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Strategic Review

FEED THE FUTURE

December 17, 2010

This presentation represents the preliminary strategic direction of a multi-year, whole-of-government, U.S. strategy to address food security in a Feed the Future country or region. It describes partner country progress and outlines how U.S. investments will align in support of partner country priorities. This document has not yet been approved or funded but will form the basis of a multi-year strategy in development.

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Strategic Review Outline

1. Country Context

- Food Security Situation
- Country Ownership
- Donor Coordination

2. USG Strategic Decisions

- Target Region
- Highest Potential Value Chains
- Nutrition and Decentralization

3. Planned USG Investments

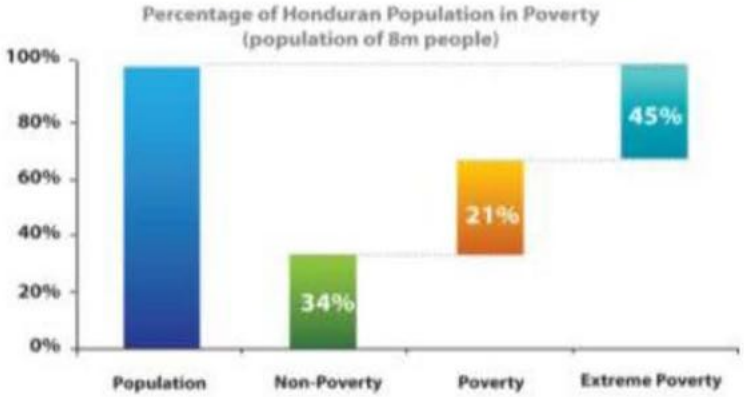
- Expected Honduras Feed the Future (FTF) Results

Embassy Tegucigalpa has a Strong Whole-of-Government Team Fully Engaged in Supporting the FTF Initiative

Agency	Role	Programs
State	• Lead FTF Diplomatic Efforts • Lead on FTF Policy Dialogue	• Pathways to Prosperity • WHA Climate Initiative
USAID	• Coordinate FTF In-Country Team • Implement USAID FTF Program	• Food Security Program • Regional FTF Program
USDA	• Assistance to Ministry of Agriculture • Linkages with U.S. Agribusiness	• Food For Progress • Regional Sanitary and Phytosanitary Program
MCC	• Lead Compact Implementation • Evaluate Compact Eligibility	• 1st Compact Closed-out • 2nd Compact Eligibility
Peace Corps	• Leverage Volunteer Programs in Support of FTF Objectives • Strong Volunteer Placement in Target Region	• Health • Small Business • Protected Areas
U.S. Military	• Milgroup Development Program Builds Schools, Health Clinics • Supports Disaster Responses	• Community Infrastructure Program (Schools / Clinics) • Medretes

1. Country Context

Honduras is One of the Poorest Nations in the Western Hemisphere[1]



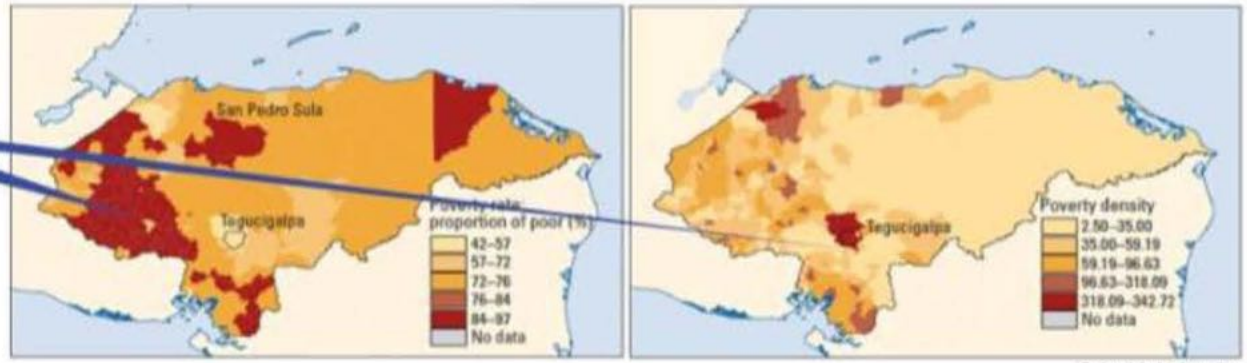
Official GOH 2010 Poverty Statistics[2]

5.3m **66%** Hondurans live in Poverty[3]

3.6m **45%** in Extreme Poverty[4]

2.6m **73%** in Extreme Poverty are Rural Poor

Rural Poor are Concentrated in the West and South



Columbia University

1. UNDP Economic Commission for Latin America and the Caribbean, 2009
2. Instituto Nacional de Estadistica (INE), 2010
3. UNDP/Honduras: Income below the cost of the basic package of goods (food) and services, such as education and health.
4. UNDP/Honduras: Income below the cost of the basic package of food. This is the GOH statistic used by UNDP/Honduras to measure MDG1 progress.

