

Document:	<u>EB 2020/130/R.18/Add.1</u>
Agenda:	<u>8(e)(ii)(a)</u>
Date:	<u>1 September 2020</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

**E**



Investing in rural people

## **Republic of Honduras**

### **Country Strategic Opportunities Programme**

#### **Addendum**

#### **Management's response to Member States' comments**

Executive Board — 130<sup>th</sup> Session  
Rome, 8-11 September 2020

---

For: **Information**

Comments from Switzerland	Management response
<p>We consider the programme to be appropriate and pertinent. The goal of contributing to poverty reduction by making food production systems more inclusive, sustainable, efficient and resilient is pertinent in the country context, and strengthening the Ministry of Agriculture (SAG) as an important component in this undertaking. The strategy intends to improve coordination and build of synergies with other development actors. This has not been a strength of the institution in the past and is therefore commendable new element.</p>	<p>Local institutional strengthening and capacity-building is one of IFAD's key features in supporting rural transformation and sustainable poverty reduction. In Honduras we have been working with the Ministry of Agriculture in two programs, Emprendedur (recently closed) and Prolenca (active), in which we have started to work actively with other development actors such as, for example, the World Food Programme and Fundación Capital. As a result, coordination is increasing. Recently we worked with the Ministry on a mid- to long-term COVID-19 sectoral recovery plan, an integral part of which is improved coordination with other development actors.</p>
<p>Given that poverty in Honduras has stagnated at around 65 per cent for decades, we would have welcomed an in-depth analysis of the root causes of poverty and inequality, such as access to land, water and credit. The risk analysis is superficial and very general. We would therefore urge IFAD and partners to revisit this going forward.</p>	<p>An in-depth poverty analysis has been carried out but was not included in the document due to space limits. An ongoing poverty monitoring system has been implemented in the active Prolenca project to continuously monitor poverty with the objective of informing and guiding the Ministry of Agriculture and project management through up-to-date information and data.</p>
<p>One target group of the programme is the indigenous population. It would be desirable for the programme to explicitly make a commitment to comply with OIT Convention 169 on the rights of indigenous peoples.</p>	<p>IFAD has a long track record in supporting indigenous peoples in their rights and economic development based on the principle of free, prior and informed consent. The same will apply in Honduras, and the project's monitoring and evaluation system will ensure that specific actions in support of indigenous peoples will be recorded and reported, including their outcomes and results.</p>
<p>The Corruption Perception Index is mentioned in the first section of appendix 11 "Financial management issues summary", but the question of oversight and good process otherwise hardly ever arises in the document. Since the misuse of funds is a key factor for country development and programmatic success, greater emphasis on this topic, at the very least in the analysis, would be warranted.</p>	<p>IFAD is continuously working with Ministry of Agriculture and project teams to strengthen financial management and implement mitigating measures to reduce risks related to financial management and procurement in IFAD-financed projects.</p> <p>A grant is being implemented to improve planning and management within the Ministry of Agriculture as a whole; workflow systems are being implemented to make information and processes more transparent; and, furthermore, IFAD's contract-monitoring tool is being implemented.</p> <p>During regular missions of IFAD's team to Honduras and through annual audits, we have found no evidence of misuse of funds. However, there have been ongoing weaknesses in financial management, as summarized in section B of the Fiduciary Summary. These include:</p> <ul style="list-style-type: none"> <li>• Issues with the reporting module accounting system, which have led to unreconciled balances and inconsistencies in reporting and the qualified audit opinion; these are being addressed through the implementation of a new reporting module and staff training in its proper use.</li> <li>• Implementation has been affected by delays in budget approval and withdrawal applications; finance staff was replaced in mid-2019 and, after a steep learning curve, we are slowly starting to see an improvement.</li> </ul>

Comments from Japan	Management's response
<p>Japan recognizes that large inequalities in economy and society is a challenge for the country and poverty reduction and improvement of fragile industry structure in rural areas is urgent needs for support. Furthermore, frequent occurrence of extreme weather events hinders the country's development progress. This COSOP studies these contexts well and it captures demand for the development and fit the Fund's comparative advantage in the programme.</p> <p>Given the fragility of industry structure, it is welcome to strengthen policy engagement with the Government in the view of agricultural sector restructuring.</p>	<p>During the last month, IFAD has developed a COVID-19 mid- and long-term sectoral response plan with the Ministry of Agriculture. Moreover, it was agreed with the Ministry that a working group would be established with the main donors to increase coordination and generate sectoral policy discussion. This working group will meet bi-monthly.</p>

