

SCF - Pilot Program for Climate Resilience (PPCR)

**PROJECT TITLE: LOW-CARBON, CLIMATE-RESILIENT, AND INCLUSIVE DEVELOPMENT IN EL CAJÓN
AND LAKE YOJOA WATERSHEDS IN HONDURAS**

COUNTRY: HONDURAS

MDB: IDB

Cover Page for Project/Program Approval Request Pilot Program for Climate Resilience			
Country/Region	Honduras	CIF Project ID#	Auto Generated by CCH
Type of CIF Investment:	<input checked="" type="checkbox"/> Public <input type="checkbox"/> Private		
Project/Program Title (same as in CCH)	Low-carbon, climate-resilient and inclusive development in El Cajón and Yojoa Lake watersheds in Honduras		
Sector/Pillar (Please select all that apply)	<input checked="" type="checkbox"/> Agriculture and Landscape Management <input checked="" type="checkbox"/> Agriculture and Food Security <input checked="" type="checkbox"/> Agroforestry <input checked="" type="checkbox"/> Capacity Building / Institutional Strengthening and Governance Reform <input type="checkbox"/> Climate Information Systems and Disaster Risk Management <input type="checkbox"/> Coastal Zone Management <input type="checkbox"/> Enabling Environment <input type="checkbox"/> Forest Monitoring / MRV <input checked="" type="checkbox"/> Indigenous Peoples / Local Communities <input type="checkbox"/> Infrastructure <input type="checkbox"/> Landscape Approaches <input type="checkbox"/> Renewable Energy <input type="checkbox"/> Sustainable Forest Management <input type="checkbox"/> Urban Development <input type="checkbox"/> Water Resources Management <input type="checkbox"/> Other (_____)		
Technology/Area (Please select all that apply)	<input type="checkbox"/> Bioenergy <input checked="" type="checkbox"/> Capacity Building <input type="checkbox"/> Cookstoves <input checked="" type="checkbox"/> Hydropower <input type="checkbox"/> Irrigation systems <input type="checkbox"/> Multiple <input type="checkbox"/> Solar <input type="checkbox"/> Waste to Energy <input type="checkbox"/> Wind Aquaculture <input checked="" type="checkbox"/> Other (climate smart, nature based solutions)		
Project Lifetime (MDB Board/Management) approval to project closure)	April 2024-October 2029		
Is this a private sector program composed of sub-projects?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Financial Products, Terms and Amounts (same as CCH)			
	USD (million)	EUR (million) ^[b]	
PPG (Project Preparation Grant)	0.05		
Grant	1.30		

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MDB Project Implementation and Supervision Services (MPIS) ¹	0.10	
Public sector loan – Senior loan	3.70	
First loss guarantee		
Second loss guarantee		
Equity		
Senior loan		
Senior loan in local currency hedged		
Senior loan in local currency unhedged (EXCEPTIONAL REQUEST)		
Subordinated debt/loan/ mezzanine instrument with income participation		
Subordinated debt/loan / mezzanine instrument with income participation local currency unhedged (EXCEPTIONAL REQUEST)		
Subordinated debt/loan /mezzanine instrument with convertible features		
'Convertible/contingent recovery' grant/loan/guarantee (loans convertible to grants or vice versa)		
Convertible Loans (convertible to equity only)		
For loans and guarantees – is this a revolving structure? ^[2] <input type="checkbox"/>		
Yes <input type="checkbox"/> No		
Specify local currency type here		
Other (please specify)		
Total	5.15	
Co-financing		
	Please specify as appropriate	Amount
MDB 1	Estimated amount from ongoing IDB-financed projects in the intervention area	USD 25
MDB 2 (if any)		
Government		
Private Sector		

¹ MPIS - CIF Operational Modalities For New Strategic Programs [here](#)

² With a revolving structure, after the loan or guarantee matures, instead of returning the funds to the Trustee, the funds are redeployed as a new loan or guarantee.

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Bilateral		
Others (please specify)		
Total Co-financing	25.0	
SCF Funding	5.15	
Total (Co-financing + SCF funding)	30.15	
Proportion of Total Financing for Adaptation	35%	Considers PPCR funds (includes overlap with mitigation)
Proportion of Total Financing for Mitigation^[e]	46%	Considers PPCR funds
CIF Financial Terms and Conditions Policy	Link Is this request in accordance with the CIF Financial Terms and Conditions Policy? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (if no, please specify detailed information under the justification section)	
Justification on the exceptional request ^{[c][d]}		
Implementing MDB(s) <i>(please enter full name, job title and email address)</i>		
MDB Headquarters-Focal Point:	Gloria Visconti Climate Change Lead Specialist gloriav@iadb.org	
MDB Task Team Leader (TTL)	Ana R. Rios Natural Resources and Climate Change Senior Specialist arios@iadb.org	
National Implementing Agency <i>(please enter full name, job title and email address)</i>		
Country Focal Point/s	Yamileth Gonzales Director of Environment, ENEE yamilethenee@gmail.com	
Brief Description of Project/Program (including objectives and expected outcomes) ^{[c][d]}		

