS was redesigned in 2017 to make data entry more efficient and improve the quality of the reports generated.** Data collection became more systematic, and the improved report generation system allowed the PIU to better connect requests for disbursements by RPOs with compliance on key indicators. A key evolution was the creation of a separate environmental module, created in consultation with the environmental specialist, that allowed for more systematic collection of data on compliance with the environmental and social aspects laid out in the BP.

65. **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.** Greater emphasis has been placed on these aspects in the follow-on COMRURAL operations, and COMRURAL III includes a budget allocation for an impact evaluation to be conducted with support from FAO.

66. **Studies were conducted at project closing to inform the Borrower's Closing Report and the ICR.** The first two reports, "*Resultados y Factores de Éxito de la Experiencia COMRURAL*" and "*Logros y Lecciones Aprendidas del COMRURAL*" used data from the Project's MIS and discussions with key project stakeholders. The third report, "*Sostenibilidad de las Alianzas Productivas (AP) después de finalizado el apoyo de COMRURAL*", was based on a phone survey conducted to assess the sustainability of PAs established during the Project, although the survey was limited in scope and did not evaluate Project performance. The PIU also required closing reports from each of the 120 BPs that were implemented, which were prepared with the assistance of the TSPs. The closing reports included information on gross sales, land productivity, jobs generated and adoption of specific practices that were outlined in each Business Plan's environmental plan. In addition they provided descriptions of the activities undertaken with project financing and challenges faced by the RPOs, in addition to basic data on beneficiary numbers and financing from separate sources.

M&E Utilization

67. **The M&E data collected was used to prepare the Project's progress reports submitted twice yearly to the line ministries and World Bank as required by the Legal Agreements**. These reports provided important inputs for the Bank's implementation support missions, which included meetings with representatives of involved ministries. For project management, M&E data was used for monitoring implementation progress, tracing results indicators, and for updating the economic and financial analysis (EFA). M&E data was used to take stock of Project progress at the time of the AF and various restructurings, with the recorded progress being used to justify the additional funds and extensions, and M&E data supported preparation of the client's final report and the Bank's ICRR. The data on progress under COMRURAL also led the GoH to request the follow-on COMRURAL II and COMRURAL III operations (and informed their preparation), placing the

COMRURAL series at the core of the GoH's agricultural sector strategy. In short, while facing challenges at the start, the Project's MIS system was eventually able to reliably collect and report data on progress with Business Plan implementation and Project performance indicators, and was used for these and other key aspects of the Project. Moreover, INVEST-H is drawing on the strengthened MIS in the follow-on COMRURAL operations.

Justification of Overall Rating of Quality of M&E

68. **In spite of the slow start-up, the monitoring system was adequately designed, implemented and actively used for this Project, as well as for the follow-on operations**. The data produced was effective in tracking progress under the Project and was adequate for the purposes of project coordination and monitoring, including for assessing progress on PDO and intermediate indicators. However, implementation of planned evaluation activities fell short of what was envisaged at Appraisal. This is reflected in the lack of a timely baseline survey and the lack of a rigorous impact evaluation at project closing. These shortcomings in evaluation were compensated to a degree by the two reports produced at closing which included stakeholder interviews and data from the Project MIS to evaluate the Project activities, and the closing reports that were produced for each BP, both of which proved valuable resources for this ICR. While the rigorous evaluation envisioned in the PAD[49] became extremely unlikely for the Project due to the challenges it faced during its initial years, the COMRURAL project series incorporated the lessons learned and earmarked monetary and human resources for rigorous impact evaluation of the later COMRURAL II and III Projects. In light of the adequacy of the design to track progress against Project indicators, the advances made in strengthening the implementation of the MIS during the life of the Project, and the robust utilization of the MIS information, including the continued use of the MIS in the follow-on operations, overall M&E quality is rated as **Substantial.** Monitoring and Evaluation was rated Moderately Satisfactory (on a different scale) at the time of the Interim ICR, which is in line with the Substantial rating provided in this ICR.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

Environmental Safeguards

69. **Environmental Safeguards compliance was rated as Moderately Satisfactory or Satisfactory throughout the Project's life**. The Project was classified as Category B and activated four World Bank environmental safeguards during the preparation and implementation of the Project in its different phases: Operational Policy/Bank Procedure (OP/BP) 4.01 Environmental Assessment (EA); OP/BP 4.04 Natural Habitats; OP/BP 4.36 Forests, and OP 4.09 Pest Management. The EA report was publicly disclosed at the World Bank office in Tegucigalpa, Honduras and at the Bank's Infoshop in Washington, in October 2007. 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. Performance was as follows:

- The Project did not finance activities in BPs that could result in transformation or degradation of critical natural habitats.
- Integrated pest management techniques were used, focused on biological controls, and types of parasites and tools for behavioral control of pests and insects.

[49] The PAD envisioned a baseline and clear outlining of control groups before the intervention began.

- 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

70. **Social Safeguard Performance and compliance was rated Moderately Satisfactory or Satisfactory throughout the Project's life.**[50] The Project was classified as Category B and triggered OP 4.10 Indigenous Peoples and OP 4.11 Physical Cultural Resources. In addition, OP 4.12 Involuntary Resettlement was activated as a precautionary measure. Key factors were as follows:

- An Indigenous Peoples Plan (IPP) was developed following consultations and was publicly disclosed at the World Bank's office in Tegucigalpa, Honduras, and at the Bank's Infoshop, in October 2007. It included four actions: communication, capacity building, local alliances, and monitoring. Processes included consultations specifically with Indigenous Peoples at the time of design and throughout the Project. Dissemination and communication strategies were designed keeping in mind a focus on vulnerable groups including indigenous communities, with the purpose of promoting membership of individuals from these groups in RPOs and participation of RPOs with a high proportion of indigenous members.
- 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).
- 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.

Fiduciary Aspects

71. **Financial Management performance was rated Moderately Satisfactory from April 2008 to Nov 2012 and Satisfactory, with some gaps, thereafter 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.

72. **The Project's financial management was rated Moderately Satisfactory at the time of the Interim ICR.** This was due to various shortcomings at the time, including delays in providing information needed to manage and monitor Project implementation, as a result of the separation of functions between technical (SAG) and administrative/financial (SEFIN) management of the Project. As noted earlier, technical and administrative/ financial management aspects were later consolidated under one body (INVEST-H) at the time of the AF.

Procurement Compliance

73. **Procurement compliance was rated as Satisfactory throughout project implementation.**[51] 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 following best practices. These guides were reviewed and approved by the Bank. The TA for the PAs included training

[50] Safeguards compliance was rated as Satisfactory at the time of the Interim ICR.
[51] This rating is in line with the rating provided in the Interim ICR.

support for the RPOs on commercial procurement practices and enabled them to follow the procedures and reporting requirements outlined in the guides.

C. BANK PERFORMANCE

Quality at Entry

74. **Key elements relevant for assessing the Project's quality at entry are as follows:**

- **Project design was based on sound background analysis, which considered national and international lessons learned, as well as sectoral strategies.** The design drew on the past and on-going Bank and other donor operations in the agriculture and other rural development sectors in Honduras. The productive alliance methodology was well tested in other countries in the region and experience with PACTA in Honduras had indicated the feasibility of public and private co-financing schemes for land purchases and upgrading of productivity via farmer group enterprises.
- **Project design was simplified to the extent possible, after having been reviewed and analyzed extensively during project preparation.**[52] For example, a component related to road and infrastructure improvements, initially included in the design of COMRURAL, was dropped before Appraisal because it was evaluated as being better suited for another operation at a different time.
- **At the same time, project design was ambitious relative to the capacity of key implementing partners.** While the Project's implementation arrangement (sharing of responsibility between SAG and SEFIN) were imposed on it due to circumstances, and SAG's limited capacity to implement a project requiring coordination with multiple players was recognized, the risk was still underestimated. The Bank might have considered an alternate implementing partner such as INVEST-H or FAO from the start or planned for more intensive technical assistance for SAG to assist with implementation during the initial stages.
- **The geographical scope of the Project was selected based on explicit criteria including existing social capital**, that is, the presence of formalized rural producer organizations, and the presence of value chains that could be leveraged to serve the competitiveness objective of the Project. This focus served the Project well in generating proposals from formalized RPOs even though it eventually resulted in a larger number of financed proposals than foreseen coming from the coffee sector.
- **Fiduciary 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. Financial Management and procurement capacity assessments were conducted during preparation for the main implementing agencies, and action plans and training were designed to boost their capacity.
- **M&E arrangements were laid out in detail, but their rollout was held up by changing implementation arrangements and capacity constraints.** The Project continued to develop its MIS throughout its life and strong use was made of the MIS, although the Project was unable to conduct the rigorous evaluation that was originally planned. The RF was well-designed to track Project indicators but could have been improved by capturing more of the Project's potential outcomes (see Section IV.A, M&E design).
- **Likely risks were correctly identified although in retrospect underestimated, and mitigation measures proved insufficient in some cases.** The Team flagged project-level risk as Substantial and built in an agreement between SAG and UAP/SEFIN as a mitigation measure. The initial challenges associated with coordination between SAG and UAP/SEFIN were a major factor responsible for the two-year delay in effectiveness and the slow start of implementation.

[52] The time elapsed between identification (September 2006) and approval (June 2008) was 21 months.

Quality of Supervision

75. **Key elements relevant for assessing project supervision are as follows:**

- **Supervision missions mobilized a wealth of technical support from the World Bank Headquarters, the Country Management Unit, and other agencies such as the FAO.** 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, engaged in field visits and met with the implementing team and relevant stakeholders to assess progress and challenges. The Mid-term Review (MTR) was conducted in a timely manner in February 2013 and based on its findings, recommended, *inter alia*, improving the information system, as well as better recording and sharing of disbursements of public funds with the PFIs. Progress on Development Objectives (DO) and Implementation Progress (IP) ratings improved to Satisfactory after the MTR.
- **The supervision of fiduciary compliance was intensive,** Financial management, procurement, safeguards and the GRM were analyzed, clearly reported, and rated realistically in ISRs. All diagnosed issues were assiduously followed-up, including governance, compliance, quality, technical and capacity issues.
- **Ratings for IP and DO realistically reflected project progress** (see Data Sheet performance ratings). Ratings shifted from Moderately Unsatisfactory/Moderately Satisfactory to Satisfactory starting from 2013, consistent with the accelerating pace and quality of project implementation.
- **The World Bank's engagement was generally proactive and supportive.** 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. The restructurings proved to be effective in addressing implementation challenges, and extensions of the Project's closing date enabled the Project to substantially achieve its objectives.
- **The Bank persistently sought improvements in the implementation arrangements, which underwent significant change during the Project's life, helping to increase the pace of implementation and easing the way for the two successor COMRURAL projects**. Key changes included: (a) eliminating the role of a Payment Agent for the disbursement of funds; (b) moving the Project's technical execution from SAG and merging it with the PIU of PACTA in June 2011; and (c) transferring responsibility for technical implementation of the parent Project to INVEST-H in 2015, while maintaining fiduciary management in SEFIN, before eventually consolidating all project implementation under INVEST-H.
- **While the Project made substantial improvements in monitoring during its life after a slow start, the evaluation aspect fell short**. To a degree, evaluation lost priority in the Bank's effort to resolve implementation challenges faced by the Project, especially during the early years. This was compounded by the shifts in implementing agencies, from MAG to FAO (through PACTA) to INVEST-H. At project closing, the Bank and the GoH had agreed instead to allocate monetary and human resources to a rigorous evaluation of COMRURAL III.
- **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. This included ensuring the timely delivery of the Borrower's Closing Report.

Justification of Overall Rating of Bank Performance

76. **While the Project experienced significant challenges at the start, reflecting some quality at entry shortcomings in the challenging institutional context, the Bank's approach during supervision was proactive and supportive**. This adaptive management is reflected in the eight restructurings and significant changes to implementation arrangements, as well as in the intensive technical and fiduciary supervision of

the Project, and in the strong solutions orientation (exemplified by the restructurings, a successful MTR, and the additional support for institutional strengthening) that resulted in a Satisfactory outcome for the Project and in the GoH mainstreaming the COMRURAL I approach in its agricultural sector strategic approach via two follow-on COMRURAL operations. Overall Bank Performance is therefore rated as **Moderately Satisfactory,** which is the same rating provided to Bank Performance at the time of the Interim ICR.