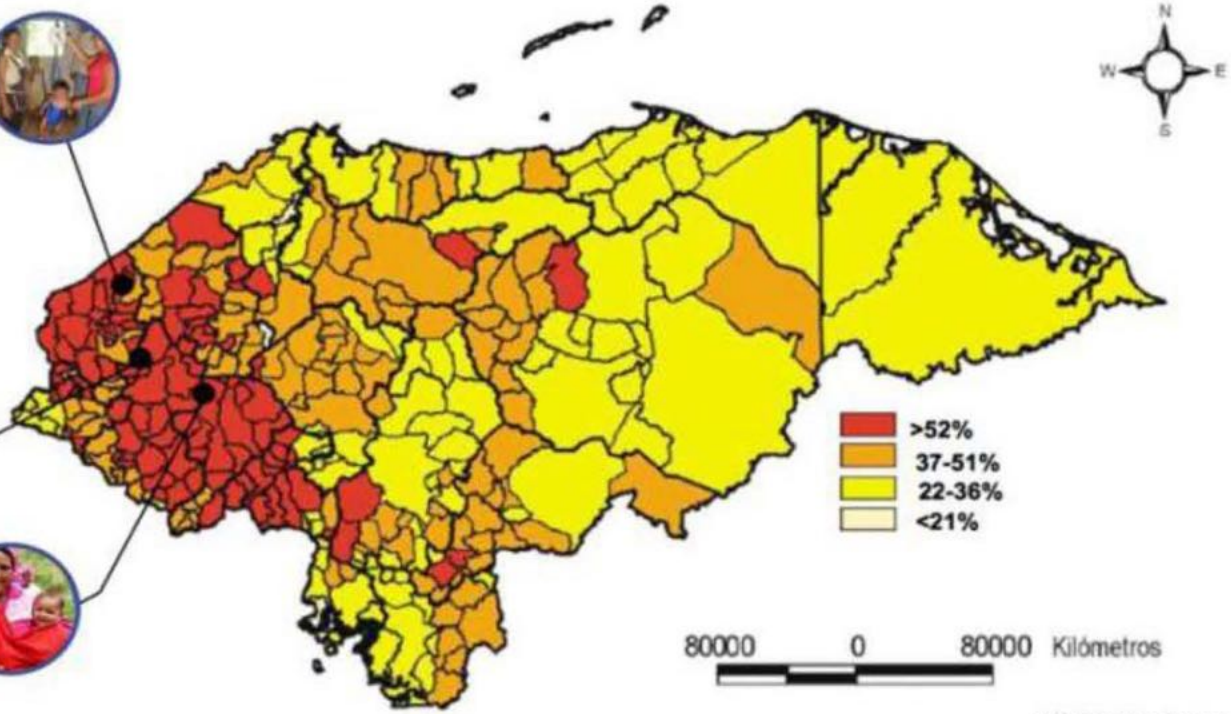
Chronic Malnutrition and Vulnerable Groups are Concentrated in Western Honduras

