



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

**Cover Page for Project/Program Approval Request<sup>1</sup>**

<b>Country/Region</b>	Honduras	<b>CIF Project ID#</b>	<b>Auto Generated by CIF AU</b>
<b>Source of Funding:</b>	<input type="checkbox"/> REI	<input type="checkbox"/> NPC	
<b>Type of CIF Investment:</b>	X Public	X Private	
<b>Project/Program Title (same as in CCH)</b>	Low-carbon, climate-resilient and inclusive development in El Cajón and Yojoa Lake watersheds in Honduras		
<b>Sector, Theme and Technology</b>	Forestry and land use, agriculture, rural development, gender		
<b>Project Lifetime</b>	June 2024-June 2027		
<b>Is this a private sector program composed of sub-projects?</b>	No		
<b>Financial Products, Terms and Amounts (same as CCH)</b>			
<b>Financial Product</b>	<b>USD (million)</b>	<b>EUR (million)</b>	
Grant	2,800,000 <sup>2</sup>		
Fee on grant			
MPIS (for private sector only)	200,000 <sup>3</sup>		
Public sector loan – Senior loan	5,100,000		
First loss guarantees			
Second loss guarantees			
Equity			
Senior loan			
Senior loans in local currency hedged			
Subordinated debt / mezzanine instruments with income participation			
Subordinated debt/mezzanine instruments with convertible features			
Convertible grants and contingent recovery grants/loans			
Other (please specify)			

<sup>1</sup> Note that this is a joint concept for FIP and PPCR. PPCR endorsement was given on March 2, 2023.

<sup>2</sup> Includes \$100,000 for PPG to be financed equally by FIP and PPCR funds. That is, \$50,000 from each fund.

<sup>3</sup> Grant funds will be drawn equally between FIP and PPCR.

	<b>Total</b>	8,100,000	
<b>Implementing MDB(s)</b>		IDB	
<b>MDB Focal Point and Project/Program Task Team Leader (TTL):</b>			
<i>Headquarters-Focal Point:</i>		Gloria Visctonti	gloriav@iadb.org +1 202 623 3360
<i>TTL</i>		Ana Rios	<a href="mailto:arios@iadb.org">arios@iadb.org</a> +504 22903535
<b>National Implementing Agency:</b>		National Electricity Company (ENEE for its Spanish acronym)	

<b>Project Description and Justification for Funding</b>
<p><b>Justification</b></p> <p><u>Climate vulnerability and food security.</u> Honduras is a country that is highly vulnerable to climate change. Over the period 2000 – 2019, the country was ranked 44<sup>th</sup> according to the Climate Risk Index (CRI).<sup>4</sup> From 1970 to 2019, Honduras was affected by 67 extreme-weather events, including hurricane Mitch that took 14,000 lives in 1998. In 2020, Honduras was hit by hurricanes Eta and Iota, generating economic losses and damages estimated at US\$ 1.7 billion<sup>5</sup> or 7.1% of the country's Gross Domestic Product (GDP).</p> <p>The vulnerability to climate change of the rural population in Honduras is exacerbated by limited access to land and low levels of adoption of appropriate, climate-resilient technologies by small agricultural producers, large deforestation rates, and the loss of forest-related ecosystem services, which intensify extreme weather events such as flooding and droughts and reduce agricultural productivity, further aggravating food insecurity.<sup>6</sup> In January 2022, the number of people in Honduras under conditions of food crisis or emergency climbed to an estimated 2.2 million, or 24% of the country's population. The compounded impacts from the COVID-19 global pandemic, extreme weather events, agricultural losses, and inflation were expected to increase the number of people under food crisis or emergency to 2.6 million by August 2022.<sup>7</sup></p>

<sup>4</sup> Eckstein, D.; Künzel, V.; Schäfer, L. Global Climate Risk Index 2021. Germanwatch e.V., Bonn, 2021. Available under <<https://reliefweb.int/report/world/global-climate-risk-index-2021>>

<sup>5</sup> United Nations Economic Commission for Latin America and the Caribbean, Inter-American Development Bank. *Evaluación de los efectos e impactos de la tormenta tropical Eta y el huracán Iota en Honduras*. 2021. Available under <<http://www.cepal.org/es/publicaciones/46853-evaluacion-efectos-impactos-causados-la-tormenta-tropical-eta-huracan-iota>>