D. RISK TO DEVELOPMENT OUTCOME

77. **The main risk to the Project's development outcome could be the sustainability of the productive alliances financed, but this risk is evaluated as Modest, both in terms of likelihood and impacts, for the following reasons:**[53]

- **COMRURAL worked with relatively well-established RPOs.** This is evidenced in the organizational capacity index score that the Project collected for 100 RPOs. While the average value of the index improved, the improvement is relatively small, indicating relatively high starting index values of the RPOs, i.e., their organizational capacity was relatively strong even at the baseline stage.
- **Specific design aspects of the model appear to have been successful in reducing risk and improving the sustainability of the PAs, including**: (a) close technical support provided to the RPOs, substantially reducing the technical risk to the alliances, and (b) the model's intrinsically high level of sustainability once the economic advantages have become apparent to producers and buyers alike and once a successful business relationship with CPs and PFIs has been established. As noted earlier, 75 percent of RPOs surveyed are still in a contractual relationship with the same CP and 85 percent have either maintained a borrowing relationship with the same PFI or entered a new borrowing arrangement, reflecting positively on the sustainability of formal financing to the RPOs.
- **Market risk associated with prices, production quality, and timing of delivery for honoring contracts could potentially hamper the profitability of various productive investments.** The Project contributed to equipping the RPOs with a deeper awareness of market demands and more integrated production systems. Some evidence for this comes from the closing survey, where 48 of the 76 RPOs (70 percent) surveyed indicated that their sales had continued to increase following the cessation of project support, despite the challenging circumstances created by the COVID-19 crisis. Moreover, the EFA sensitivity analysis suggests that IRRs are robust to substantial adverse movements in benefits and costs.
- **The Project has also contributed to a better understanding of the risks associated with external weather events and climate variability**, by encouraging the adoption of sustainable agricultural practices. The inclusion of the IRM also enabled the GoH to respond quickly to the COVID-19 pandemic.
- **The Project has been followed by COMRURAL II and COMRURAL III,** which will continue with the now-tested model of PAs, while incorporating lessons learned from this Project (such as a greater focus on institutional strengthening of critical sector institutions, adoption of climate smart productive technologies and practices, and targeting of vulnerable groups).

V. LESSONS AND RECOMMENDATIONS

78. **The original Project has been followed by an AF and by two successor projects that reflect lessons and experience gathered under the Project and scale up the Project's piloting framework of productive alliances for different groups of rural producers and for private capital mobilization**. A key contribution of the Project is that it has provided proof of concept of the productive alliance model in the challenging

[53] This rating is in line with the Moderate rating for risk to development outcome in the interim ICR.

Honduran context, an approach that has proven to be successful and resilient, while improving competitiveness in rural Honduras. Moreover, this proof of concept has been extended beyond Honduras, as COMRURAL has become a model for other productive alliance projects in the LAC region and other regions where the Bank is supporting the productive alliance approach. Key lessons and recommendations emerging from the Project experience are highlighted below, and have been incorporated in the successor projects:

- **Promotion of sustainable and productive technologies combined with improved access to markets proved to be an extremely effective strategy**. The Project promoted adoption of sustainable production and processing practices (integrated pest management, drip irrigation, solar drying for coffee, etc.) and helped beneficiaries acquire certifications that allowed them to access markets that provided price premiums for quality and reliability, while their strengthened organizational capacity and scale also contributed to greater bargaining power, all of which contributed to higher productivity and sales.
- **Given the inherent risks in lending to the agricultural sector, a package of measures taken together can increase confidence of PFIs and lead to durable financing relationships with rural producers**. The Project combined the critical success factor of credit guarantees with the leverage of matching grants, provision of business development support, strengthened productive and managerial skills for beneficiaries that improved their bankability, stable relationships with commercial buyers via the productive alliances, and the promotion of technologies (for example, climate-smart agriculture) and good environmental practices (for example, organic production) that reduced risks, increased bankability of business plans implemented by the beneficiaries, and added value.
- **Strengthening the capacity and competitiveness of critical public sector institutions is essential for successful implementation and increases the prospects for private capital mobilization in the productive alliances model.** For the agri-food system to function efficiently and benefit agri-food system actors on the supply and demand side, selected public sector services must be strengthened and modernized, and the regulatory framework and institutional capacity for enabling agribusiness competitiveness must also be improved. For example, activities that strengthen and improve service delivery and coordination between SAG and other institutions are key for effective project implementation and to attract private commercial and financial partners for the business plans. This lesson has been swiftly incorporated in the successor COMRURAL projects which both feature a dedicated component to support the modernization and strengthening of selected public services by improving the regulatory framework for agribusiness and the capacity of public sector institutions to promote a competitive agribusiness sector. Moreover, strengthening sectoral capacities in these technical areas has proven more important than making agricultural sector institutions responsible for project implementation, which the GoH has preferred to consolidate in a professional project management unit in INVEST-H. A similar approach is now being proposed for the Belize Climate Resilient and Sustainable Agriculture Project (P172592).
- **Investments in public goods and services for agriculture, as well as incentives for farmers to adopt agricultural technologies, must be based on explicit and transparent selection criteria**. A key lesson learned, based on the success of COMRURAL activities, that has been carried forward to the subsequent COMRURAL projects, has been that selection criteria must be explicit and transparent to local authorities and key stakeholders, to avoid the opaque allocation of funding to public investments.
- **A strong evaluation system is an essential complement for effectively capturing project performance.** This is a key lesson learned, especially in the context of a project that is serving as a model both within and beyond the country. Moreover, gathering timely baseline data and more disaggregated data on key indicators can allow for further insights into the benefits of a project, including to strengthen the inclusion of vulnerable groups. Both these lessons have been incorporated in COMRURAL III.

- **Factors fostering the 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 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 for traditionally marginalized groups.

ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS INDICATORS

A.1 PDO Indicators

Objective/Outcome: Contribute to increased productivity and competitiveness among organized rural small-scale producers

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Percentage increase in the value of gross sales of the rural producer organizations based on implementation of the business plan.	Percentage	0.00 30-Jul-2008	10.00 30-Jul-2008		25.50 30-Jun-2021

Comments (achievements against targets):
Exceeded. 255% of target

The baseline value for sales is taken for all the OPRSand the sales value at the closing is taken (adjusted for inflation with index from the Honduras Central Bank). The final indicator is calculated by the (∑Result / ∑Baseline) -1.

The increase in sales was 23% for plans financed in the first phase of the Project and 28% in the second phase of the Project. We take the average of these values.

Sales data was recorded for each OPR annually

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Percentage of rural producer organizations that are working under an alliance approach 24 months after first disbursement	Percentage	0.00 30-Jul-2008	80.00 01-Sep-2017		91.00 30-Jun-2021

Comments (achievements against targets):

Exceeded. 118% of target

This indicator was introduced with the restructuring and additional financing in May 2017 and is therefore measured only for the alliances formed after the additional financing

This indicator measures if the alliance is still sustained 2 years after the first disbursements so before the closing of the business plan implementation under the Project which is planned for 3 years

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Percentage increase in land and labor productivity by rural producers participating in the project	Percentage	0.00 30-Jul-2008	20.00 30-Jul-2008		23.50 30-Jun-2021

Comments (achievements against targets):
Exceeded. 118% of target

The wording of the indicator was meant to be modified to include only land productivity (labor productivity was deemed to be too complicated to calculate). Therefore the calculated indicator only accounts for land productivity

Amount of crop production was taken to be the indicator for land productivity.

Increase in yield was calculated for each value chain and then averaged for each value chain

The increase in land productivity was 24% for plans financed before the AF and 23% after the AF

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Percentage of rural producer organizations without a loan in arrears	Percentage	0.00 31-Dec-2016	95.00 01-Sep-2017		100.00 30-Jun-2021

Comments (achievements against targets):
Exceeded. 101% of target

This indicator was introduced with the restructuring and additional financing in May 2017 and is therefore measured only for the alliances formed after the additional financing.

Data for this indicator was collected directly from the financial institutions and recorded if payments for loans were on schedule for the RPOs

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Time taken to disburse funds requested by the Government for an eligible emergency	Weeks	0.00 31-Dec-2016	4.00 01-Sep-2017	4.00 01-Sep-2017	27.00 30-Jun-2021

Comments (achievements against targets):

Target not met.

This indicator was calculated as the time elapsed from when the request was met for the activation of the CERC to the first disbursement.

A.2 Intermediate Results Indicators

Component: Component 1. Support to Value Chains as Prioritized under Public Policy

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of technical service providers are approved to provide support to rural producer organizations	Number	0.00 30-Jul-2008	15.00 30-Jul-2008	55.00 01-Sep-2017	65.00 30-Jun-2021

Comments (achievements against targets):

Exceeded. 118% of target

51 PSDEs (37 private institutions approved PSDEs and 14 individual consultants (PSDEs)) provided support for the alliances before the AF and an additional 12 new service providers were registered following the AF

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of rural producer organizations have produced a profile that is approved to become a business plan.	Number	0.00 30-Jul-2008	215.00 31-Jul-2008	235.00 01-Sep-2017	236.00 30-Jun-2021

Comments (achievements against targets):
Met. 100% of target

This indicator measures the number of RPOs whose profiles were approved by the evaluation committee as having an eligible business plan for financing.

However not all of these were financed because of various reasons a key one was that not all of them could secure financing from PFIs.

Component: Component 2. Productive Investments in value Chains as Prioritized under Public Policy

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of productive	Number	0.00	150.00	190.00	163.00

alliances under implementation		30-Jul-2008	30-Jul-2008	01-Sep-2017	30-Jun-2021

Comments (achievements against targets):
Substantially met. 86% of target

This indicator measures the number of productive alliances that the Project financed. A productive alliance under the Project included an RPO, a commercial partner, a PFI, and a technical service provider. Occasionally a single business plan could include more than one RPO and these were counted as separate productive alliances since the definition of the productive alliance was met. (The PAD explicitly differentiates between business plans and productive alliances)

122 productive alliances were financed in the first round and 41 after the AF

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Direct project beneficiaries	Number	0.00 30-Jul-2008	6,700.00 30-Jul-2008	10,780.00 01-Sep-2017	12,878.00 30-Jun-2021
Female beneficiaries	Percentage	10.00	25.00	25.00	27.00

Comments (achievements against targets):
Exceeded. 119% of target

This indicator measures the members from the 163 alliances that were financed under the Project.

This includes 7132 beneficiaries under the original credit and 5746 beneficiaries under the new financing following the AF.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Percentage of investments identified in the business plans are completed on schedule	Percentage	0.00 30-Jul-2008	80.00 01-Jul-2011		97.00 30-Jun-2021

Comments (achievements against targets):
Exceeded. 121% of target

This indicator measures if the outline for implementation of the business plan followed was implemented as laid out.

Occasionally RPOs requested a change in the timeline of investments and these were formally included in the proposal. These are not counted as implementation being off schedule

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion

Percentage of business plans financed by the project are implemented using good environmental practices	Percentage	0.00 30-Jul-2008	70.00 01-Jul-2011		89.70 30-Jun-2021

Comments (achievements against targets):
Exceeded. 128% of target

The indicator was calculated based on RPOs adopting applicable "good" environmental practices in the implementation of their business plans.

Specific practices were agreed upon with assistance from the technical service provider which were specific to each business plan. They were divided into 5 sub-categories which included

i) Management of water including efficient irrigation practices such as drip irrigation or recycle water generated as a waste from washing utensils or other materials ii) Management of solid waste for example adoption of dry recycling (use of coffee husks as fuel) ii) Environmental licenses-COMRURAL project requires each OPR to obtain an environmental permit from the Ministry of the Environment,iv) GAP-soil analysis to assess the level of nutrients contained in the soil, periodic and deep cleaning of weeds, reforestation of sources and water-producing areas, the catchment of CO2 through the conservation of forest areas, reforestation with agroforestry systems, pest control through traps and the planting of fruit trees and v) Environmental Certifications.

