

PROJECT SUMMARY

RESILIENCE OF THE BLUE ECONOMY AND THE COASTAL ECOSYSTEM IN NORTHERN HONDURAS “MIPESCA” (HO-Q0003 AND HO-T1257)

The abundant natural capital of Latin America and the Caribbean is under great pressure due to the demand for food production and the challenge of increasing production without extending agriculture to environmentally sensitive areas or diminishing productive capacity.

The Atlantic coast of Honduras has rich natural capital. **Artisanal fishing** is the most important livelihood for the low-income coastal population, as it is the main source of food, self-employment, and income. This sector has great weaknesses in terms of its organization, operation, and the utilization of marine resources, preventing it from linking sustainably to high-value markets and from preserving the resources upon which it depends. It also lacks collateral for access to finance.

A significant portion of the mangroves in Honduras is located on the Atlantic coast and their deterioration is primarily due to changes in land use, such as the expansion of agriculture (African palm), livestock, tourism, and hydroelectric projects, in addition to the lack of a clear regulatory framework to improve governance in the use of resources and promote community participation.

The characteristics of mangroves contribute to climate change adaptation and mitigation; they are a carbon sink with the ability to fix five to ten times more carbon, called blue carbon, than forests on land. This is the **first large-scale blue carbon project in Latin America in which the Bank is participating**. It is expected to benefit the Miskito population, which as of this year has full ownership rights over the territory included in the Department of Gracias a Dios, also known as the Moskitia region.

The project proposes a holistic approach to: (i) reduce the intermediation gap between fishing organizations and high-value markets; (ii) improve production practices and product quality; (iii) facilitate the artisanal fishing sector's access to credit; (iv) strengthen territorial governance in the management and use of natural resources; and (v) raise awareness of the ecosystem services that the project provides for improving the resilience of the population and its economy.

All the above seeks to promote a blue economy supported by the knowledge accumulated for years by nature and local communities in order to achieve increasingly higher levels of efficiency, while respecting the environment, creating wealth, and spreading these principles to the business world. This will contribute to the sustainable management of the mangrove ecosystem, as a strategy for climate change adaptation and mitigation and the preservation of indigenous cultures. This initiative brings together various key public and private stakeholders to develop the country's artisanal fishing sector.

The project plans to link the artisanal fishing value chain consisting of 23 productive units comprising 1,300 fishermen with the country's largest supermarkets and formal intermediaries, and to promote increased participation in the chain by young people, women, and the disabled. In addition to promoting the formalization of this chain, the project plans to introduce the use of banking in this chain.

The expected **impact** is to help boost the competitiveness of artisanal fishing companies and organizations, so as to ensure their economically sustainable and environmentally responsible inclusion while improving their productivity, preserving the mangrove ecosystem on which their economy depends, and increasing their resilience to climate change.

The anticipated **outcome** is that both artisanal fishing companies and organizations will adopt best practices so they can boost their productivity and improve the quality of their products, while optimizing the use of the resources of the coastal marine ecosystem. The expected outcomes are that: 3,100 fishermen increase their incomes, 10 artisanal fishing organizations adopt good fishing practices, fishing companies as a group increase their sales by 50% (broken down by company, over the baseline), and production, carbon capture (tC₂Oe), and sustainably managed mangroves (hectares) increase.

The operation includes technical assistance resources from the Nordic Development Fund (NDF) and the creation of a Mutual Guarantee Fund with MIF resources to encourage the Honduran financial system's entry into the artisanal fishing sector. The operation has two executing agencies, GOAL Global (GOAL) and CONFIANZA Sociedad Administradora de Fondos de Garantía Recíproca S.A. de C.V. [CONFIANZA Mutual Guarantee Funds Management Company S.A. de C.V.] (CONFIANZA SA-FGR), which will be responsible for the technical assistance and financial components, respectively.

The total amount of the operation is: US\$6,527,157.59. Of this, US\$2,100,000.00 (32.2%) are reimbursable MIF funds for the creation of a Mutual Guarantee Fund and an equity investment in CONFIANZA SA-FGR. US\$3,441,000.00 (52.7%) are nonreimbursable NDF resources for technical cooperation and a grant to create a reserve as a provision to cover losses of the Mutual Guarantee Fund, and US\$986,157.58 (15.1%) as the GOAL counterpart contribution. The technical cooperation operation will have an execution period of 54 months and a disbursement period of 60 months. Due to the financial business cycle, the investment period for the Mutual Guarantee Fund will be eight years.