<sup>6</sup> Government of Honduras. *Plan Nacional de Adaptación al Cambio Climático*. 2018. Available under <<http://www.miambiente.gob.hn/media/adjuntos/pdf/DNCC/2018-05-10/16%3A35%3A53.282976%2B00%3A00/PNA.pdf>>

<sup>7</sup> Government of Honduras. *Informe del Análisis de Inseguridad Alimentaria Aguda de la CIF, Honduras. Diciembre 2021 - agosto 2022*. 2022. Available under <[https://www.sica.int/documentos/informe-del-analisis-de-inseguridad-alimentaria-aguda-de-la-cif-honduras-diciembre-2021-agosto-2022\\_1\\_129149.html](https://www.sica.int/documentos/informe-del-analisis-de-inseguridad-alimentaria-aguda-de-la-cif-honduras-diciembre-2021-agosto-2022_1_129149.html)>

Climate change mitigation. In 2015, net greenhouse gas (GHG) emissions in Honduras were estimated at 8,753 GgCO<sub>2</sub>eq (including GHG removals under the category of land use, land-use change and forestry (LULUCF)). The three main sources of GHG emissions were conversion of forests to other land uses (7,098 GgCO<sub>2</sub>eq), road transportation (4,108 GgCO<sub>2</sub>eq), and electricity generation (3,077 GgCO<sub>2</sub>eq). Close to 50% of Honduras is covered by forests, however, every year approximately 24,000 ha of forests are cleared and, during 2014 – 2016, more than 0.5 million ha of pine forests were damaged by pests (e.g. pine bark beetles (*Dendroctonus spp.*)).<sup>8</sup> The updated nationally determined contribution (NDC) by Honduras includes a target for the conservation and restoration of 1.3 million ha of forests and rural productive landscapes by 2030 to be achieved through a combination of actions on conservation of ecosystems and ecosystem services, sustainable agriculture and livestock management, and financial inclusion of agricultural producers.<sup>9</sup>

Over the past decade, the fraction of electricity generated from renewable sources of energy has increased steadily in Honduras, reaching 62% in 2021. Moreover, the country has set an objective to meet 80% of its electricity demand from renewable sources by 2038.<sup>10</sup> Power generation from renewable sources is a critically important input to meeting Honduras' targets under the Paris Agreement, as it plays a role in three of the seven mitigation actions listed in the NDC: (i) promotion of renewable energy sources, (ii) electric mobility, and (iii) replacing biomass cookstoves.<sup>11</sup> Hydropower is the main source for electricity generation, contributing with 33% of the power generated in 2021.<sup>12</sup> However, hydropower generation is vulnerable to climate-exacerbated droughts. For example, in 2015, a prolonged drought reduced by 13% the power generation capacity of El Cajón, the largest hydropower plant in Honduras with an installed capacity 300 MW.<sup>13</sup> By 2030, it is estimated that power generation by El Cajón could be reduced by up to 15% due to a reduction in water availability and higher sediment flows. The reforestation of the watershed that supplies water to El Cajón has been identified as a promising adaptation measure.<sup>14</sup>

Gender equality. In 2022, Honduras ranked 88<sup>th</sup> (18<sup>th</sup> among 22 countries in Latin America and the Caribbean) in the Global Gender Gap Index published by the World Economic Forum, 96<sup>th</sup> in the economic participation and opportunity, and 112<sup>th</sup> in health and survival categories in that same publication. Most notably, while Honduras is at the top of the rankings on equality regarding educational attainment, it places only 126<sup>th</sup> on labour-force participation rate for women.<sup>15</sup> The gender gap related to land ownership is large in Honduras, where only 13.6% of rural women own land, compared to 34.4% of rural men.<sup>16</sup> Also, women are underrepresented in agroforestry organizations with only 36% of female membership.<sup>17</sup> Globally, the gender gap in the prevalence of food insecurity has widened, with 10% more

<sup>8</sup> Government of Honduras. First biennial update report (BUR). 2020. Available under <<https://unfccc.int/documents/266519>>

<sup>9</sup> Government of Honduras. Updated nationally determined contribution. 2021. Available under <[https://unfccc.int/sites/default/files/NDC/2022-06/NDC de Honduras\\_ Primera Actualización.pdf](https://unfccc.int/sites/default/files/NDC/2022-06/NDC%20de%20Honduras_Primera%20Actualizaci3n.pdf)>

<sup>10</sup> Government of Honduras. *Balance Energético Nacional 2021*. 2022. Available under <<https://sen.hn/wp-content/uploads/2022/09/Balance-Energetico-2021.pdf>>.