The TSP reported to the PIU whether the RPO was following the steps laid out in the business plan

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Percentage of business plans in the project successfully implement measures that target the youth and indigenous	Percentage	0.00 30-Jul-2008	70.00 01-Jul-2011		97.00 30-Jun-2021

communities,when applicable, as identified in the business plan.					

Comments (achievements against targets):
Exceeded. 139% of target

This indicator includes RPOs that adopted specific measures that increased the participation of youth and Indigenous communities in the RPOs. Each RPO initially outlined the steps that they would take to follow the procedures to increase inclusivity. The specific steps included training and specific targets to increase the numbers in the RPO as members or in the Indigenous organizations.

The TSP reported to the PIU whether the RPO was following the steps laid out in the business plan

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Targeted clients satisfied with agricultural services (percentage)	Percentage	0.00 30-Jul-2008	80.00 01-Sep-2017		89.40 30-Jun-2021
Targeted clients satisfied with agricultural services - male (number)	Number	0.00	6,468.00		3,893.00
Targeted clients satisfied with agricultural services - female (number)	Number	0.00	2,156.00		1,607.00

Targeted clients- male (number)	Number	0.00	8,085.00		5,184.00
Targeted clients – female (number)	Number	0.00	2,695.00		2,016.00

Comments (achievements against targets):
Exceeded. 105% of target

This is based on a survey measuring self-reported satisfaction with project services.

Later disaggregated values state the number of beneficiaries who should have been targeted for the survey and how many responded as being satisfied with the survey.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Private Capital Mobilized	Amount(USD)	0.00 30-Jul-2008	12,500,000.00 30-Jul-2008	24,350,000.00 01-Sep-2017	33,500,000.00 30-Jun-2021

Comments (achievements against targets):

Exceeded. 138% of target

A total amount of US$34 million was raised by the Project out of which US$20.5 Million was raised through the private financial institutions and US$13.5 Million that was raised through the finances of the RPOs

Component: Component 3. Project Management, Monitoring and Evaluation

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
MIS fully functional and producing all required products	Text	No 30-Jul-2008	Yes 30-Jul-2008		Yes 30-Jun-2021

Comments (achievements against targets):
Indicator met.

The MIS was deemed to be fully functional in 2015

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Satisfactory financial audits	Text	No 30-Jul-2008	Yes 30-Jul-2008		Yes 30-Jun-2021

Comments (achievements against targets):

The indicator target was met.

Financial audits were deemed satisfactory

Component: Component 4. Cross-Cutting Institutional Strengthening

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
National competitiveness policy designed	Yes/No	No 31-Dec-2016	Yes 01-Sep-2017		Yes 30-Jun-2021

Comments (achievements against targets):
Indicator target met

The document outlining the designing if the national competitive policy has been produced

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Establishment of a market intelligence unit	Yes/No	No 31-Dec-2016	Yes 01-Sep-2017		Yes 30-Jun-2021

Comments (achievements against targets):

Indicator target met.

This indicator was evaluated as having been met based on the production of the base documents

Component: Component 5. Immediate Response Mechanism

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
IRM established and ready to provide access to financial resources to Honduras in case of an eligible emergency	Yes/No	No 31-Dec-2016	Yes 01-Sep-2016		Yes 30-Jun-2021

Comments (achievements against targets):
The IRM manual was developed before the triggering of the component in June 2020

B. KEY OUTPUTS BY COMPONENT

Objective/Outcome 1Contribute to increased productivity and competitiveness of organized rural small-scale producers.	
Outcome Indicators	1. Percentage increase in the value of gross sales of the rural producer organizations based on implementation of the business plan. (Target exceeded at 25.5%) 2. Percentage increase in land productivity by rural producers participating in the project (Target exceeded at 23.5%)
Intermediate Results Indicators	1. Number of productive alliances under implementation (Target exceeded at 163 alliances) 2. Percentage of business plans financed by the project are implemented using good environmental practices (Target exceeded at 89.7% of RPOs) 3. Private Capital Mobilized (Target exceed at US$33.5 Million raised) 4. Percentage of investments identified in the business plans are completed on schedule (Target exceeded at 97%)
Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)	Component 1 1.Number of calls of proposals issued:10 2.Number of proposals received and evaluated:380 Component 2 3.Amount of money disbursed to RPOs-US$24.73 Million 4.Number of trainings conducted by technical service provides: 1400 trainings Component 3 Monitoring and evaluation system recording key information on disbursements and adoption of good practices by RPOs: Yes

	Component 4 Number of studies conducted:2 Value of lab equipment purchased: US$66,328
Objective/Outcome 2	
Outcome Indicators	Time taken to disburse funds requested by the Government for an eligible emergency (Target not met at 27 weeks)
Intermediate Results Indicators	IRM established and ready to provide access to financial resources to Honduras in case of an eligible emergency (Target Met)
Key Outputs by Component (linked to the achievement of the Objective/Outcome 2)	Value of Items financed under IRM under IRM-US$2.2 Million

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Preparation	
Supervision/ICR	
Augusto Garcia, Viviana Maria Eugenia Perego	Task Team Leader(s)
Zoila Catherine Abreu Rojas	Procurement Specialist(s)
Eduardo Franca De Souza	Financial Management Specialist
Solange Maria Olivera	Financial Management Specialist
Angelica Calderon	Procurement Team
Linda Castillo	Procurement Team
Erica Virginia Piber	Social Specialist
Mario I. Mendez	Team Member
Brenda Mendieta-Arroyo	Procurement Team
Ramon Ernesto Arias Moncada	Team Member
Sofia Keller Neiva	Team Member
Leah Arabella Germer	Team Member
Andrew Francis Drumm	Environmental Specialist
Hira Channa	Team Member
Maria Victoria Traverso	Team Member
Elena Mora Lopez	Team Member

B. STAFF TIME AND COST

Stage of Project Cycle	Staff Time and Cost	
	No. of staff weeks	US$ (including travel and consultant costs)
Preparation		
FY07	37.840	167,131.21
FY08	42.680	204,523.91
FY09	0	1,214.98
Total	**80.52**	**372,870.10**
Supervision/ICR		
FY09	23.342	79,211.33
FY10	21.180	93,491.71
FY11	18.413	88,123.82
FY12	13.437	109,669.97
FY13	31.190	110,079.80
FY14	28.575	125,091.55
FY15	27.283	106,140.74
FY16	32.539	134,326.93
FY17	32.797	126,389.32
FY18	28.041	140,579.48
FY19	30.198	114,042.91
FY20	48.040	164,986.96
Total	**335.04**	**1,392,134.52**

ANNEX 3. PROJECT COST BY COMPONENT

Components	Amount at Approval (Bank financing*) (US$M	Amount at Approval (Other sources) (US$M)***	Actual at Project Closing (Bank financing) (US$M)	Actual at Project Closing (Other sources (US$M)	Percentage of Approval (Total) (US$M)
Support to Value Chains as Prioritized under Public Policy	14.7	1.1	7.53	1.1	55%
Productive Investments in value Chains as Prioritized under Public Policy	32.3	28.35	24.73	37.3**	109%
Project Management, Monitoring and Evaluation	6.1	0.3	7.01	0.3	114%
Immediate Response Mechanism	0	0	2.19	-	
Cross-Cutting Institutional Strengthening	1.9	0	0.57		30%
Total	**55.10**	29.75	**42.02**	**38.7**	

*The amount of approval includes the total approved amount for IDA-4465 and IDA-6046
** This include US$33.5 Million from PFIs, RPO own contribution and US$3.8 million from the COSUDE Trust fund
*** This includes co-financing from the GoH, COSUDE (Trust fund financing totaling US$4 million) and resources in component 2 from PFIs and RPOs.

ANNEX 4. EFFICIENCY ANALYSIS

Rural Competitiveness Project (COMRURAL)
Financial Analysis

1. **The investments financed by the Project included the following:** 1 - Support to productive alliances, namely identification, promotion, creation and consolidation of productive alliances, identification of potential business opportunities and conversion of such business opportunities into BPs; 2 – Productive investments in value chains, financing approved BPs and providing a guarantee fund for loans to Project beneficiaries; 3 – Project Management, Monitoring and Evaluation; 4 – Cross-cutting institutional strengthening, and 5 – Immediate Response Mechanism, which enabled emergency support to be provided to the country during the Covid-19 pandemic (see Table 1).

Table 1 – Summary of project actual costs

Project components	Actual cost (US million)	Cost distribution
Component 1: Support to Value Chains as Prioritized under Public Policy	7.53	21%
Component 2: Productive Investments in value Chains as Prioritized under Public Policy	24. 7	56%
Component 3: Project Management, Monitoring and Evaluation	7.01	17%
Component 4: Institutional Strengthening	0.57	1%
Component 5: Immediate Response Mechanism	2.19	5%
Total cost	**42.02**	**100%**

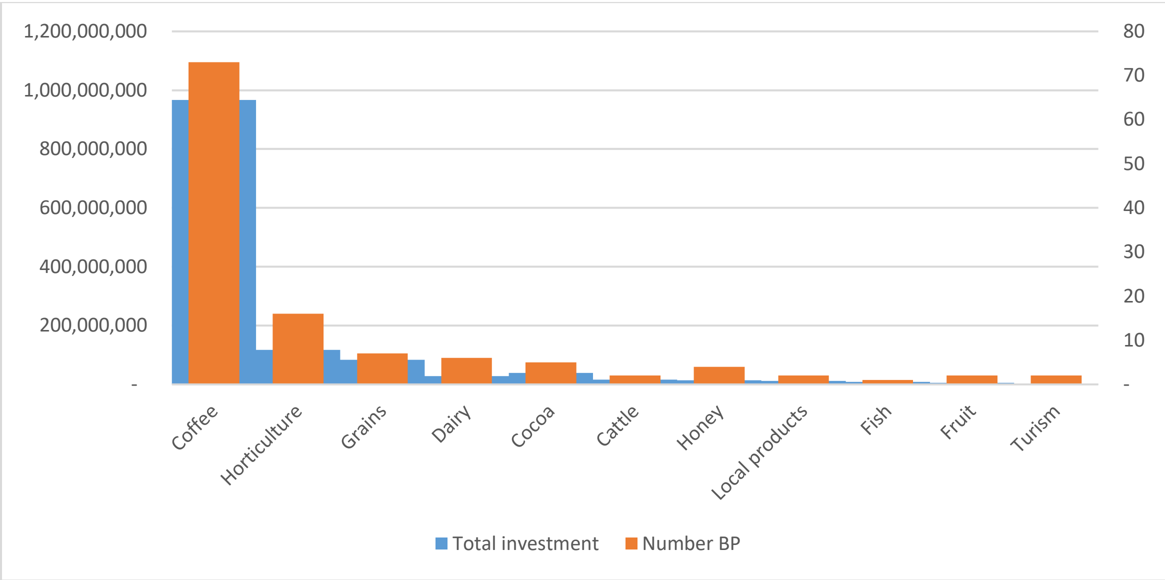
Table 1 – Summary of BPs financed by the project
(The total investment includes project grants, loans from PFIs and RPOs' own contributions)

	Total investment	Number BPs	Number families	Share of investment	Share of BPs	Share of families
Coffee	967,339,077	73	8,931	75%	61%	69%
Horticulture	117,583,832	16	1,096	9%	13%	9%
Grains	83,621,513	7	1,207	6%	6%	9%
Dairy	28,619,638	6	222	2%	5%	2%
Cocoa	39,077,458	5	779	3%	4%	6%
Cattle	16,378,420	2	101	1%	2%	1%
Honey	13,613,338	4	94	1%	3%	1%
Local products	11,874,455	2	202	1%	2%	2%
Fish	9,001,373	1	17	1%	1%	0%
Fruit	5,039,716	2	137	0%	2%	1%
Tourism	959,245	2	92	0%	2%	1%
Total	**967,339,077**	**120**	**12,878**	**100%**	**100%**	**100%**

2. **As in the PAD and the AF Project Paper, this Annex limits its analysis (with regard to benefits) to the Project's productive investments,** as these make up 77 percent of total investments and produce the Project's quantifiable benefits. From 2010 to 2021, 120 BPs were financed, 88 during the original credit and 32 through an AF. Table 2 above summarizes the total investments in BPs.