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In Honduras, the El Cajón and Lake Yojoa watersheds are critical due to their contribution in terms of water resources, hydroelectric generation, livelihoods, and biodiversity. Despite their importance, these watersheds are undergoing a process of accelerated degradation, particularly due to the loss of forest cover and unsustainable production practices. This degradation is exacerbated by the impacts of climate change. To address this issue, the Government of the Republic of Honduras has requested IDB support to contribute to resilient, low-carbon, and inclusive development in these watersheds. This development requires a comprehensive approach that considers the nexus between forest cover, water security, and energy generation, as well as the needs of people and Micro, Small, and Medium-Sized Enterprises (MSMEs) in the area that depend on these natural resources. This innovative project is the first globally to utilize resources from two funding windows of the Strategic Climate Fund (FIP and PPCR) to simultaneously implement actions to improve climate resilience and reduce deforestation and forest degradation.

The overall objective of the project is to contribute to resilient, low-carbon and inclusive development in the El Cajon and Lake Yojoa watersheds. The specific objectives are: (i) to promote the adoption of Climate Smart (CS) and/or agroecological technologies and practices by Micro, Small, and Medium-Sized Enterprises (MSMEs); and (ii) to promote the adoption of forest cover and/or soil restoration technologies or practices by key stakeholders in the target area. The PPCR funding will finance activities that aim the achievement of the first specific objective.

Consistency with investment criteria (please refer to design document)^{3[c][d]}

The proposal is consistent with Track 1A of the Business Development for Resilience Program (BDRP). The project will promote investments in low-carbon, climate-resilient business models and technologies by MSMEs in the agriculture and forestry sectors in two critically important watersheds of Honduras that are highly vulnerable to climate change. The project will address risks related to food insecurity, water quality and availability, and resilience of the power system in Honduras.

For Private Sector projects/programs (Effective utilization of concessional finance)

³ Link to PPCR Design Document [here](#)

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A systematic review of interventions in small and medium-sized enterprises in low- and middle-income countries—particularly in Latin America—suggests that support through grants/subsidies and technical assistance helps improve sales, value added, and productivity (Piza et al., 2016). Furthermore, for these measures to be effective, an approach where capacity building is factored in is required (Grimm and Paffhausen, 2014).

A cost-benefit analysis (CBA) was conducted for the two components separately and collectively. The CBA considers the situation with and without the project, including investment costs and additional costs from a social perspective. The main benefits come from the adoption of technologies and practices promoted by the project: for Component I, improvements in net profits for MSMEs; for Component II, through increased carbon sequestration, reduction of GHG emissions, income improvements for beneficiaries of agroforestry and silvopasture systems, and hydroelectric generation at El Cajón. Overall, the Internal Rate of Return (IRR) is 14.5%, with a Net Present Value (NPV) of USD 2,038,312 and a benefit-cost ratio of 1.16. Sensitivity analyses were conducted for key variables that could affect the project's profitability; results remain stable and do not change significantly.

Social Inclusion and Stakeholder Engagement ^{[c][d]}

The project contributes to: (i) social inclusion and equality by supporting MSMEs with non-reimbursable grants and technical assistance to improve their net profits and food security; (ii) gender equality, by allocating specific funds to support MSMEs led by women; and (iii) diversity, specifically indigenous peoples through support for indigenous producers that promote the adoption of culturally relevant technologies and practices.

The public consultation process took place in accordance with the Stakeholder Engagement Plan (SEP) on November 22 and 23, 2023, in Lake Yojoa and El Cajón. During these consultations, local stakeholders emphasized the significance of the project and expressed an interest in participating. Additionally, a Multisectoral and Interinstitutional Committee will be formed in which the required national and local entities will participate to ensure due technical and strategic coordination and complementarity in the development of activities. In fact, active participation of ENEE, SERNA, Secretariat of Agriculture and Livestock (SAG), National Institute of Forest Conservation (ICF), and Secretariat of Finance (SEFIN) contributed to the elaboration of the project.