<sup>11</sup> Government of Honduras, Updated nationally determined contribution. 2021.

<sup>12</sup> Government of Honduras. *Balance Energético Nacional 2021*. 2022.

<sup>13</sup> Government of Honduras. First biennial update report (BUR). 2020.

<sup>14</sup> Inter-American Development Bank. Vulnerability to climate change of hydroelectric production systems in Central America and their adaptation options. 2016. Available under <<https://publications.iadb.org/en/publication/17190/vulnerability-climate-change-hydroelectric-production-systems-central-america-and>>

<sup>15</sup> World Economic Forum. Global Gender Gap Report 2022. Insight Report. 2022. Available under <[https://www.weforum.org/reports/global-gender-gap-report-2022/?DAG=3&gclid=Cj0KCQiAg\\_KbBhDLARIsANx7wAy0657QxAn1ERuLoYiHxWxRSVXYTGQfX9pmkwElfCdqamDb2mEt9aAaAtW9EALw\\_wcB](https://www.weforum.org/reports/global-gender-gap-report-2022/?DAG=3&gclid=Cj0KCQiAg_KbBhDLARIsANx7wAy0657QxAn1ERuLoYiHxWxRSVXYTGQfX9pmkwElfCdqamDb2mEt9aAaAtW9EALw_wcB)>

<sup>16</sup> Government of Honduras. *Encuesta Nacional de Demografía y Salud. 2011 – 2012*. 2013. Available under <<https://evaw-global-database.unwomen.org/-/media/files/un%20women/vaw/vaw%20survey/honduras%20vaw%20survey.pdf?vs=630>>

<sup>17</sup> Government of Honduras. *Anuario Estadístico Forestal de Honduras, 2020*. 2021. Available under <<https://icf.gob.hn/wp-content/uploads/2022/04/Anuario-Estadistico-Forestal-de-Honduras-2020-1.pdf>>

women than men being in a situation of food insecurity in 2020, as compared to 6% in 2019.<sup>18</sup> The NDC of Honduras has a component on social inclusion that calls for the enhanced participation of women, youth, Indigenous Peoples, and Hondurans of African descent in the implementation of climate actions.<sup>19</sup>

### Areas of intervention

The proposed areas of intervention are the watersheds of El Cajón dam (8,630 km<sup>2</sup>) and Yojoa Lake (416 km<sup>2</sup>) in central Honduras.

El Cajón is the country's largest hydroelectric power plant (the plant is also known as Francisco Morazán hydropower plant). In 2021, the plant generated 1,656 GWh, or 16.8% of the country's total power output, the largest contribution from a single power plant.<sup>20</sup> ENEE operates El Cajón hydropower plant. El Cajón plays other roles providing voltage and frequency regulation to the power system, as well as a reliable reserve margin. These roles are critically important, as the fraction of power generation from wind and solar power plants increases.<sup>21</sup> Furthermore, El Cajón's dam regulates waterflow from the two main rivers in the watershed, Humuya and Sulaco rivers, providing irrigation and flood control services to the inhabitants of the Sula Valley. The Sula Valley is home to one-quarter of the population of Honduras and generates approximately 50% of the country's GDP.

The Yojoa Lake watershed was designated as a RAMSAR site in June 2005. Yojoa Lake is the only lake of volcanic origin in Honduras. The watershed hosts 16 different ecosystems that provide habitat to approximately 50% of all bird, reptile, and amphibian species in Honduras, including endemic species listed in the International Union for Conservation of Nature (IUCN) Red List of Threatened Species (e.g., *Dendrotriton sanctibarbarus* and *Plectrohyla guatemalensis*).<sup>22</sup>

Downstream, the outflow from Yojoa Lake feeds two hydropower plants: Cañaveral (29 MW) and Río Lindo (80 MW). Together, Cañaveral and Río Lindo hydropower plants are the third largest power generator in Honduras with a joint output in 2021 of 744 GWh (7.5% of total power generation).<sup>23</sup> ENEE is the operator of both Cañaveral and Río Lindo hydropower plants. The main economic activities in the area around Yojoa lake is agriculture and animal husbandry.<sup>24</sup>

Project sites within the two selected watersheds will be prioritized based on economic, environmental, and social criteria, including vulnerability to climate change, potential for carbon sequestration, opportunities for sustainable livelihoods, and opportunities for gender and social inclusion.