3. **The project has had a strong focus on the coffee value chain, which represents 75 percent of investment through Component 2 and 70 percent of the families benefited by the project.** Investments in coffee, dairy, horticulture and grains account for 93 percent of the total investment in Component 2 (see Figure 1).

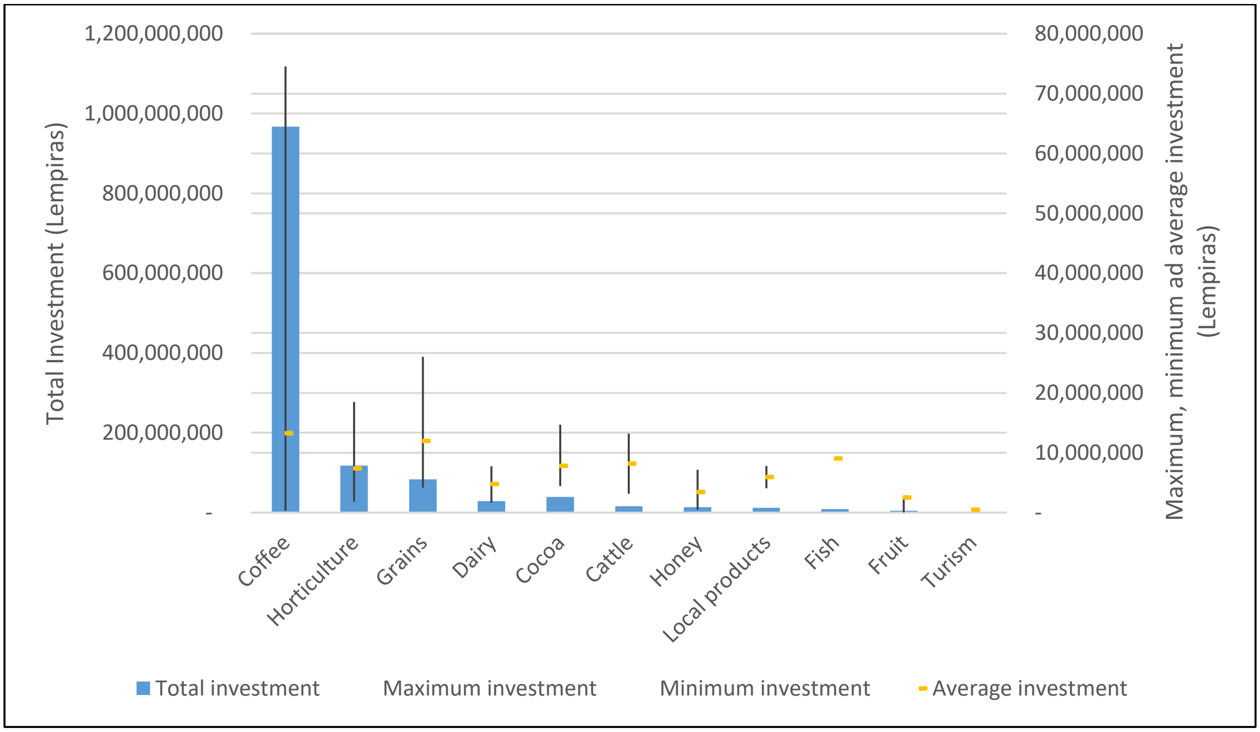
Figure 1 – Total investment and number of business plans per subsector



Methodology

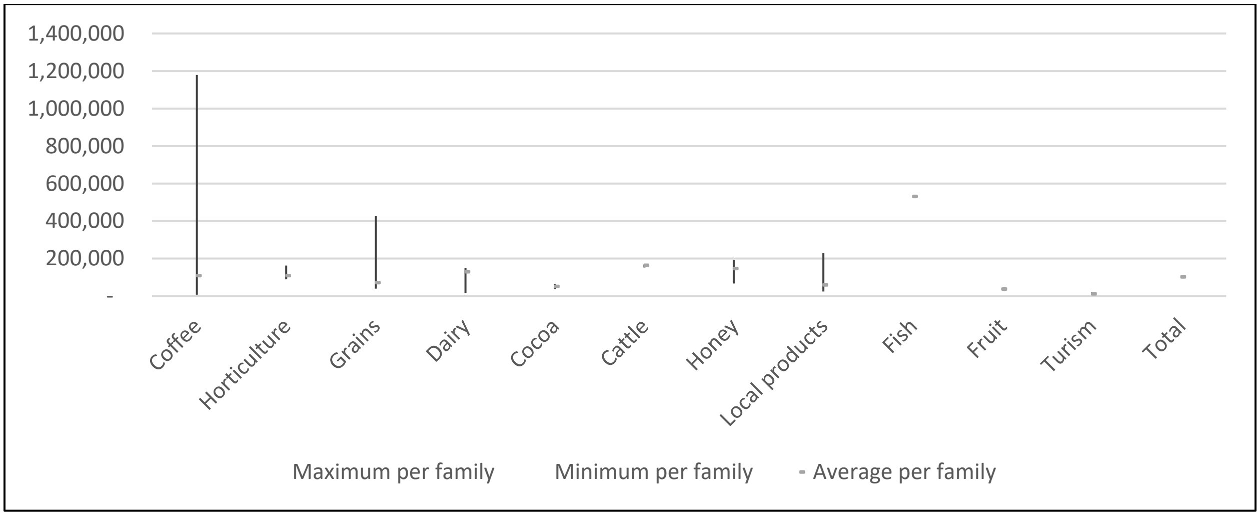
4. **Each BP addresses specific needs from each specific producer organization as programmed in the PAD and in the project AF document.** Hence, despite the concentration of the project investments in four subsectors, there is some level of heterogeneity in the objectives and investments of each BP. As in the PAD and in the AF Project Paper, this Annex provides cost-benefit analyses for several illustrative cases to provide an estimation of the efficiency of each activity that was supported by the project. The illustrative cases were selected to include the four sectors that together make up 93 percent of the investment made through Component 2 (see Figure), but may not be representative of the full diversity of the project for the reasons explained above (see Figure and Figure on the ranges of investment amount per BP and per family within each subsector). Instead, they aim at providing case studies of BPs' financial performance. These case studies comprise 7 models of coffee, 2 models of dairy, 1 model of horticultural crops, one model of grains and one model of honey (which represents all other subsectors). Their selection within each subsector was random.

Figure 2 – Total Project investment in each subsector (left axis) and Average, Maximum and Minimum Investments per subsector (right axis)



Note: solid bars represent the total Project investment in each subsector through subprojects; horizontal lines are the average investment per subsector; vertical lines show the range of investment amounts in each activity.

Figure 3 –Average, Maximum and Minimum Investments per family in each subsector



5. **All financial models were built from a mix of information** from the original BPs (crop and processing unit models), completion reports (change in sales values, in yields and in labor use), and video interviews with beneficiaries (product mix with and without project, market outlets, and prices with and without project for the last few years). More specifically, the models were built as follows:

- **Primary production costs (crop budgets) and processing costs for the situation with and without project were extracted from each BP** Technical coefficients and unit costs were adjusted through interviews. All prices were compounded to 2021 using the World Bank GDP deflator for Honduras and were the same with or without project for the same given year and good or service.

- **The number of cooperative members/suppliers, respective areas under production and sales were estimated as follows** (see also Table 3): (i) data from interviews on the current number of members/suppliers, respective areas under production, and quantities of coffee sold through the cooperative were used for the situation with project in 2021, (ii) data on the number of members/suppliers, respective areas under production, and quantities of coffee sold through the cooperative at the time of project investment was extracted from the BPs and used for the year of the investment (with and without project), (iii) for the quantities produced by current suppliers that were not supplying the cooperatives at the time of project investment, it was assumed that their production was sold unprocessed to traders by then. The value of this unprocessed production was added to the cash flows with and without project for the year of project investment. The cash flows with project assumed a progressive increase in the number of suppliers (and a shift in sales from unprocessed to processed coffee) until it reached the quantities measured for 2021. The cash flows without project assumed a slower increase in the share of processed coffee conditioned by the limited processing capacity that existed before the investment. These assumptions were made based on interviews with the cooperatives' managers.

Table 3 – Data sources and main assumptions regarding sales quantities.

	DATA SOURCES FOR PRODUCT MIX AND SOLD QUANTITIES		
	Investment year	**Years between project investment and 2021**	**2021**
Change in sales WITHOUT project			
Quantity Sold to local traders:			
Unprocessed by initial members	Business plan	Assumed based on the evolution of yields and cooperative's processing capacity without investment	Estimated during interviews
Unprocessed by members who joined later	Assumed during interview	Most cases, assumed to remain constant or increase slighly depending yield changes	
Quantity sold through the cooperative:			
Dried	Business plan	In some cases it was assumed a gradual change from conventional to organic production even without project. Overall processed quantities would only see small increases, if any, due to limitations in processing capacity. Assumptions based on information obtained through interviews.	Estimated during interviews
Dried and peeled	Business plan		
Dried organic	Business plan		
Dried and peeled organic	Business plan		
Drying and peeling services to external clients	Business plan		
Change in quantities WITH project			
Quantity Sold to local traders:			
Unprocessed by initial members	same as without project	In most cases, all production is processed after project investment as declared by cooperative managers	Declared in interviews
Unprocessed by members who joined later			
Quantity sold through the cooperative:			
Dried	same as without project	Gradualincreases in processed quantities and in product mix estimated from information obtained during interviews	Declared during interviews
Dried and peeled			
Dried organic			
Dried and peeled organic			
Drying and peeling services to external clients			

Note: Each Item in green represents one sales item with a specific price. For each year the quantities sold of each item change for he situation with and without project. Prices change from year to year, but atre the same for the situations with and without project for the same given year and item.

- **Nominal unit coffee prices for each combination of type of product and market outlet for each BP were obtained** from: (i) BPs for the year of its formulation, (ii) interviews for 2021. Prices between the investment year and 2021 were estimated based on these two figures and on the farm gate coffee price index for Honduras published by the International Coffee Organization. As prices are forecasted to remain high in the next few years, 2021 prices were used for projections. Finally, all sale prices were compounded to 2021 using the World Bank GDP deflator for Honduras, so the indicators could be comparable between projects.

Financial Analysis

6. **The results of the financial analysis of each case study are summarized in Appendix 1.** The main features of each model are described and discussed below.

Coffee projects:

7. **Generally, the analyzed coffee projects improved the processing and value addition capacities of existing cooperatives.** Examples that benefited from the Project's AF include*:*

(i) **APROCAER** (investment: 12.8 million Lempiras): 84 percent of the investment was made in the improvement of existing facilities and in drying and storage equipment. The Project aided with the organic certification of a share of the produced coffee. The cooperative saw a significant decrease in production due to the coffee rust (which would also have happened without project). The replanting of existing areas will be made mostly under organic certification and the area under production is expected to increase from 155 to 216 ha. Before the project investment, the cooperative members sold all their production through the cooperative which was operating near capacity. The investment from the Project enlarged the cooperative's processing capacities and allowed absorbing the increase in supply due to higher yields (from 23 to 30 qq/mz) and to a 9 percent growth in the number of members. Since the start of the Project, the cooperative has certified 20 percent of its production as organic and the share of organic coffee sold by the cooperative is bound to increase further. Data suggest that organic certification was responsible for a 9 percent increase in average sales price of coffee in 2021, compared to what would be a situation without project for the same year (see Appendix 1).

(ii) **CAFEPSA** (investment: 12.8 million Lempiras): 60 percent of the investment was made in the improvement of drying and storage facilities and the production of special coffees. Before the project investment the cooperative processed only a small share of its current members' production (900 qq) and coffee for external clients (7000 qq). The Project resulted in a significant increase in the processed quantities of members own production (to 9,500 qq) and that of external clients (to 8,000 qq). The quantities processed from its own production are expected to increase further as the areas currently being converted to organic enter in production. The most important change produced by the Project so far was in the average sales price of the coffee, from 2.270 L./qq to 4,293 L./qq as the members shifted from selling most of their production unprocessed to local traders to selling it dried and peeled directly to exporters.