Child Malnutrition by Municipality

1. Rates of chronic malnutrition are above **50%** in the West

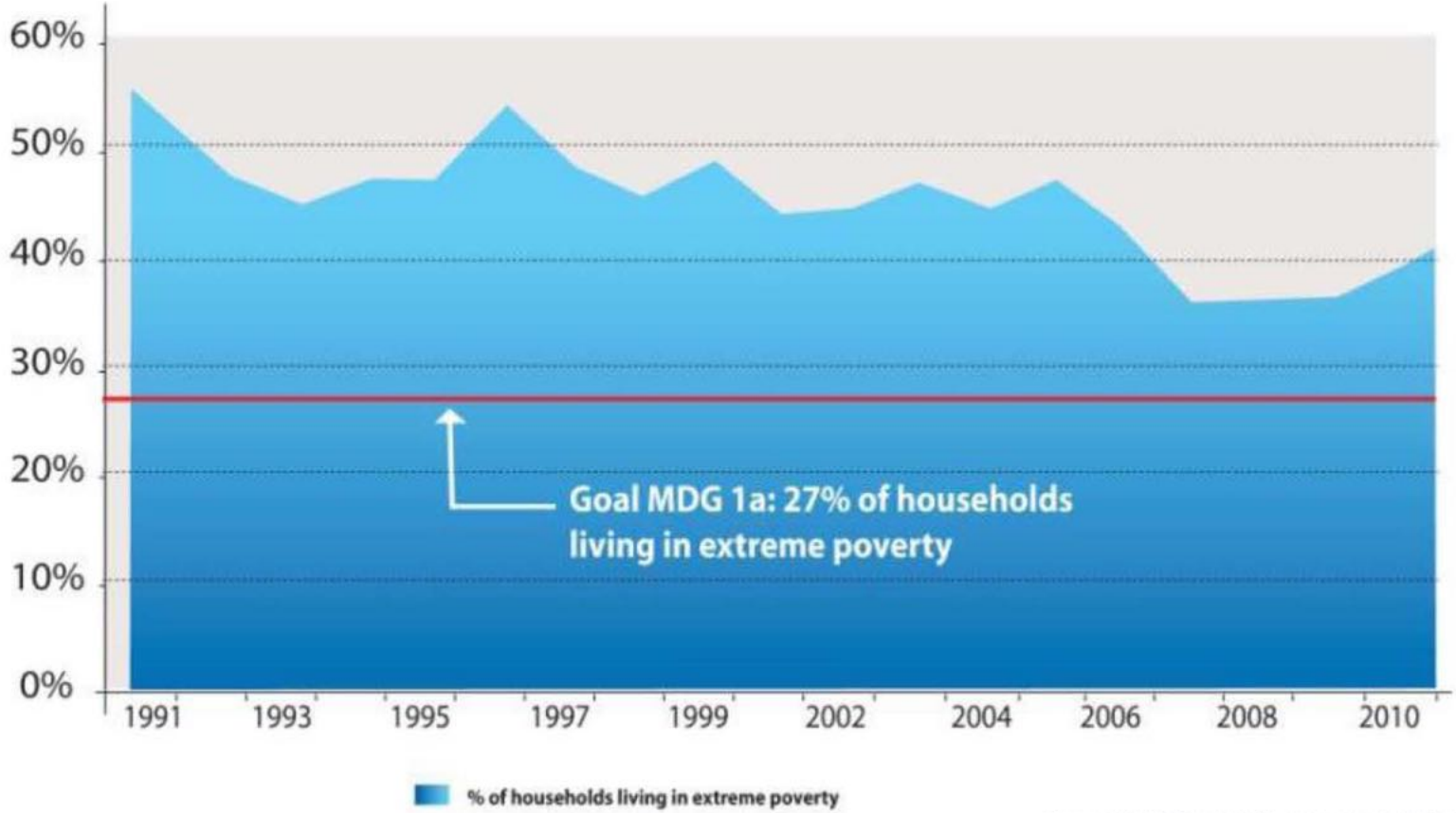
2. High rate of women headed households **(40%)** in the West due to economic migration by men