### Proposed interventions

The proposed interventions will contribute to a low-carbon, climate-resilient, and social-inclusive development in El Cajón and Yojoa Lake watersheds. The proposal will generate an enabling environment and investments in sustainable livelihoods and small-scale businesses based on (i) resilient agrifood systems, and (ii) adaptive forest management.

<sup>18</sup> FAO, IFAD, UNICEF, WFP and WHO. The State of Food Security and Nutrition in the World 2021. Transforming food systems for food security, improved nutrition and affordable healthy diets for all. 2021. Available under <<https://doi.org/10.4060/cb4474en>>

<sup>19</sup> Government of Honduras, Updated nationally determined contribution. 2021.

<sup>20</sup> Government of Honduras. *Empresa Nacional de Energía Eléctrica ENEE. Boletín Estadístico. Enero 2022.* 2022. Available under <<http://www.enee.hn/planificacion/2022/Boletin%20Estadistico%20ENERO%202022.pdf>>

<sup>21</sup> Inter-American Development Bank. Renovation of Francisco Morazán Hydroelectric Power Plant to Facilitate the Integration of Renewable Energies. Loan proposal. n.d. Available under <<https://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=EZSHARE-1038346716-83>>

<sup>22</sup> RAMSAR. Ficha informativa Ramsar. Honduras, Cuenca del Lago de Yojoa. 2021. Available under <[https://rsis.ramsar.org/RISapp/files/RISrep/HN1467RIS\\_2111\\_es.pdf](https://rsis.ramsar.org/RISapp/files/RISrep/HN1467RIS_2111_es.pdf)>

<sup>23</sup> Government of Honduras. *Empresa Nacional de Energía Eléctrica ENEE. Boletín Estadístico. Enero 2022.* 2022

<sup>24</sup> RAMSAR. Ficha informativa Ramsar. Honduras, Cuenca del Lago de Yojoa. 2021.

i. Resilient agrifood systems (US\$5.0 million, PPCR).

Activities to promote resilient agrifood systems will target new and/or established micro, small, and medium-sized enterprises (MSMEs), including farmers associations and cooperatives. Eligible activities will include initiatives on agriculture, animal husbandry, forestry, fisheries, and tourism (i.e., ecotourism and agritourism). For this purpose, the project will provide technical assistance; design, and implement financial mechanisms (including incentives); and facilitate access to markets, agricultural inputs, and technology and services providers. Partnerships with local actors from the public and private sectors (e.g., municipalities, and financial institutions, amongst others) and NGOs will enable scaling up investments and impact. **Special focus will be on women-owned businesses via gender-related activities as described in the gender and social inclusion section.**

ii. Adaptive forest management (US\$2.8 million, FIP).

The proposal will promote nature-based solutions to reduce the vulnerability to climate change and enhance carbon stocks in the target watersheds. Activities will focus on improving forest cover in the watersheds, taking into consideration vulnerability to climate-related hazards. Activities will include forest conservation and restoration, fire prevention and control, erosion control, soil stabilization, insect and disease control, and agroforestry, among others. Incentives for forest management will be implemented. The project will also address barriers to land conservation, especially issues related to land-use planning and land titling. Partnerships with the private sector, governmental entities, and NGOs will enable scaling up impact.

Moreover, an exit strategy will be developed and implemented to guarantee the sustainability of the interventions.

### **Alignment**

Honduras' Strategic Program for Climate Resilience (SPCR) sets five priorities for climate action related to: (i) use of climate, meteorological and hydrological information for decision-making, (ii) improved water governance for climate resilience, (iii) agriculture and food sovereignty, (iv) institutional development and capacity building, and (v) institutional coordination. This proposal will contribute directly to priorities (ii), (iii), (iv) and (v).

This proposal will contribute to the project-level results of the Forest Investment Program (FIP) related to (i) reducing pressure on forest ecosystems, (ii) institutional and regulatory frameworks that support sustainable forest management and protect right of local communities (men and women) and Indigenous Peoples, (iii) empowering local and indigenous communities, and (iv) leveraging financing for forests.

Additionally, this proposal is aligned with National Strategic instruments including the NDC, National Adaptation Plan, National Strategy for Decarbonization and Climate Resilience, Strategi Plan for the Yojoa Lake Watershed, and Conservation Plan for the Influence Area of the Yojoa Lake Watershed and Surroundings.

### **Need for funding**

The NDC of Honduras emphasizes the need for international financial support to meet the country's commitments on climate change. This is especially true for targets on food security and forest restoration that are conditional to the availability of financial and technical support. Hence, the resources requested under this proposal will contribute to closing the financial gaps identified in the NDC of Honduras, enhancing the level of ambition of its climate change targets, and accelerating the country's transition to a low-carbon, climate-resilient development path.