(iii) **CAFICO** (investment: 15.5 million Lempiras): the investment was made mostly in increasing drying capacity and in improving yields. This strategy has resulted in a significant increase in the quantities of coffee that are processed by the cooperative from 80 to 92 percent of members' total production even after a 27 percent increase in yields (30-38 quintales/Mz) and 5 percent increase in the area of production (and 12 percent in the number of suppliers). The average annual net benefit per family increased by

200,000 Lempiras per household (for an average area of planted coffee of 10 mz/family).

(iv) **COAEDCAL** (investment: 16 million Lempiras): Investment mostly in drying and storage equipment and facilities, as well as in a laboratory. Yields were already reasonably high at 23 qq/mz before the project and increased to 26 qq/mz. The number of suppliers increased from 120 to 146 members. The investment permitted processing the additional produced quantities resulting from yields increase and to aggregate new areas of production (a 30 percent increase) of coffee that would otherwise be sold unprocessed to local traders. A higher quantity of coffee commercialized through the cooperative resulted in higher average prices for producers as compared to the 'without-project' situation for 2021 (from 3170 to 3430 L./qq).

8. **Examples that benefited from Original Credit:**

(v) **COCABEL** (investment: 6.8 million Lempiras): Improvement of facilities and processing equipment absorbed only 33 percent of the investment, whereas 58 percent of the investment was made in other equipment, particularly for energy production. The major change resulting from the project intervention was the increase in coffee yields from 17 to 23 qq/Mz and in the number of suppliers (by 60 percent), which resulted in a 41 percent increase in the volume of coffee being available for processing (from 7,100 to 9,600qq). Processing capacity increased from 6,800 qq/year to above current levels of production (with the project the cooperative is able process all the production of its members). The Project also helped to move virtually all production from conventional to certified organic. Average sales price increased by 450 L./qq. on average, and households benefitted from an annual income increase of 70,000 Lempiras.

(vi) **COSAGUAL** (investment: 3.3 million Lempiras): Small investments both in improving processing facilities (27 percent) and in assistance in combating the coffee rust. Yields improved from 13 to 18mz/ha – still low compared to other cooperatives' average – but may continue to improve as plantations regenerate. However, production costs per hectare are also on the lower end (probably due to cash flow constraints from the beneficiaries) which may imply a slow recovery. The most important gains come from an increase in the quantity of coffee that is now sold through the cooperative (from 6,200 to 9,500 qq) – due to higher yields and an increase in the number of members and in their associated area of production (by 8 percent). Coffee is sold at a higher average price than it would have been without project (rising from L. 3650 to 3800 L./qq).

(vii) **COCASMIL** (investment: 7.8 million Lempiras): The project invested in a drying facility which allowed COCASMIL to internalize the drying of all produced coffee despite a 10 percent increase in production available for processing – due to increases in average yields from 26 to 29 qq/mz and in the number of members from 86 to 95. Processed quantities increased from 5,600 to 6,900 qq. Average sales prices increased by 6 percent. The Project helped to increase family income by an annual average of 9,000 Lempiras per household. This investment is the worst performing of the analyzed cases, yielding an IRR of 4 percent.

9. **Additional indicators for the selected case studies can be found in Appendix 1.** Some key general observations are:

- **Average production areas per member in each cooperative range between 2 and 10 manzanas** (with an average of 5.6 mz for the total sample), meaning that these are generally small producers. As some RPOs increased cooperative membership, average production areas declined, meaning that the project enabled the entry of less well-off families (both due to smaller areas and to the fact that they were not inserted in a formal value chain).

- **There is a wide range of estimated production costs** – from 20,000 to 48,000 thousand L./mz before project and 30,000 to 69,000 L./mz with project. Sometimes, as in the case of COSAGUAL, low costs are associated with low yields. However, high production costs do not always translate into higher production levels (for example, APROCAER and CAFEPSA). This shows that improved data collection and monitoring of production practices could yield more accurate results, but more importantly, that there is an opportunity to assess and improve the efficiency of production practices beyond what the Project has already achieved. The same can be said for processing costs, although these weigh less on the total cost of production.
- **Unit margins range between 1,000 and 1,400 L. per quintal** (with exception of COSAGUAL where producers have low yields), but margins per manzana show wider ranges – 30,000 to 60,000 L./mz.[54] This not only reinforces the idea presented in the paragraph above, as it is also the result of a significant difference in the prices different cooperatives fetch for their coffee. In a future project, improved market intelligence, with annual collection of coffee prices per quality and per region, could decrease information asymmetries that are prejudicial to some producer organizations.
- **Average net benefit per family varies considerably from one organization to another** – from 20,000 to 300,000 L./family without project and 65,000 to 510,000 L./family with project. This variation is partially inevitable as it is a function of the average area of production per member. Still, the results suggest that investments in the coffee value chain can yield significant increases in family incomes.
- **In the absence of a household survey, it is not possible to make accurate estimations or very detailed analyses on employment generation by type or quantity**. Data from BPs and interviews with cooperative managers suggests that increases in labor requirements at primary production level vary from insignificant to 50 percent, depending on the degree of intensification, the shift in production system (conventional to organic), and the introduced efficiency improvements. At processing level, employment opportunities have also increased with the scale of processing units. However, data suggest that increases in labor requirements were not proportional to the increases in yields or in processed quantities. Hence, return on labor has increased for 70 percent of the studied cases. In all cases, coffee remunerates labor well above the average agriculture labor market (150-200 L./person.day).

Grain project:

(viii) **ARSAGRO** (investment: 20.6 million Lempiras): Considerable investment in processing capacity of maize and beans and in technical assistance (17 percent). Before the Project, 71 percent of the bean production was sold in the domestic market. With the Project, the cooperative shifted its focus to exporting – 72 percent to the US and Spain and 28 percent to Costa Rica – considerably increasing the value of production. The quantity of processed and sold beans also increased from 9,750 to 16,500 qq per year (650 to 1,100 manzanas). The increase in processing capacity also led to an increase in the quantity of sold maize from 7,000 to 22,000 qq. In addition, the cooperative processes 110,000 qq of beans from external clients and produces and sells livestock feed. This investment suggests that, when well organized, this sector can provide interesting returns to labour – 300 L./person.day for beans. However, net benefits per family are considerably lower than those obtained with coffee – 17,700 L./family/year for an average

[54] Results after project implementation.

area of production of 2.7 mz of beans.

Dairy projects:

(ix) **Sociedad Colectiva Murillo Vallecillo y Asociados** (investment: 4.6 million Lempiras): Investment in adding cheese and butter making capacity to an existing milk refrigeration unit. The Project also invested in technical assistance and other services provision (5 percent of the investment). Data from the first four years of operation suggest that the investment made in TA resulted in an important increase in primary production and decrease of its seasonality, which has improved the results of the milk collection, refrigeration and sales enterprise, but cheese production is yet to start. If cheese making is successful, the investment can increase families' incomes by 30,000 Lempiras/year on average.

(x) **APROLAC** (investment: 7.5 million Lempiras): Investment in both milk pasteurization capacity and a dairy products production plant. The increase in revenue and success of this business plan is due to the higher price fetched by pasteurized and packaged milk vis-à-vis refrigerated milk sold in bulk before the Project and the new production and commercialization of cheese products (namely: "*queso frijolero*", "*queso con chile*" and "*queso con loroco*"). As is normal in the milk sector, margins are thin and results are sensitive to both inputs and milk price variations, but should current results persist, families will have seen an increase in their yearly income of 50,000 Lempiras.

Fruit and vegetables project:

(xi) **COPRAUL** (investment: 5.1 million Lempiras) invested in improving its vegetables processing capacities and conditions, in producing planting material of good quality, and in greenhouses. The Project enabled average increases in prices, production and sales. Vegetables production is risky and requires expertise. The Project invested in a cooperative with experience in producing and marketing horticultural produce, further increasing its productivity and reducing its risks – by means of higher diversification of crops, protected agriculture, improved sanitary conditions in handling and refrigeration facilities. Such well targeted and reasonably small investment yielded one of the highest IRR of the studied cases (59 percent).

Honey project:

(xii) **COAPHIL** (investment: 4 million Lempiras) has mainly invested in improving its processing facilities and providing technical assistance to the members of the cooperative. The increase in processing capacity enabled an increase in the quantity of honey sourced from its members and commercialized through the cooperative – hence reducing the quantity sold to middlemen by producers– as well as an increase in the portfolio of high value-added products. The cooperative currently sells nine new honey-based products. The project also invested in facilities to manufacture beekeeping-related equipment that is sold to both members of the cooperative as well as to external producers. For instance, the purchase of a welding machine allowed manufacturing and selling of honey centrifuges. In total, COAPHIL experienced a 28 percent increase in sales value from honey products and 57 percent increase from beekeeping-related equipment and inputs for producers. The Project leveraged an additional estimated investment of 3.6 million Lempiras from cooperative members in new beehives not initially forecasted in the BP and not accounted for in the project monitoring system. The IRR of the project is rather low (9 percent in real terms), but the increase in families net benefits is important (26,000 Lempiras). In the absence of better investment opportunities, it seems like a rational investment by the members of the cooperative.

Economic Analysis

10. **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**. The cash flows for the value chains for which no case studies were produced (7 percent of total investment) were assumed to be directly proportional to the total cash flow of all analyzed value chains. The analysis computes a 6.6 percent business failure rate throughout the project, in line with what was observed for the original credit. As in the Interim ICR, no adjustment was made to market prices since it was considered that these prices in Honduras reflect fairly well the opportunity costs of goods and services.

11. **The aggregated cash flow from all BPs supported by the Project results in an EIRR of 20 percent and an NPV of US$17 million in 2021 prices, using a 12 percent discount rate and a 10-year period of analysis.** The final EIRR is in line with the estimate at Appraisal (20 percent) but lower than estimated at the time of the Interim ICR (25 percent). While the project started more slowly than foreseen at Appraisal, it benefited at different times during implementation from higher coffee prices than foreseen at Appraisal. At the same time, the coffee value chain suffered from low international prices for coffee precisely during the period in which most of the investments were made, contributing to differences in the EIRR between the Interim and final ICR. Finally, the mix of investments evolved over the life of the Project, with a very strong emphasis on coffee by the end of the Project, and differences in the types of investments had a bearing on the EFA analyses at the different stages of the Project.

12. **Given the high heterogeneity of investments and of their results, as well as the uncertainty about some of the outcomes, the estimation of the IRR and NPV for the Project provides only a picture of the order of magnitude of the Project's economic results**. A more accurate assessment would require a larger sample and field surveys in order to provide accurate estimates of costs and benefits for a large enough number of financed BPs.

13. **Despite the positive results, the delay in project inception caused considerable losses in efficiency.** Had all project expenditures from 2009 to 2014 occurred in only one preparatory year, the Project would have yielded an IRR of 22 percent and an NPV of US$33 million. Nevertheless, there were many factors affecting the Project's operation that were beyond the GoH's or the Bank's control and considering the national context at the time of implementation, the Project was substantially efficient.

Sensitivity Analysis

14. **The sensitivity analysis at subproject level consisted in the evaluation of the robustness of each business against increases in the total costs and decreases in total benefits**. The results for the IRR at subproject level are presented in Table 4 below, generally showing robust results.

Table 4 – Sensitivity Analysis

Increase in Total Costs	APROCAER	CAFEPSA	CAFICO	COAEDCAL	COCABEL	COSAGUAL	COCASMIL	ARSAGRO	LACTEOS MV	APROLAC	COAPIHL	COPRAUL
Baseline	21%	209%	63%	58%	44%	24%	4%	30%	13%	31%	9%	55%
5%	20%	175%	60%	52%	41%	19%	3%	28%	7%	29%	6%	35%
10%	19%	149%	58%	47%	37%	14%	2%	25%	1%	27%	2%	15%
15%	18%	128%	55%	42%	34%	7%	1%	23%	<0%	25%	<0%	<0%
20%	17%	110%	53%	38%	31%	0%	0%	21%	<0%	23%	<0%	<0%
25%	17%	96%	50%	33%	28%	<0%	<0%	18%	<0%	20%	<0%	<0%

Decrease in total benefits	APROCAER	CAFEPSA	CAFICO	COAEDCAL	COCABEL	COSAGUAL	COCASMIL	ARSAGRO	LACTEOS MV	APROLAC	COAPIHL	COPRAUL
Baseline	21%	209%	63%	58%	44%	24%	4%	30%	13%	31%	9%	55%
5%	19%	162%	58%	49%	39%	18%	2%	26%	6%	28%	4%	31%
10%	17%	127%	52%	41%	33%	11%	0%	22%	<0%	24%	<0%	6%
15%	15%	100%	47%	33%	28%	2%	<0%	17%	<0%	20%	<0%	<0%
20%	13%	77%	41%	25%	22%	<0%	<0%	12%	<0%	15%	<0%	<0%
25%	11%	59%	36%	18%	16%	<0%	<0%	6%	<0%	11%	<0%	<0%

15. **A similar analysis was performed for the project as a whole.** The results for the estimated aggregated IRRs are shown in Table 5 below.