Gender Considerations ^{[c][d]}

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<p>Gender Analysis (Please insert the text from the project document on the analysis of gaps in access to services, markets and jobs by women in relation to the project sectors)</p>	<p>Studies conducted in rural Honduras indicate that there are gender gaps in MSMEs. Female-led enterprises are more vulnerable to external shocks (Arias-Granada, 2022). It is also noted that companies led by women, compared to their male-led counterparts, have less access to technical assistance (21% vs. 33%), and the annual net profits of MSMEs led by women are equivalent to 33% of the average of those led by men (Romero and Zerón, 2021). Regarding technical assistance for women, there is a need for assistance focusing specifically on training for the adoption of new technologies and practices, including those for soil and water conservation, as well as value-added generation (Rios et al., 2023). Specifically, in the forestry sector, women’s participation is limited, with only 25% participating in forestry activities (nurseries, plantations, and forest protection) and around 30% as members of agroforestry cooperatives (FAO, 2023). Disparity in land titling and property size is also highlighted: only one in three land titles was granted to women between 2011-2020 (Ordóñez and Pacheco, 2020), with men holding larger plots (FAO, 2023).</p>
<p>Gender Activities (Please insert the text describing gender-specific activities included in the project)</p>	<p>Technical assistance will assist in the design and implementation of business plans, incorporating specific elements to address the needs and interests of MSMEs, with actions planned for communication, environmental awareness, and promotional events, emphasizing the identification of women-led enterprises.</p> <p>A gender approach applied in the implementation of capacity-building activities for ENEE, sectoral entities and local stakeholders to guide the design, planning, and implementation of resilience and sustainability actions.</p>

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<p>Gender Indicators (Please insert the text on selected gender specific indicators, including annual targets. from the Project Log Frame that the project is committing to report on)</p>	<p>Percentage of participating MSMEs led by women that adopt one or more CS or agroecological technologies or practices promoted by the project. 65% (By project closure)</p> <p>MSMEs led by women with non-refundable support for the implementation of business plans granted (#MSMEs). 75 (By project closure)</p> <p>Annual Technical Assistance (TA) for the preparation and implementation of business plans of MSMEs with a gender focus and cultural relevance to indigenous peoples 5 (By project closure)</p> <p>Strengthening plan for key entities to support resilient MSMEs implemented with a gender focus and cultural relevance to indigenous peoples (# plan) 1 (By project closure)</p>
<p>Just Transition ^{[c][d]}</p>	
<p>Just Transition Analysis</p>	<p>N/A</p>
<p>Just Transition Activities</p>	<p>N/A</p>
<p>Just Transition Indicators</p>	<p>N/A</p>

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Expected Results (M&R)	
Project/Program Timeline	
Expected MDB Board Approval date ^[d]	October 2024
Expected project closure date ^[d]	October 2029
Core Indicators	Project-Defined Indicators/Targets
<i>Please identify which of the below indicators are relevant to your project proposal, list the corresponding project-defined indicator(s), and report all targets (including disaggregated targets).</i>	
PPCR Core 2: Evidence of strengthened government capacity and coordination mechanism to mainstream climate resilience (Proxy = Government capacity or coordination-related outputs)	
PPCR Core 3: Quality and extent to which climate-responsive instruments/investment models are developed and tested (Proxy = Number of climate-responsive instruments/investment models supported)	
PPCR Core 4: Extent to which vulnerable households, communities, businesses, and public services use improved PPCR-supported tools, instruments, strategies, and activities to respond to climate variability or climate change (# of households, communities, businesses, public services)	
<i>Households</i>	
<i>Communities</i>	
<i>Businesses</i>	300 (25% female lead)
<i>Public services</i>	
<i>TOTAL</i>	300
PPCR Core 5: Number of people supported to cope with the effects of climate change (disaggregated by male/female)	
<i>Male</i>	
<i>Female</i>	
<i>TOTAL</i>	6,000 ⁴
Additional PPCR Results Indicators	Project-Defined Indicators/Targets
Area covered by sustainable land and water management practices (ha)	
Number of national, sectoral, and local policies, plans, strategies, and frameworks that integrate climate change (disaggregated by national/sectoral/local)	
<i>National</i>	
<i>Sectoral</i>	

⁴ Estimated assuming 5 families per MSME and 4 members per family. Disaggregation to be provided in the implementation phase.

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<i>Local</i>	1 (to be funded by FIP)
<i>TOTAL</i>	
Number of knowledge products, studies, systems, and platforms developed in support of climate resilience	5 (one to be funded by FIP)
Length (km) of climate-resilient roads built or rehabilitated	
Length (km) of embankments, drainage systems, sea walls, waterways, and flood defense protections constructed or restored	
Number of people receiving climate-related training (disaggregated by male/female)	
<i>Male</i>	
<i>Female</i>	
<i>TOTAL</i>	
<i>Please also submit the full project results framework to CIF AU upon MDB Board approval of the project.</i>	
Expected Date of MDB Approval	April 2024
Additional Details (to Members)	

Version: February 2024

Link to Documents Management – [here](#)

CCH – [here](#)

CIF Website – [here](#)

CIF Pipeline Management and Cancellation Policy - [here](#)

CIF Financial Terms and Conditions Policy updated for FY24 - [here](#)

CIF Operational Modalities For New Strategic Programs - [here](#)

PPCR Design Document [here](#)

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