Eligibility of the Project under Track 1A, 1B, or 1C			
<p>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.</p>			
Objectives:			
<p>The project has the following objectives:</p> <ol style="list-style-type: none"> <li>1. Improve the climate-resilience and livelihoods of rural communities by promoting investments in low-carbon, climate-resilient business models and technologies by MSMEs, especially women-owned businesses.</li> <li>2. Improve water quality and availability in two target watersheds to reduce the vulnerability to climate change of agricultural producers, human settlements, and the power sector.</li> <li>3. Reduce forest degradation and increase the forested area in two target watersheds in Honduras, focusing on the restoration of forests and rural productive landscapes.</li> </ol>			
Is the proposed TA/Project linked to an ongoing MDB project or an MDB project under preparation?		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If yes, which project is it linked to and what is the project status (ongoing/under preparation)?	<p>The project is linked to the following IDB Group projects:</p> <ol style="list-style-type: none"> <li>1. <b>Sustainable Forest Management</b> (HO-L1179, US\$25 million, ongoing). The IDB loan promotes forest restoration activities in critical areas for water supply. For this purpose, cash and in-kind incentives have been designed for publicly and privately owned forest areas. These incentives, among others, will be replicated by the current proposal using resources from FIP, expanding the target areas to the Yojoa Lake watershed, and including the protected forest area of El Cajón reservoir.</li> <li>2. <b>Program for the Restoration of Climate-Resilient Forests and Forestry for Sustainable Water-related Ecosystem Services</b> (HO-L1200/HO-G1252, US\$35 million, ongoing). The program is investing grant and loan resources from the GCF<sup>25</sup> to finance forest restoration, and to promote the adoption of adaptive forest management practices and agroforestry production systems. The current proposal will consider for further replication the set of adaptive forest management practices, agroforestry systems as well as the financial instruments that the IDB/GCF-supported program is developing in Honduras.</li> <li>3. <b>Renovation of the Francisco Morazán Hydropower Plant to Facilitate the Integration of Renewable Energy</b> (HO-L1203, US\$37 million, recently approved). The project will use loan and grants resources from the IDB and the Clean Technology Fund (CTF) to modernize El Cajón hydropower plant and to assess capacity additions to the plant. The following synergies and complementarities between HO-L1203 and this proposal are foreseen: (i) the proposed interventions will contribute to water availability which is an essential element for the functioning of the Francisco Morazán hydropower plant; and (ii) HO-L1203 includes a component that supports the strengthening of ENEE’s El Cajón watershed unit as well as community development via agricultural and forestry productive activities.</li> <li>4. <b>Comprehensive Management Plan of Lake Yojoa</b> (HO-T1297, US\$450,000, ongoing). This technical cooperation aims at strengthening the integrated management of the Yojoa Lake through the development of technical and</li> </ol>		

<sup>25</sup> GCF funding proposal 111 on “Promoting climate-resilient forest restoration and silviculture for the sustainability of water-related ecosystem services”.