Table 5 – Sensitivity Analysis

Overall increase in total costs	Overall decrease in total benefits					
	0%	5%	10%	15%	20%	25%
0%	20%	16%	13%	9%	5%	0%
5%	18%	14%	10%	6%	2%	-3%
10%	15%	12%	8%	3%	-1%	-7%
15%	13%	9%	5%	0%	-5%	-10%
20%	10%	6%	2%	-3%	-8%	-14%
25%	0%	0%	0%	0%	0%	0%

16. **Again, the results seem to indicate the robustness of the Project's investments against changes in both costs and benefits.** The Project's EIRR remains above 12 percent even with considerable changes in total cost and benefit flows.

Appendix 1: Key indicators for each analyzed case with and without project investment for the year 2021

Table A1–Key indicators for project (all values are at presented at 2021 prices for ease of comparison)

COFFEE

		Additonal financing				Original loan		
Without project	Unit	APROCAER	CAFEPSA	CAFICO	COAEDCAL	COCABEL	COSAGUAL	COCASMIL
Number of coop members		98	125	232	120	59	89	86
Production area	Mz	220	570	2,546	443	402	488	267
Production area per family	Mz/family	2.2	4.6	11	4	7	5	3
Yield	qq/mz	23	14	30	23	17	13	26
Produced quantities	qq (PS)	5,144	9,120	76,380	13,222	7,106	4,250	6,315
Processed quantities	qq (PS)	5,144	7,912	61,104	10,181	6,834	6,220	5,593
Quantities sold through coop	qq (PS)	5,144	912	61,104	10,181	6,834	6,220	5,593
Sales Value	L.	12,027,237	21,511,118	248,693,280	41,923,073	23,752,400	24,602,028	19,873,863
Labour cost	L./mz	26,148	4,905	11,979	24,950	14,510	14,906	20,356
Labour costs	L./qq	1,585	363	399	1,085	854	1,171	783
Labour productivity	qq/person.day	0.19	0.06	0.45	0.16	0.17	0.12	0.17
Production costs	L./mz	40,906	35,428	47,669.24	35,888.00	21,530	20,426.00	39,064.90
Production costs	L./qq	2,480	2,015	1,589	1,560	1,266	1,604	1,502
Processing costs	L./qq	320	1,441	301	312	128	56	96
Margin	L./mz	9,778	2,311	27,806	38,652	23,176	8,555	41,783
Margin	L./qq	418	171	1,159	1,681	1,688	672	1,993
Net benefit per family	L./family	21,445	10,538	305,143	117,181	134,747	36,652	129,623
Return on labour	L./person.day	282	228	707	444	467	219	449
Weighted average sale price	L./qq PS	2,338	2,276	3,256	3,171	3,343	3,656	3,364
With project				0	0	0	0	
Number of coop members		107	151	260	146	95	114	95
Production area	Mz	220	530	2,686	575	418	528	267
Production area per family	Mz/family	2.2	3.5	10	4	4	5	3
Yield	qq/mz	30	19	38	26	23	18	29
Produced quantities	qq (PS)	6,510	9,540	102,068	14,947	9,614	9,519	6,963
Processed quantities	qq (PS)	6,510	17,540	93,903	14,947	9,614	9,519	6,963
Quantities sold through coop	qq (PS)	6,510	12,240	93,903	14,947	9,614	9,519	6,963
Sales Value	L.	16,632,506	48,095,378	348,500,979	51,311,109	36,533,200	36,172,611	24,745,423
Labour cost	L./mz	28,694	7,531	11,979	25,300	20,620	20,882	20,957
Labour costs	L./qq	1,375	396	315	973	897	1,159	723
Labour productivity	qq/person.day	0.20	0.64	0.66	0.18	0.17	0.13	0.19
Production costs	L./mz	44,790	62,658	51,300	43,038	35,340	29,602	41,761
Production costs	L./qq	2,146	3,298	1,350	1,655	1,537	1,643	1,440
Processing costs	L./qq	218	187	321	195	122	38	-
Margin	L./mz	29,537	28,088	49,326	37,035	30,256	14,181	49,342
Margin	L./qq	902	1,216	1,411	1,424	1,315	787	1,891
Net benefit per family	L./family	64,059	140,437	509,579	145,825	207,638	65,732	138,574
Return on labour	L./person.day	380	636	1,107	428	449	241	503
Weighted average sale price	L./qq PS	2,555	4,293	3,414	3,433	3,800	3,800	3,554
Incremental				0	0	0	0	
Number of coop members		9%	21%	12%	22%	61%	28%	10%
Production area	Mz	0%	-7%	5%	30%	4%	8%	0%
Yield	qq/mz	27%	41%	27%	13%	35%	41%	12%
Produced quantities	qq (PS)	27%	5%	34%	13%	35%	124%	10%
Processed quantities	qq (PS)	27%	122%	54%	47%	41%	53%	25%
Quantities sold through coop	qq (PS)	27%	1242%	54%	47%	41%	53%	25%
Sales Value	L.	38%	124%	40%	22%	54%	47%	25%
Labour cost	L./mz	10%	54%	0%	1%	42%	40%	3%
Labour costs	L./qq	-13%	9%	-21%	-10%	5%	-1%	-8%
Labour productivity	qq/person.day	4%	931%	46%	11%	-1%	9%	8%
Production costs	L./mz	9%	77%	8%	20%	64%	45%	7%
Production costs	L./qq	-13%	64%	-15%	6%	21%	2%	-4%
Processing costs	L./qq	-32%	-87%	7%	-37%	-5%	-32%	-100%
Margin	L./mz	19,759	25,777	21,521	- 1,617	7,080	5,626	7,560
Margin	L./qq	484	1,045	252	- 256	- 372	115	- 103
Net benefit per family	L./family	42,614	129,899	204,436	28,643	72,891	29,080	8,951
Return on labour	L./person.day	98	407	401	- 16	- 18	22	54
Weighted average sale price	L./qq PS	9%	89%	5%	8%	14%	4%	6%
Total Investment	L.	12,812,506	12,778,818	43,888,674	15,535,680	6,837,666	3,310,548	7,691,149
IRR		**21%**	**209%**	**63%**	**58%**	**44%**	**24%**	**4%**
NPV (@12% discount rate)		**6,767,216**	**62,209,260**	**177,234,820**	**20,782,992**	**12,632,505**	**2,976,390**	**-2,803,770**

* Produced quantities include all production from members and no members (who may sell part of their production through the cooperative), both sold processed through the cooperative and unprocessed to local traders

** Processed quantities are all quantities processed by the cooperative both for sale and as service provision to external clients

*** Quantities sold by the coop refers to te coffee that is processed and sold by the cooprative (does not include unprocessed coffee sold to local traders or provision of drying services to external clients)

**** Sales value includes sales of coffee from members and other suppliers as well as coffee processing services

GRAINS AND VEGETABLES

Without project		Maize (ARSAGRO)	Beans (ARSAGRO)	Vegetables (COPRAUL)
Number of coop members		200		51
Production area	Mz	108	650	6
Production area per family	Mz/familia	0.3	1.6	0.1
Yield	qq	65	15	
Quantities sold through coop	qq	7,000	9,750	
Value of production	L.	2,345,000	10,296,222	3,160,000
Labour cost	L./mz	3,259	2,778	44,667
Labour costs	L./qq	50	185	-
Labour productivity	qq/person.day	1.99	0.54	
Production costs	L./Mz	13,860	10,913	405,000
Production costs	L./qq	214	728	
Processing costs	L./qq	17	17	104,839
Margin	L./Mz	6,790	4,677	36,828
Margin	L / unit of output	105	312	
Net benefit per family	L./family	1,796	7,451	1,444
Return on labour	L./person.day	308	268	235
Weighted average sale price	L./qq	335	1,056	

With project		Maize	Beans	Vegetables
Number of coop members		408		172
Production area	Mz	300	1,100	21
Production area per family	Mz/familia	0.7	2.7	0.1
Yield	qq	75	15	
Quantities sold through coop	qq	22,383	16,500	
Value of production	L.	7,498,305	20,192,264	17,136,513
Labour cost	L.	4,204	3,373	54,685
Labour costs	L.	56	225	
Labour productivity	qq/person	1.77	0.44	
Production costs	L./Mz	15,344	11,608	697,486
Production costs	L./qq	206	774	
Processing costs	L./qq	12	12	95,494
Margin	L./Mz	8,734	6,565	119,234
Margin	L / qq	117	438	
Net benefit per family	L./family	6,422	17,699	119,234
Return on labour	L./person.day	308	295	363
Weighted average sale price	L./qq	335	1,224	

Incremental		Maize	Beans	Vegetables
Number of coop members		104%		237%
Production area	Mz	178%	69%	433%
Production area per family	Mz/familia			5%
Yield	qq	178%	0%	
Quantities sold through coop	qq	15%	69%	
Value of production	L.	220%	96%	442%
Labour cost	L.	220%	21%	
Labour costs	L.	29%	21%	22%
Labour productivity	qq/person	12%	-18%	
Production costs	L./Mz	-11%	6%	72%
Production costs	L./qq	11%	6%	
Processing costs	L.qq	-4%	-26%	-9%
Margin	L./Mz	1,943	1,888	82,406
Margin	L.qq	12	126	
Net benefit per family	L./family	4,626	10,248	2,579
Return on labour	L./person.day	- 1	26	129
Weighted average sale price	L./qq	-	168	
Total investment	L.	20,660,379		5,060,990
IRR		**30%**		**55%**
NPV (@12% discount rate)		**15,263,775**		**5,084,299**

DAIRY

		APROLAC		Murillo Vallecillo	
		Without project	With Project	Without project	With Project
Quantity of refrigerated milk	Litros	623,737	-	540,000	616,531
Quantity of pasteurized milk	Litros		458,632		
Quantity of fresh cheese	Libras		10,800	-	60,480
Quantity of semimatured cheese	Libras		2,400	-	43,200
Quantity of butter cream	Libras		36,000	-	-
Sales value					
Refrigerated milk	L.	5,338,688		6,075,000	6,966,804
Pasteurized milk	L.		9,172,632	-	-
Fresh cheese	L.		432,000	-	3,024,000
Semi-matured cheese	L.		120,000	-	1,944,000
Butter cream	L.		1,512,000		886,800
Other					
Total sales value	**L.**	**5,338,688**	**11,236,632**	**6,075,000**	**12,821,604**
Production costs				-	-
Refrigerated milk	L.	4,989,896	-	5,618,970	6,415,307
Pasteurized milk	L.		5,962,211		
Fresh cheese	L.		307,800	-	1,837,859
Semi-matured cheese	L.		72,000	-	1,277,182
Butter cream	L.		1,116,000	-	337,857
General costs	*L.*	*150,572*	*584,761*	*115,200*	*1,039,200*
Total Costs	**L.**	**5,140,468**	**8,042,772**	**5,734,170**	**10,907,406**
Gross margins					
Refrigerated milk	L.	348,792	-	456,030	551,497
Pasteurized milk	L.	-	3,210,421	-	-
Fresh cheese	L.	-	124,200	-	1,186,141
Semi-matured cheese	L.	-	48,000	-	666,818
Butter cream	L.	-	396,000	-	548,943
Other					
Total gross margin	**L.**	**348,792**	**3,778,621**	**456,030**	**2,953,398**
Net Margin	**L.**	**198,220**	**3,193,860**	**340,830**	**1,914,198**
Net benefit per family	**L./family**	**8,444**	**59,218**	**10,651**	**59,819**
Return on labour	**L./person.day**	**182**	**407**	**792**	**1,138**
Total Investment	L.		5,241,696		4,903,244
IRR			**31%**		**13%**
NPV (@12% discount rate)			**4,875,920**		**164,409**

HONEY

		COAPIHL			
		Sin proyecto	Con proyecto		Incremental
Number of hives	hive	589	1,576		168%
Sales value	L.	6,381,870	10,453,547		64%
Primary productic	L.	776,232	2,124,430		174%
Processing and fa	L.	1,547,159	1,706,379		10%
Margin	L.	1,482,897	2,457,269		66%
Beneficio neto por	L./familia	40,078	66,413		66%
Productividad net	L./persona.día	843	537		-36%
Total Investment	L.		6,509,932		
IRR					**9%**
NPV (@12% discount rate)					**-442,482**

ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

HONDURAS
GOBIERNO DE LA REPÚBLICA

INVEST-H
Inversión Estratégica de Honduras

ComRural-030222_07

02 de marzo de 2022

Señor
Augusto García
Gerente de Proyecto
Especialista Agrícola Senior, SLCAG
Su Oficina

Ref: ICR IDA-4465-HN e IDA-6046-HN – Proyecto ComRural – Confirmación de aceptación.

