
Response of IFAD Management to the subregional evaluation on IFAD's experience in the Dry Corridor of Central America

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Action: The Evaluation Committee is invited to review the response of IFAD Management to the subregional evaluation on IFAD's experience in the Dry Corridor of Central America.

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Response of IFAD Management to the subregional evaluation on IFAD's experience in the Dry Corridor of Central America

I. Introduction

1. Management welcomes the second subregional evaluation (SRE) undertaken by the Independent Office of Evaluation of IFAD (IOE), which assesses IFAD's interventions in the Dry Corridor of Central America. The evaluation presents the different strategies adopted by countries in the region to face common development challenges. Additionally, it highlights the importance of maintaining a consistent approach in designing and delivering IFAD's programme of loans and grants in the Central America region. This is a valuable exercise to identify areas for further improvement, as well as synergies among projects in different countries.
2. The evaluation would have benefited from a closer focus on country priorities, to facilitate a better understanding of IFAD's programmes on the ground. The Dry Corridor of Central America is an ecoregion which includes El Salvador, Guatemala, Honduras and Nicaragua. These countries face similar challenges yet have different political priorities, making it difficult to maintain a harmonized programme in the subregion. The SRE accurately reflects the challenges of the area, which include climate vulnerability, poverty, violence and chronic malnutrition. The SRE also correctly identifies the fragility factors that are specific to the context of each country and those that are widespread across the subregion. A more detailed description of country priorities and their evolution across the years covered by the evaluation would have further enhanced the analysis.
3. The geographic coverage of the evaluation is representative. The projects analysed in the SRE have benefited a high proportion of the municipalities in the Dry Corridor – specifically, 100 per cent of the municipalities in El Salvador, 90 per cent in Nicaragua, 71 per cent in Guatemala and 43 per cent in Honduras. The SRE also acknowledges that IFAD-supported interventions took place in an environment of high international cooperation involvement. This element was key to formulating recommendations for the way forward.

II. Considerations on the main findings

4. Management generally concurs with the findings and conclusions stemming from this evaluation, whose final version incorporates the feedback provided at earlier stages of consultation. Management would like to emphasize a few key points, as detailed in the following paragraphs.
5. **Many of the SRE's findings are reflected in the design and implementation of recently approved IFAD projects in the region.** The evaluation looks at the period from 2008 to 2023, covering 15 projects and 14 grants. About 67 per cent of projects were approved before 2011. Some of the earlier projects were closed 10 years ago, while four of the projects assessed are currently under implementation. Management has drawn valuable lessons from all these projects and acknowledges that some of the recommendations included in this SRE are already being addressed, as IFAD applies lessons in the design and implementation of more recent projects. For example, in El Salvador, the National Programme of Rural Economic Transformation for Living Well (Rural Adelante), completing in 2024, has promoted climate change adaptation plans for municipalities and associations. In addition, Rural Adelante 2.0 in El Salvador (approved in 2023) and the project for strengthening innovation, resilience and sustainability of agrifood systems in North Central Honduras (INNOVASAN), to be approved in 2024, foresee the adoption of a watershed approach while looking at multidimensional

sustainability. This builds on lessons learned and best practices at regional level, to support a more consistent work in the Dry Corridor.

6. **Management concurs on the importance of ensuring synergies between projects and grants, which is especially relevant for piloting and validating innovative approaches.** Synergies often result from innovative pilots, and grants offer a good opportunity to test innovative approaches. Subsequently, piloted innovations need validation in order to be integrated into new, bigger projects. For example, for the design of INNOVATECH in Honduras (and five other Latin American countries), the Rural Poor Stimulus Facility financed a pilot and a prospective study to identify gaps and future demand in terms of digitalization of agriculture. During the pilot phase, the project objectives focused on building partnerships as well as selecting and investing in a cohort of start-ups. By the end of the pilot, the selected companies were already achieving encouraging outreach results, facilitating e-commerce platforms and digitalization of rural banks. This phased approach allowed for the scaling up of the grant activities to improve linkages between small-scale farmers and FinTech and AgriTech companies. Since the number and value of IFAD grants have been declining over the years, Management is seeking alternative ways to pilot and validate innovation in the region.
7. **Management will continue to pursue policy dialogue with subregional organizations.** IFAD collaborated with the Central American Integration System (SICA) through grants. This enabled political dialogue at the subregional level, which materialized into concrete initiatives such as the Family Farming Plan in the SICA Region, and the support provided to the passing of the Family Farming Law in El Salvador. IFAD also contributed to the preparation of the Policy on Peasant, Indigenous, Afro-descendant and Family Farming, which was approved by the Central American Agricultural Council Cabinet in 2018. The policy became a reference instrument for public policies on family farming in the subregion.
8. **Management will continue to pursue non-lending activities through strategic external partners in the region,** given the limited availability of resources allocated to this area. Funds remain scarce for South-South and Triangular Cooperation (SSTC), knowledge management and policy engagement activities. To complement in-house technical expertise, working with strategic external partners has become key to advancing the innovation agenda in the region.