	<p>environmental studies (e.g., water balance, water quality, identification of sources of pollution and environmental degradation, formulation of a strategic plan of awareness and community extension). These studies will be completed by September 2023 and will be used as inputs to the development of this proposal.</p> <p><b>5. Improving the Climate Resilience of Micro-, Small-, and Medium-Sized Forestry and Agroforestry Enterprises in Honduras</b> (HO-O0011, US\$17.5 million, recently approved). The IDB Lab project will provide financial services to 3,000 MSMEs in the forestry and agroforestry sectors in Honduras. The current proposal will build on the network of financial institutions established by the IDB Lab project to reach out to beneficiaries in the target areas of El Cajón and Yojoa Lake watersheds.</p> <p><b>6. Adoption of Climate-Smart Technologies in Agricultural MSMEs Lead by Women</b> (HO-G1261, US\$1.4 million, under preparation). The technical cooperation project will identify and promote the adoption of climate-resilient technologies by women-owned MSMEs in the agriculture sector of Honduras. The current proposal will scale-up the adoption of climate smart technologies and practices identified by the IDB-supported project.</p> <p><b>7. Cañaveral-Río Lindo Hydropower Complex Rehabilitation and Uprating Project</b> (HO-L1102, US\$23 million from the IDB and \$135.4 million from JICA, ongoing). The objective of HO-L1102 is to recuperate and conserve the power generation capacity from renewable energies. The current proposal will contribute to maintaining the environmental condition of the lake which is a key conditional factor for the implementation of HO-L1102.</p>
<b>Indicative Date of Submission for PPCR SC Approval</b>	July 2023
<b>Expected Outcomes:</b>	
<p>The proposal will contribute to the following outcomes:</p> <ol style="list-style-type: none"> <li>1. Increased resilience to climate variability and climate change of agri-businesses in the target watersheds.</li> <li>2. Improved income and food security of communities in the target watersheds.</li> <li>3. Increased resilience to climate variability and climate change and reduced operating costs of individual hydropower plants (i.e., El Cajón, Cañaveral and Río Lindo) and the integrated power system.</li> <li>4. Improved water quality and availability in the target watersheds.</li> <li>5. Reduced risks related to flooding and landslides.</li> <li>6. Enhanced removal of GHG by forest carbon sinks.</li> <li>7. Biodiversity conservation.</li> </ol>	
<b>Key Results and Indicators for Success<sup>26</sup></b> (consistent with PPCR Core indicators, and including indicators disaggregated for women and men, and if relevant vulnerable and excluded groups including ethnic and racial minorities, persons with disabilities, Indigenous Peoples, etc.):	
<b>PILOT PROGRAM FOR CLIMATE RESILIENCE</b>	
<b>Result</b>	<b>Indicator</b>

<sup>26</sup> Tentative indicators subject to further adjustment/review.

PPCR 1. Increased food security of households in the target watersheds (Aligned to PPCR result A.1)	Number of households in the target watershed that have improved their food security <sup>27</sup> with support from the project.  <b>Baseline:</b> 0 <b>Target:</b> 7,000 households. At least 20% of beneficiary households must be female headed.
PPCR 2. Increased resilience to climate variability and climate change of agri-businesses (Aligned to PPCR result B.1)	Number of micro, small, and medium-sized agri-businesses in the target watersheds that have adopted at least two climate change adaptation technologies and/or practices with support from the project.  <b>Baseline:</b> 0 <b>Target:</b> 750 micro, small, and medium-sized agri-businesses. At least 50% of beneficiary agri-businesses must be women-owned. <sup>28</sup>
PPCR 3. Financial mechanisms for investment in climate resilience by agri-businesses designed and implemented (Aligned to PPCR result B.5)	Number and volume of transactions completed under financial mechanisms developed with support from the project to finance climate resilience investments by agri-businesses in the target watersheds  <b>Baseline:</b> 0 <b>Target:</b> 1,500 transactions for a total of US\$ 3,700,000 under financial mechanisms developed with support from the project.
PPCR 4. Mobilization of private sector resources for investments in climate resilience (Aligned to PPCR result B.5)	Leverage ratio of PPCR funding to private sector resources, especially from micro, small, and medium-sized agri-businesses supported by the project.  <b>Baseline:</b> N.A. <b>Target:</b> Minimum leverage ratio of PPCR to private sector resources of 2:1 (for each two dollars of PPCR resources, at least one dollar of investments by the private sector <sup>29</sup> ).
<b>FOREST INVESTMENT PROGRAM</b>	
<b>Result</b>	<b>Indicator</b>

<sup>27</sup> The project will use the definitions of food insecurity and classification system adopted by the Integrated Food Security Phase Classification (IPC) initiative and monitored by the Government of Honduras through a technical unit (*Unidad Técnica de Seguridad Alimentaria y Nutricional (UTSAN)*) of the department for government coordination (*Secretaría de Coordinación General de Gobierno (SCGG)*).

<sup>28</sup> Women-owned businesses must be at least 51% owned by one or more women.

<sup>29</sup> Includes cash and in-kind contributions.