Estimado señor García:

Hemos revisado la incorporación de las observaciones realizadas al ICR para los créditos IDA-4465-HN e IDA-6046-HN; dado que el informe refleja los resultados del Proyecto en la fase anterior bajo los créditos en mención, damos por recibido a conformidad, con lo establecido en los convenios legales.

Sin otro particular, le saludo atentamente,

ComRural Competitividad Rural
COORDINACIÓN NACIONAL

Francisco E. Posas Guevara
Coordinador Nacional ComRural y
Gerente de Desarrollo Rural

cc: Viviana Perego, Banco Mundial
Archivo

www.investhonduras.hn
Edificio Interamericana Anexo, Primer Nivel, frente a Seguros Crefisa, Avenida Ramón Ernesto Cruz, Colonia Los Castaños Sur, Tegucigalpa. Tel: (504) 2232-3513 / 2232-3539

ANNEX 6. SUPPORTING TABLES

A.6.1-Changes in Indicators during Project Implementation

Indicators in PAD		July 2011 restructuring		September 2011 restructuring		February 2012 restructuring		September 2017 AF	
Name	Target	Name	Target	Name	Target	Name	Target	Name	Target
At least 70 percent of participating RPOs receive project financing business plan.	70%	Dropped							
US$ 12.05 million co-invested in BPs by private financial sector.	US$12.05 million	At least 12.05 million U$ is co-invested in business plans as loans by private actors. ((precision improved))	US$12.05 million	At least 12.05 million US$ is co-invested in business plans as loans by private actors.	US$12.05 million	Private actors' investment as loans to producer organizations represent at least 50% of the amount invested as grant by the public sector	50%	Moved to intermediate indicator and wording modified to be in line with corporate indicator and targt increased to be consistent with AF	
Annual sales income of RPOs under productive alliances increase by 10 percent.	10%	10% increase in the value of gross sales of the rural producer (precision improved)	10%	10% increase in the value of gross sales of the rural producer	10%	10% increase in the value of gross sales of the rural producer	10%	Percentage increase in the value of gross sales of rural producer organizations based on implementation of business plans (change in wording)	10%
At least 40 percent increase in net revenues for the participating RPOs via the productive alliance.	40%	Dropped (repititive)							
Unit production cost of RPOs	10%	Dropped (data intensive need)							

reduced by 10 percent.									
RPOs profit margin increased at least 15 percent in real terms.	15%	Dropped (repititive)							
Land and labor productivity in terms of net income increased by 25 percent.	25%	20% increase in land and labor productivity of the rural producers participating in the project. (precision improved, net income is unclear and dropped)	25%	20% increase in land and labor productivity of the rural producers participating in the project.	25%	20% increase in land and labor productivity of the rural producers participating in the project.	25%	Percentage increase in land productivity by rural producers participating in the Project (labor productivity is dropped, ease of measurability)	20%
At least 7,000 new jobs generated.	70.00	Dropped (not in line with main objective which is to improve productivity)	70.00		70.00				
		At least 80% of the producers with approved business plans are satisfied with the project.	80%	At least 80% of the producers with approved business plans are satisfied with the project.	80%	At least 80% of the producers with approved business plans are satisfied with the project.	80%	Moved to intermediate indicator	
								Percentage of rural producer organizations working under an alliance approach 24 months after first disbursement	80%
								Percentage of rural producer organizations without a loan in arrears	95%

								Time taken to disburse funds requested by the Government for an eligible emergency (weeks)	4.00
Component 1									
2 15 RPOs trained and capable of participating in productive alliances.	215.00	215 RPOs have produced a profile that is approved to become a business plan. (more measurable)	215.00	215 RPOs have produced a profile that is approved to become a business plan.	215.00	175 RPOs have produced a profile that is approved to become a business plan. (target reduced to accommodate reduced funding from Sept 2011 restructuring)	175.00	Number of rural producer organizations with a profile that is approved to become a business plan (change in wording and target increased because of AF)	235.00
At lease 15 technical service providers certified.	15.00	At least 15 technical service providers are approved to provide support to RPOs. (precision)	15.00	At least 15 technical service providers are approved to provide support to RPOs.	15.00	At least 15 technical service providers are approved to provide support to RPOs. (precision)	15.00	Number of technical service providers approved to provide support to rural producer organizations (change in wording and target increased because of AF)	55.00
At least 200 quality Business Plans proposed with project support.	200.00	Dropped (unclearly worded)							
At lease 150 Business Plans approved for financing.	150.00	Dropped (repetitive)							
Component 2									
150 productive alliances under implementation.	150.00	150 productive alliances under implementation.	150.00	120 productive alliances under implementation. (target reduced to reflect reduced funding)	120	120 productive alliances under implementation. (target reduced to reflect reduced funding)	150	Number of productive alliances under implementation (change in wording and target increased because of AF)	190.00

At least 6,700 rural producers benefited from project financing.	6700.00	At least 6,700 rural producers benefited from project financing.	6700.00	At least 5,280 rural producers benefited from project financing. (target reduced to reflect reduced funding)	5280	At least 5,280 rural producers benefited fiom project financing. (target reduced to reflect reduced funding)	5280	Direct project beneficiaries (number), of which female (percentage) (rural producers change to direct beneficiaries and target increased because of AF)	10,780
85 percent satisfaction among RPOs regarding technical assistance from certified service providers.	85%	85 percent satisfaction among RPOs regarding technical assistance from certified service providers.	85%	85 percent satisfaction among RPOs regarding technical assistance from certified service providers.	85%	85 percent satisfaction among RPOs regarding technical assistance from certified service providers.	85%	Dropped	
		80% of the investments identified in the business plans are completed on schedule.	80%	80% of the investments identified in the business plans are completed on schedule.	80%	80% of the investments identified in the business plans are completed on schedule.	80%	Percentage of investments identified in the business plans completed on schedule (change in wording)	80%
		At least 70% of the business plans in the project are implemented using good environmental practices as proposed in the business plan.	70%	At least 70% of the business plans in the project are implemented using good environmental practices as proposed in the business plan.	70%	At least 70% of the business plans in the project are implemented using good environmental practices as proposed in the business plan.	70%	Percentage of business plans financed by the Project implemented using good environmental practices (change in wording)	70%
		At least 70% of the business plans in the project successfully implement measures that target the youth and Indigenous communities, when applicable,	70%	At least 70% of the business plans in the project successfully implement measures that target the youth and Indigenous communities, when applicable, as identified in the business plan.	70%	At least 70% of the business plans in the project successfully implement measures that target the youth and Indigenous communities, when applicable, as identified in the business plan.	70%	Percentage of business plans financed by the Project that successfully implement measures targeting youth and Indigenous communities, when	70%

		as identified in the business plan.						applicable (change In wording)	
								Targeted clients satisfied with agricultural services (percentage), by gender	80%
								Private capital mobilized (US$)	24,350,000
Component 3									
Baseline surveys completed (department level).	Yes	Baseline data in the MIS is available for each approved business plan. (made more precise and specific to needs)	Yes	Baseline data in the MIS is available for each approved business plan. (made more precise and specific to needs)	Yes	Baseline data in the MIS is available for each approved business plan.	Yes	Dropped	
MIS in place and in function.	Yes	MIS system functioning.	Yes	MIS system functioning.	Yes	MIS system functioning.	Yes	MIS fully functional and producing all required products (incorporating all other indicators of Component 3 with incorporation of phrase "required products")	Yes
Participatory M&E system integrated to MIS.	Yes	Dropped (repetitive)	Yes						
Annual Operations Plans successfully executed.	Yes	Dropped (repetitive)	Yes						
Satisfactory technical and financial audits.	Yes	Satisfactory financial audits. (made more precise)	Yes	Satisfactory financial audits.	Yes	Satisfactory financial audits.	Yes	Satisfactory financial audits.	Yes
Timely preparation of semiannual reports.	Yes	Timely preparation of semiannual reports.	Yes	Timely preparation of semiannual reports.	Yes	Timely preparation of semiannual reports.	Yes	Dropped	

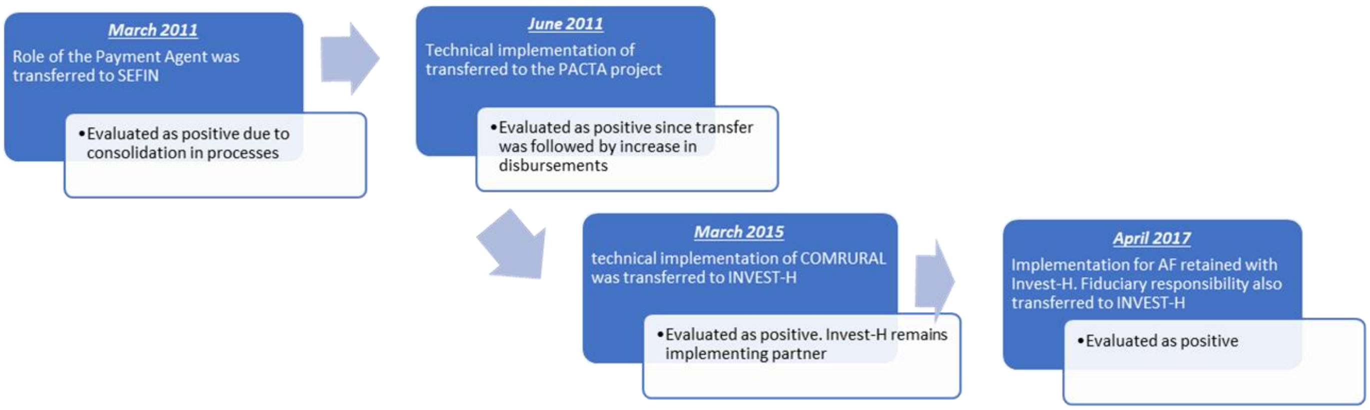
Compliance with Project Operational Manual, including Safeguard and Anti-Corruption policies.	Yes	Compliance with Project Operational Manual, including Safeguard and Anti-Corruption policies.	Yes	Compliance with Project Operational Manual, including Safeguard and Anti-Corruption policies.	Yes	Compliance with Project Operational Manual, including Safeguard and Anti-Corruption policies.	Yes	Dropped	
								Component 4 (new component)	
								National competitive policy designed	Yes
								Establishment of a market intelligence unit	Yes
								Component 5 (new component)	
								IRM established and ready to provide access to financial resources to Honduras in case of an eligible emergency	Yes