III. Management's response to recommendations

9. Management carefully reviewed IOE's findings and recommendations, which provided valuable learning, and generally concurs with their overall direction. However, there are some important considerations that Management would like to put forward, as detailed below.
10. **Recommendation 1. Prepare strategic guidelines at the subregional level, focusing specifically on the Dry Corridor and its many development challenges.**
11. **Management partially agrees with the above recommendation. IFAD works through country strategic opportunities programmes (COSOPs) and sovereign operations at the national level, according to its business model, rather than regional level.** Management concurs on the importance of considering forward-looking strategic guidelines that help anticipate the main development challenges, such as climate change, institutional fragility and migration in the Dry Corridor. However, the lack of evidence on the success of previous regional strategies is a key concern on the adoption of yet a new set of guidelines. Decisions on implementing strategies should be conditional on assessing their pertinence in coordination with development partners working in the sector. IFAD already has several channels in the region to coordinate activities. For

example, there are two memorandums of understanding under elaboration with the Central American Bank for Economic Integration and the Inter-American Development Bank: these will provide a framework for collaboration with IFAD in the Dry Corridor.

12. Additional challenges lie in the limited human and financial resources allocated to activities outside the programme of loans and grants. Strategies often require joint work with other agencies and development institutions, which was traditionally carried out with the support of grants. Having unfunded mandates has created difficulties in the past, when the delivery of lending instruments had to be prioritized. In the absence of IFAD country offices in the Dry Corridor, working on a joint strategy with other multilaterals or donors working in the region may be even harder.
13. **Management is open to liaising with strategic partners and joining alliances that support the development of a roadmap and guidelines in the subregion.** To promote full engagement with other development partners, IFAD will need to gather further information on the project pipeline of prospective partners. At the same time, IFAD will need to ensure that it is not perceived as a competitor – instead of as a potential partner – by other institutions in the region. In a context of high indebtedness, this can become a challenge, when development institutions compete for the same fiscal space.
14. **Recommendation 2. IFAD and the governments need an integrating territorial approach so that resilient family farming and territorial development become central themes of cooperation in the subregion.**
15. **Management agrees with the above.** IFAD projects have already adopted integrated approaches and will continue promoting them. IFAD projects in the Dry Corridor include, as essential elements, the involvement of local public institutions, attention to local economies in transition and support of resilient agrifood systems. For example, territorial plans in the Nicaraguan Dry Corridor Rural Family Sustainable Development Project and the Sustainable Rural Development Programme for the Southern Region of Honduras involve several local stakeholders. Subnational climate change adaptation plans in El Salvador (Rural Adelante) also involve municipalities in climate adaptation.
16. **Recommendation 3. Improve targeting instruments for project users in the Dry Corridor.**
17. **Management agrees with the above.** All IFAD projects, including those in the Dry Corridor, are aligned with the IFAD Poverty Targeting Policy 2023. Management will continue to promote a territorial development and agrifood system approach with a special focus on women, youth and Indigenous Peoples. Given that project beneficiaries have differentiated needs, country teams have accordingly prioritized different needs for different beneficiaries. In some cases, such as Nicaragua, this meant working on addressing basic needs, as this is the Government's political preference. In countries with different segments of beneficiaries, entrepreneurship is prioritized.
18. Through the implementation of the Social, Environmental and Climate Assessment Procedures (SECAP) 2021 and the refinement of targeting instruments in line with the policy, IFAD will strengthen targeting and participation of project beneficiaries in the design of interventions. Furthermore, IFAD will capitalize on potential synergies among project components while also capitalizing on the value of local knowledge to address specific challenges.
19. **Recommendation 4. Support innovative approaches in the Dry Corridor, with greater attention to knowledge management, strategic partnerships and public policy dialogue.**

20. **Management agrees with the above.** IFAD is working on the Latin America and the Caribbean (LAC) white paper, a regional guiding document that translates IFAD's overarching objectives into practical provisions for the LAC region. The white paper offers a roadmap to grow the foundation for LAC to become an innovation and knowledge hub within IFAD. Two of its core pillars are innovation and partnerships. The Brasilia SSTC and Knowledge Centre, established in 2018, has the main goal of promoting cross-learning of relevant experiences and bridging demand and supply of knowledge at regional level, especially among IFAD-supported projects. The centre is actively advancing the knowledge management and SSTC agenda.
21. Management will continue to mainstream SSTC and knowledge management in new COSOPs to stimulate knowledge-sharing in key thematic areas and encourage the adoption of innovative instruments and new partnerships in IFAD operations. In addition, Management will continue promoting policy dialogue and the use of COSOPs as an instrument to promote country-level policy engagement, and to build on the results achieved. While the white paper outlines activities planned for the period 2022 to 2027, dedicated funding is not always available; for this reason, IFAD will have to strategically prioritize to deliver an increasingly ambitious agenda.
22. **Recommendation 5. Reaffirm IFAD leadership.**
23. **Management agrees with the above.** Reaffirming IFAD's leadership and highlighting its added value is essential, and Management will continue to encourage and promote this aspect. To this end, and conscious of size and mandate limitations, IFAD will define its value proposition for the small middle-income countries in the Dry Corridor. IFAD will also leverage SSTC exchanges with SICA and other actors as part of follow-up actions in this regard.

IV. Conclusion

24. The SRE on IFAD's experience in the Dry Corridor of Central America offers valuable elements to identify and detail the relevant challenges in the region, while also capturing IFAD's contribution to rural development. Management welcomes the learning that stems from this SRE. IFAD will continue working on the recommendations and capitalizing on lessons learned from former projects, in line with the approach already in place for project design. The effects of this approach are likely to materialize in the medium term. Moreover, in coordination with development partners working in the Dry Corridor, IFAD will assess if a joint strategy is needed, in addition to those already in place, aimed at strengthening collaboration in the region.