Comments from Brazil	Management's response
<p>Firstly, Brazil commends IFAD on its notable and active support for Latin America and the Caribbean (LAC) through initiatives that provide technical and financial assistance to poor rural people and thereby favours a pathway towards agricultural development and food security in developing Member States. Secondly, Brazil praises the administration for the COSOP on Honduras, which addresses substantially and comprehensively the issues to be dealt with by the country with the support of IFAD in its mission to transform rural economies and food systems by making them more inclusive, productive, resilient and sustainable.</p> <p>Brazil is quite confident that IFAD can and will perform an outstanding role in supporting Honduras to put in place an effective planning. It is noteworthy that such COSOP will take full advantage of lessons learned by IFAD from previous and current operations in Honduras and other LAC countries, as well as from consultations with stakeholders.</p> <p>Additionally, bearing in mind that one of the main challenges in Honduras is innovation, both in production and project management, particularly in light of the effects of climate change, the South-South and Triangular Cooperation – SSTC's involvement will undoubtedly enlighten and strengthen the COSOP's strategies. Moreover, SSTC will have a role in helping disseminate innovative good practices from LAC countries among IFAD's operations in Honduras.</p> <p>Having said that, Brazil is also pleased to see that this COSOP comprises essential approaches and mechanisms to produce a positive impact on poverty in Honduras. Brazil does believe that such targeted and tailored country approaches carried out by IFAD, in coordination with a range of partners, will thereby foster an environment that encourages pro-poor projects and supports beneficiaries to overcome inequalities in other parts of LAC, a remarkably diverse and unbalanced region.</p>	<p>N/A</p>

Comments from France	Management's response
<p>France commends IFAD for the Country Strategic Opportunities Programme for the Republic of Honduras, whose strategic orientations are coherent with the country's reality. Whereas the population is experiencing significant poverty and difficulties in accessing employment, the proposed approach aiming at creating rural employment is opportune. Adaptation to climate change is also fundamental as Honduras is extremely vulnerable to climate change.</p> <p>As for the target group, we welcome the focus on indigenous peoples, the majority of whom live in rural areas. We invite IFAD's management to provide more details on the beneficiaries, in particular the number of households that the COSOP intends to reach.</p> <p>With regard to the mainstreaming themes, France would appreciate more details on what is envisaged, particularly with regard to gender equality and youth.</p>	<p>This COSOP intends to reach 11,825 households through the PROLENCA operation and 15,000 households through PROINORTE, representing a total of 128,580 family members. In terms of gender, 38 per cent of PROLENCA's beneficiaries are woman-led households. Specific actions in for woman and youth are being undertaken in terms of empowerment through training, minimum participation levels in farmer organizations as whole, minimum participation levels in farmer organization management, as well as awareness training for staff and technicians in the field. In addition to the abovementioned measures, PROINORTE aims to achieve a 50 per cent participation rate of women. Furthermore, a dedicated subcomponent has been built into the program that generates specific opportunities for youth and woman in terms of small enterprise development. IFAD is also implementing a regional youth empowerment grant with PROCASUR, focusing on the development of national youth strategies and the exchange of specific experiences between Central American countries. It is expected that PROCASUR will continue to support IFAD operations, as does PROLENCA. Moreover, IFAD will maintain continuous policy dialogue with the Ministry of Agriculture to ensure that these themes are high on the policy agenda.</p>
<p>Finally, we would like to emphasize the need to ensure specific consideration is given to fiduciary risk management and mitigation, as appendix XI identify fiduciary inherent risk as high. France invites IFAD to further elaborate on envisioned measures to mitigate fiduciary risk.</p>	<p>The IFAD country team is very aware of the fiduciary risk and, therefore, is continuously working with Ministry of Agriculture and project teams to strengthen financial management and implement mitigating measures to reduce risks around financial management and procurement in IFAD-financed projects.</p> <p>A grant is being implemented to improve planning and management within the Ministry of Agriculture as a whole; workflow systems are being implemented to make information and processes more transparent; and, in addition, IFAD's contract-monitoring tool is being implemented.</p> <p>During regular missions of IFAD's team to Honduras and through annual audits, we have found no evidence of misuse of funds. However, there have been ongoing weaknesses in financial management, as summarized in section B of the Fiduciary Summary. These include:</p> <ul style="list-style-type: none"> <li>• Issues with the reporting module accounting system, which have led to unreconciled balances and inconsistencies in reporting and the qualified audit opinion; these are being addressed through the implementation of a new reporting module and staff training in its proper use.</li> <li>• Implementation has been affected by delays in budget approval and withdrawal applications; finance staff was replaced in mid-2019 and, after a steep learning curve, we are slowly starting to see an improvement.</li> </ul>