A.6.2-Key Changes to the Project during Implementation

Timeline	June 2008	July 2011	September 2011	February 2012	November 2015	November 2016	September 2017	November 2020	March 2021
Event	Original Project Approved (US$30 Million)	Restructuring	Cancellation of US$7.05 Million	Restructuring	Restructuring	Restructuring	AF of US$25 million was approved along with a restructuring	Restructuring	Restructuring
PDO							PDO Modified to include "enable the Government to respond promptly and effectively to an eligible emergency"		
PDO Indicators	8 PDO indicators	5 PDO indicators dropped and 1 added					Wording and target of key PDO indicator modified (private capital mobilized)		
Project Targets			Key intermediate indicators reduced to reflect cancellation	Key intermediate indicators reduced to reflect cancellation			Targets increased, to reflect increased financing		
Project Components							Two new components added i) Institutional Strengthening ii) IRM Component		
Geographical Area and beneficiary target							6 new departments added		
Changes to closing date					Closing date extended to Dec 2016	Closing date was extended to Sep 2017		Closing date was extended by seven	

Timeline	June 2008	July 2011	September 2011	February 2012	November 2015	November 2016	September 2017	November 2020	March 2021
								months.	
Disbursement Original (IDA-44650): AF(IDA-60460):		Original: 3.5 percent AF:N/A	Original: 3.5 percent AF: N/A	Original: 12 percent AF: N/A	Original: 76 percent AF: N/A	Original: 83.5 percent AF: N/A	Original: 93.9 percent AF: N/A	Original:100 percent AF: 76.2 percent	Original:100 percent AF: 85 percent
Other Changes		Function of the external Payment Agent to disburse the grants to eligible producer organizations was transferred to the financial and accounting system of the Ministry of Finance (SEFIN).			and credit was reallocated from Categories 1 and 5 to categories 2 and 4.		technical implementation of the parent Project was transferred to Honduran Strategic Investment Office (INVEST-H), although fiduciary management remained with the Ministry of Finance (SEFIN).		reallocate credit proceeds (US$2.2 million) and revise component cost to reflect the activation of the Immediate Response Mechanism
Rationale for key changes and assessed impact		The modifications to the RF made it more focused and the removal of the Payment Agent was meant to reduce an implementation step and is assessed positively.	The cancellation of SDR4.4 million reflected a shift in government priorities and the Project's relatively slow progress at that time.	Needed changes to reflect cancellation in September 2011	The extensions allowed the Project to achieve stated objectives		The interim ICR evaluated the Project relevance to objectives as High and efficacy and efficiency as Substantial and Satisfactory. These ratings and the final Project justified the AF and the associated restructuring	The extension allowed the Project to achieve stated objectives	This restructuring was part of a larger GoH response to the impact of the COVID-19 crisis.

A.6.3-Implementation Arrangement Changes and Impacts



A.6.4-Key tables and figures from the report on: *Sostenibilidad de las Alianzas Productivas (AP) después de finalizado el apoyo de COMRURAL*

Figure A.6.4.1. Productive Alliances - percentage of continuity, increase or non-continuity of PAs financed

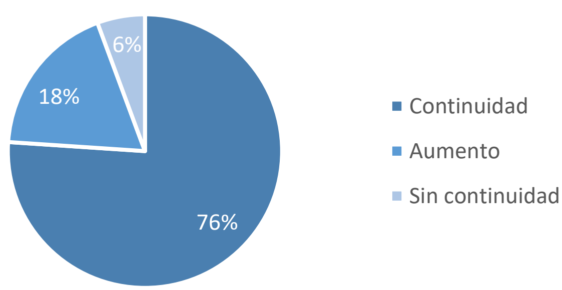


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Figure A.6.4.2. Productive Alliances - continuity of financing with the private sector.

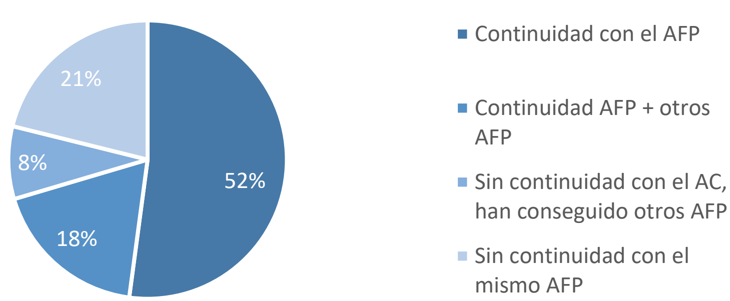

Figure A.6.4.3. Increase / decrease in sales, in percentage, of the 71 RPOs (survey universe).

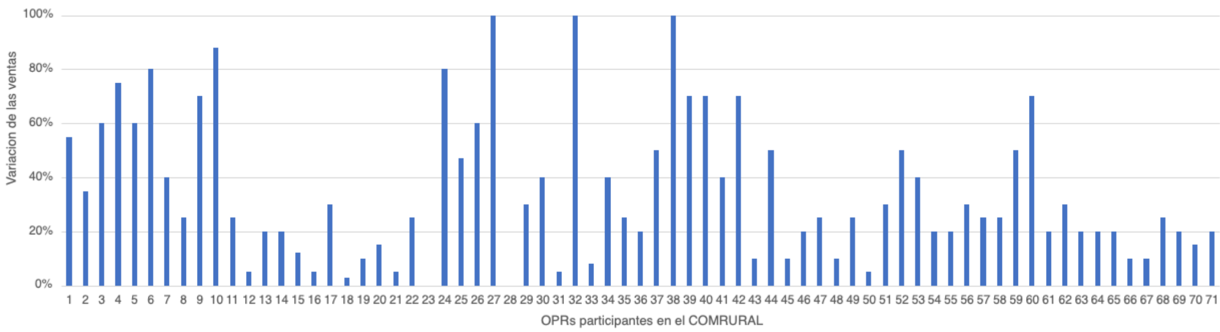

Table A.6.4.1. Examples of markets where some of the surveyed RPOs have diversified their sales.

National markets	International economies
– Informal market Sta. Rosa Copán (fruit and vegetables)	– Asia (Coffee and Cocoa)
– Zamorano, Fruits of Copán (fruits)	– Russia, Chile, Egypt (coffee)
– El Colonial Supermarket, Comisariado los Andes, CyM distributor (vegetables)	– Europe, Canada, Germany (coffee)
– Agroservices, NGOs, government purchases, direct producers (basic grains)	– New Zealand, Switzerland, England (specialty coffees)
– Distribuidora C&N and National Food Program (PNA) (Vegetables)	– Korea, China (coffee, honey and organic fertilizers)
– Supermarkets, distributors (honey)	– Canada, Sweden (coffee)
	– Europe, Asia (coffee)
	– United States, Canada, Europe, Japan (coffee)
	– Taiwan, China (coffee)
	– France, Ireland, Belgium, United Kingdom (specialty coffees)

A.6.5 The COMRURAL Series: Key Differences and Innovative Features

	COMRURAL I (P101209) - US$23M & COMRURAL I AF (P158086) - US$25M	COMRURAL II (P168385) - US$75M Restructuring pending after the activation of the CERC component for US$ 20.96 million	COMRURAL III (P174328) - US$100M
PDO	To contribute to **increased productivity and competitiveness** among organized rural small-scale producers through their participation in productive alliances	To improve **access to markets** and **climate-smart practices** and contribute to the **economic inclusion** of targeted beneficiaries in select agricultural value chains	(i) to contribute to **market access, adoption of climate-smart approaches, and job creation** in support of project beneficiaries in selected agri-food value chains and (ii) in case of an Eligible Crisis or Emergency, to respond effectively to it.
Geographical scope	**7 departments** Comayagua, Copán, Intibucá, La Paz, Lempira, Ocotepeque and Santa Bárbara	**13 departments** COMRURAL I departments + Francisco Morazán, El Paraíso, Choluteca, Cortés, Atlántida and Colon	**16 departments** COMRURAL II departments + **Olancho, Valle, and Yoro**
Beneficiaries	Direct: **7,200 families** (136% over target of 5,280). 28% women, 42% IPs/ADs, 12% youth AF- Total: **35,750** (5,680 direct and 30,250 indirect) 25% woman, 21% IPs/ ADs, 13% youth	Total: **50,700** (18,000 direct and 31,000 indirect) 25% woman, 10% IPs/ ADs, 10% youth	Total: **88,500** (22,500 direct and 66,000 indirect) 30% woman, 20% IPs/ADs, 15% youth
Component 1	Support to productive investments: **support pre-investment activities** to promote project concept and outreach, create andconsolidate PAs, identify business opp ortunities, prepare BPs and build capacity of TA providers	Identification and preparation of BPs Graduation scheme to foster the transition to higher value family farming: **W1: Subsistence agriculture** W2: Transitioning agriculture **W3: Commercially oriented agriculture**	Consolidation and expansion of the graduation scheme. Scaling-up to non-traditional value chains W1: Subsistence agriculture W2: Transitioning agriculture W3: Commercially oriented agriculture **W4: Small agro-logistics, agricultural services complementary to production**
Component 2	Provide **subproject grants to co-finance** the implementation of approximately 150 feasible business plans formulated under Component 1.	Support to the **modernization of agribusiness enabling environment** by improving (i) selected **public** agribusiness **services** and (ii) **public-private coordination** on policies for agribusiness	**Strengthening institutions for improving the agribusiness environment** by improving (i) selected public agribusiness services and (ii) public-private coordination on policies
Cross- cutting themes	Expected social outcomes: social inclusion, empowerment (demand-driven approach), reduced vulnerability, and gender equality	Support **competitive, innovative, and climate-resilient** agribusiness initiatives. Gender tagged	Promote competitive, innovative, climate-resilient, **nutrition-smart** agribusiness initiatives, the adoption of **digital technologies** and **green job creation**. Inclusion of **persons with disabilities** and strengthened **gender** tag

A.6.6 The COMRURAL Series: Comparison of key ratings between Interim and Final ICR

	Interim ICR rating	Final ICR rating
Relevance	High	High
Efficacy	Satisfactory	Substantial
Efficiency	Substantial	Substantial
Overall Rating	Satisfactory	Satisfactory
Monitoring and Evaluation	Moderately Satisfactory	Substantial
Safeguard Compliance rating	Satisfactory	Moderately Satisfactory/Satisfactory
Procurement	Satisfactory	Satisfactory
Financial Management	Moderately Satisfactory	Satisfactory
Overall Bank Performance	Moderately Satisfactory	Moderately Satisfactory
Risk to Development outcome	Moderate	Modest

A.6.7- Executive summary of the Borrower Completion Report

1. This report includes the activities carried out for the original financing IDA 4465-HN and the AF IDA 6046-HN, and reports on the results and progress in the implementation of the Rural Competitiveness project (COMRURAL), aimed at facilitating productive alliances between Rural Producer Organizations (RPOs) and different actors of the value chains.

2. Through the IDA 4465-HN and 6046-HN credits, 120 BPs were approved that brought together 163 productive alliances and reached an investment of L 1,378.3 million. Of these, L 653.4 million came from non-reimbursable grants made by the COMRURAL project, L 493.3 million came from private financial partners, and L 231.6 million were private contributions from the RPOs themselves.

3. This report also shows the scope of the indicators defined in the Project's results framework and reflects on the extent to which they eventually exceeded their original targets.

4. In terms of technical assistance, the Project, through the two credits, has maintained a database of 65 Business Development Service Providers (BDSP), who were preapproved by the project and who have provided technical assistance to the RPOs on issues of productive, organizational and business development. In the same way, the BDSPs have followed up and monitored the results indicators of each business plan.

5. Additionally, specific training actions were carried out: on a constant and permanent basis, the technicians provide advice and specific support in key areas for the execution of BPs such as financial management, technical production processes, marketing, social participation and environmental management, among others. This contributes to capacity strengthening of both the RPOs and the BDSPs. Support was provided to RPOs and BDSPs to accelerate the execution of BPs, to internalize the new monitoring instruments and the procurement regulations of the Project, and to ensure the sustainability of BPs beyond the technical and financial closure of the two credits (4465 and 6046).

ANNEX 7. SUPPORTING DOCUMENTS

Arnal, F. Maria. August 2021. “Informe Proyecto Comrural Logros y Lecciones Aprendidas Del Comrural”.

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World Bank Group. 2016. “Linking Farmers to Markets through Productive Alliances : An Assessment of the World Bank Experience in Latin America”. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/25752 License: CC BY 3.0 IGO.”

World Bank Group. 2017 “Implementation Completion And Results Report (IDA-44650)”. Report No: ICR00004060.