FIP 1. Reduced GHG emissions from deforestation and forest degradation; enhancement of forest carbon stocks (Aligned to FIP result A.1)	Change in carbon stocks in forested lands in the target watersheds (million tonnes of carbon dioxide equivalent (MtCO <sub>2</sub> eq)).  <b>Baseline/Target:</b> The baseline and target, including a definition of a methodology for quantifying carbon stocks, will be defined during project preparation.
FIP 2. Increased direct management of forest resources by local communities and Indigenous Peoples (Aligned to FIP result B.2)	Area in the target watersheds under sustainable forest management <sup>30</sup> by local communities and Indigenous Peoples  <b>Baseline/Target:</b> The baseline and target will be defined during project preparation.
FIP 3. Reduced pressure on forest ecosystems (Aligned to FIP result B.2)	Forest area in the target watersheds (ha)  <b>Baseline:</b> 45,200 ha (El Cajón, 24,300 ha; Yojoa Lake, 20,900 ha) <b>Target:</b> 46,100 ha (El Cajón, 24,900 ha; Yojoa Lake, 21,200 ha)
FIP 4. Reduced pressure on forest ecosystems (Aligned to FIP result B.2)	Area of degraded forests in the target watershed under restoration process with support from the project (ha)  <b>Baseline:</b> 0 ha <b>Target:</b> 2,200 ha (El Cajón, 2,100 ha; Yojoa Lake, 100 ha)
FIP 5. New and additional resources for forest sustainable management and conservation (Aligned to FIP result C.6)	Leverage ratio of FIP funding to private and public sector resources, especially from partners in incentive schemes.  <b>Baseline:</b> N.A. <b>Target:</b> Minimum leverage ratio of FIP non-grant resources to private and public sector resources of 2:1 (for two dollars of non-grant resources, at least one dollar of investments by the project partners)

<b>Budget:</b>	
<b>Expenditures<sup>31</sup></b>	<b>Amount (US\$) - estimates</b>
<b>PILOT PROGRAM FOR CLIMATE RESILIENCE</b>	
Grant	
1. Individual consultants and firms	
Development of low-carbon, climate-resilient technology packages	US\$ 200,000
Development of financial instruments	US\$ 100,000
Technical assistance to financial institutions	US\$ 200,000
Technical assistance to MSMEs	US\$ 600,000
Training to partners (e.g. government officials, agricultural technicians, commercial partners, etc.)	US\$ 100,000
2. Travel	

<sup>30</sup> The project will use the definition of sustainable forest management included in the 2020 submission of the Forest Reference Level (FRL) by Honduras. Available under <[https://redd.unfccc.int/files/nrf\\_2020\\_honduras.pdf](https://redd.unfccc.int/files/nrf_2020_honduras.pdf)>.

<sup>31</sup> Expenditure categories should be provided by the MDBs based on own procedures.

Travel by consultants and beneficiaries		US\$ 80,000
3. Publications		
Training and dissemination material		US\$ 20,000
<b>Sub-total grant</b>		<b>US\$ 1,300,000</b>
<b>Non-Grant</b>		
1. Financial products (e.g., loans, guarantees, insurance products and incentives)		US\$ 3,700,000
<b>Total Cost</b>		<b>US\$ 5,000,000</b>
<b>MPIS</b>		<b>US\$ 100,000</b>
Co-Financing <sup>32</sup> :	<i>Amount (US\$ million):</i>	<i>Type of contribution:</i>
• Government	US\$35 million	Related activities implemented with reimbursable resources of HO-L1179 and HO-L1200.
<b>Co-Financing Total</b>	US\$35 million	
<b>FOREST INVESTMENT PROGRAM</b>		
<b>Grant</b>		
1. Individual consultants and firms		
Climate vulnerability and risk assessments		US\$ 200,000
Development of technology packages for conservation, fire management, etc.		US\$ 100,000
Technical assistance to beneficiaries		US\$ 300,000
Training to partners (e.g. government officials, agricultural technicians, commercial partners, etc.)		US\$ 100,000
2. Travel		
Travel by consultants and beneficiaries		US\$ 80,000
3. Publications		
Training and dissemination material		US\$ 20,000
4. Grants		
Small grants for conservation by beneficiaries		US\$ 600,000
<b>Sub-total grant</b>		<b>US\$ 1,400,000</b>
<b>Non-Grant</b>		
1. Financial products (e.g., loans, guarantees, insurance, and incentives)		US\$ 1,400,000
<b>Total Cost</b>		<b>US\$ 2,800,000</b>
<b>MPIS</b>		<b>US\$ 100,000</b>
Co-Financing <sup>33</sup> :	<i>Amount (US\$ million):</i>	<i>Type of contribution:</i>

<sup>32</sup> This includes in-kind contributions (monetary value), MDB loan or grant, parallel financing, etc.

<sup>33</sup> This includes in-kind contributions (monetary value), MDB loan or grant, parallel financing, etc.

• Government	US\$25 million	Related activities implemented with non-reimbursable resources of HO-G1252.
<b>Co-Financing Total</b>		USD\$25 million
<b>Project Timeframe</b>		
Project start: June 2024 Project closure: June 2027		
<b>Role of other Partners involved in project<sup>34</sup>:</b>		
Given the nature of the proposed activities and the intervention area, a multisectoral steering committee will be formed with active participation of ENEE, SERNA, Secretariat of Agriculture and Livestock (SAG), National Institute of Forest Conservation (ICF), Secretariat of Energy (SEN), and Secretariat of Finance (SEFIN). In fact, representatives of these governmental entities contributed to the elaboration of this concept note. The participation of additional relevant entities is anticipated (e.g., MSMEs and municipalities, amongst others).		
<b>Implementation Arrangements (incl. procurement of goods and services):</b>		
The implementation will follow IDB guidelines/policies including those for the procurement of goods and services, amongst others.		
<b>Gender and Social Inclusion Considerations and Expected Results:</b>		
<p>In 2010, Honduras adopted a policy and plan that set detailed objectives and actions to promote gender equality. As part of these objectives, the policy and plan seek to guarantee women’s economic rights and equal access and control over economic and natural resources.<sup>35</sup> The recently updated NDC promotes activities on gender and social inclusion, recognizing that climate change impacts particularly affect vulnerable populations given their limited capacities and opportunities to adapt. Moreover, the NDC also highlights that climate change exacerbates existing gender disparities.</p> <p>Important gender disparities are reported in Honduras, gaps that tend to be more pronounced in rural areas. For instance, female labor force in agricultural work represents 10.3%. In terms of productive land, women own only 12% of the cultivated area<sup>36</sup>. Moreover, limited access to technical assistance and financing, are barriers that have been reported in forest restoration projects currently implemented in the country<sup>37</sup>. Additionally, there is a large gender gap related to land ownership and access to technical and financial assistance for agricultural activities. For example, during the implementation of a land tilting program from 1983 – 2003, the ratio of men to women who were granted land titles was 3:1. Also, from 1974 to 2002, the fraction of female beneficiaries of agricultural loan programs was under 5%.<sup>38</sup> In terms of MSMEs, evidence shows that – compared to their counterparts-, women lead enterprises are smaller in size, and are more vulnerable to shocks<sup>39</sup>. Regarding food security, the minimum dietary diversity is observed in around one out of four women between 12 and 49 years<sup>40</sup>. Furthermore, rural women are particularly affected by climate change given their restricted access to resources and limited decision making<sup>41</sup>. Hence, these factors add to the barriers preventing the economic development and autonomy of women in Honduras<sup>42</sup>. In fact, globally, if women</p>		

<sup>34</sup> Other local, national, and international partners to be involved in implementation of the project.

<sup>35</sup> Government of Honduras. *II Plan de Igualdad y Equidad de Género de Honduras 2010- 2022 (II PIEGH)*. 2010. Available under <<https://honduras.unfpa.org/sites/default/files/pub-pdf/PIEGHAPROBADOGABINETEPRESIDENCIAL.pdf>>

<sup>36</sup> Agricultural land use. Encovi, 2012

<sup>37</sup> FP111 proposal financed by the Green Climate Fund.

<sup>38</sup> Government of Honduras. *Op.cit.*

<sup>39</sup> BID. MSMEs characterization in Honduras’ dry corridor. Forthcoming.

<sup>40</sup> Allen and Delgado. 2020. Gender and Food Security in Honduras.

<sup>41</sup> Velasco et al. 2021. Impact of Climate Change from a Gender Perspective.

<sup>42</sup> ECLAC. Gender Equality Observatory for Latin America and the Caribbean.

<<https://oig.cepal.org/en/indicators/people-without-incomes-their-own>> Visited on 23 November 2022.

were to have the same access to resources as men, their farms' production would increase by up to 30% and malnutrition could be reduced by at least 12%<sup>43</sup>.

This proposal will address the barriers that limit access by women to land and to the technical and financial resources needed to start and grow MSMEs related to agriculture and the sustainable use of natural resources. In this context, a diagnostic of access to land in the intervention area will be performed, then a pilot intervention will be designed and implemented to address relevant issues in both conservation and productive areas. Moreover, the technical assistance and financial products offered by the project will be designed and deployed taking into consideration the different needs and capabilities of men and women. The project will include capacity development activities targeted to women and to women-owned businesses. The approach will recognize women as agents for change and empower them for the benefit of the environment and to improve the quality of life of their families and communities. Where relevant, the project will adopt indicators and targets disaggregated by gender.

**Other Information:**

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<sup>43</sup> FAO. 2011. The State of Food and Agriculture.