3. Highest concentration of indigenous **(Lenca)** in the West



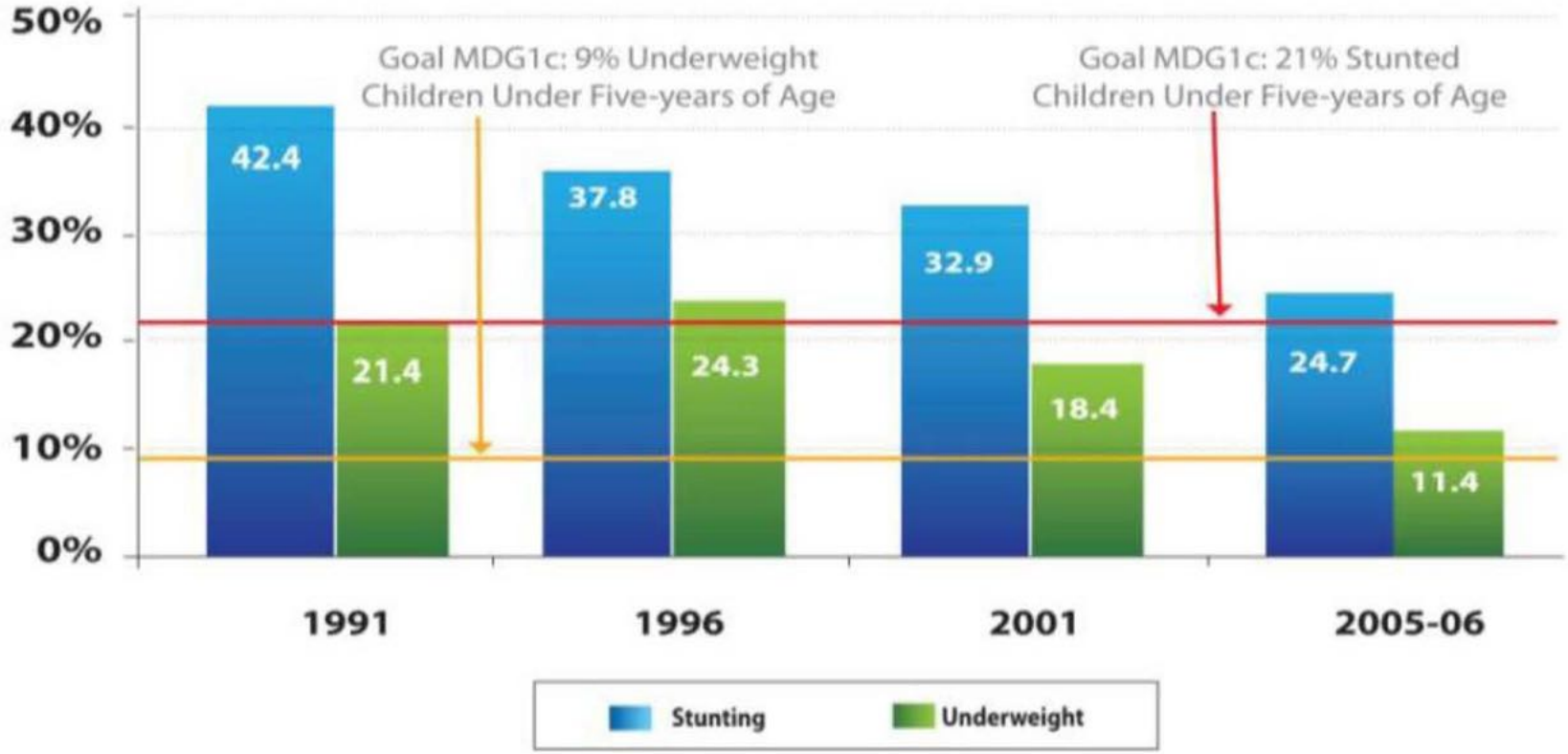
World Food Programme

MDG1 Poverty Goals for Honduras



Source: UNDP and Instituto Nacional de Estadística (INE)

MDG1 Nutrition Goals for Honduras



Source: Ministry of Health (MOH)

Country Context | USG Strategic Decisions | Planned USG Investments

Adapting the FTF Initiative to the Honduran Context

1. Western Honduras has a serious, chronic food security problem

2. Adequate income to buy food is main constraint

3. Two-pronged approach linked at the community level

4. Both income and nutrition gains are required for success

Food Security Situation	Food Security Pillar	Change Mechanism	Desired Outcomes
Extreme Rural Poverty	Access and Availability	Subsistence Farmer Diversification into Market-led Agriculture	Increased Incomes
Chronic Rural Malnutrition	Utilization and Consumption	Improved Access to Basic Maternal and Child Health Services	Improved Nutritional Practices

The Government of Honduras has Demonstrated Commitment and Action Towards Achieving Long-term Development Goals

Demonstrated Commitment

1st Country Worldwide to Successfully Close Out an MCC Compact

- New IMF Stand-by Agreement – September, 2010
- Multilateral bank financed Conditional Cash Transfer Program is GOH flagship poverty reduction investment
- President's Office created food security unit within Ministry of Presidency and civil society / government consultative mechanism
- Participation in Regional Congressional President's Food Security Initiative

Establishing a Firm Foundation

New National Development Plan	National Food Security and Nutrition Strategy	National Agriculture Strategic Plan
Consolidates key national goals in one long-term strategic framework	Multi-sectoral, inter-ministerial vision for integrating food security across the GOH Strong donor and civil society participation Launched November 10, 2010 by the Vice-President	Specific planned results / investments in agriculture Four-year time frame (current administration) Being used as the basis for the food security Country Investment Plan (CIP)

FTF Initiative Aligned with GOH Agriculture Strategic Goals

GOH TARGETS TO BE ACHIEVED BY 2014	FTF ALIGNMENT
Increase agricultural GDP to 23.4%	✓
Reduce extreme rural poverty by 6%	✓
Increase the value of horticulture and fruit exports by 40%	✓
Increase annual coffee exports by 4%	✓
Increase the production of basic grains by 10%	✓
Increase irrigated land by 25%	✓

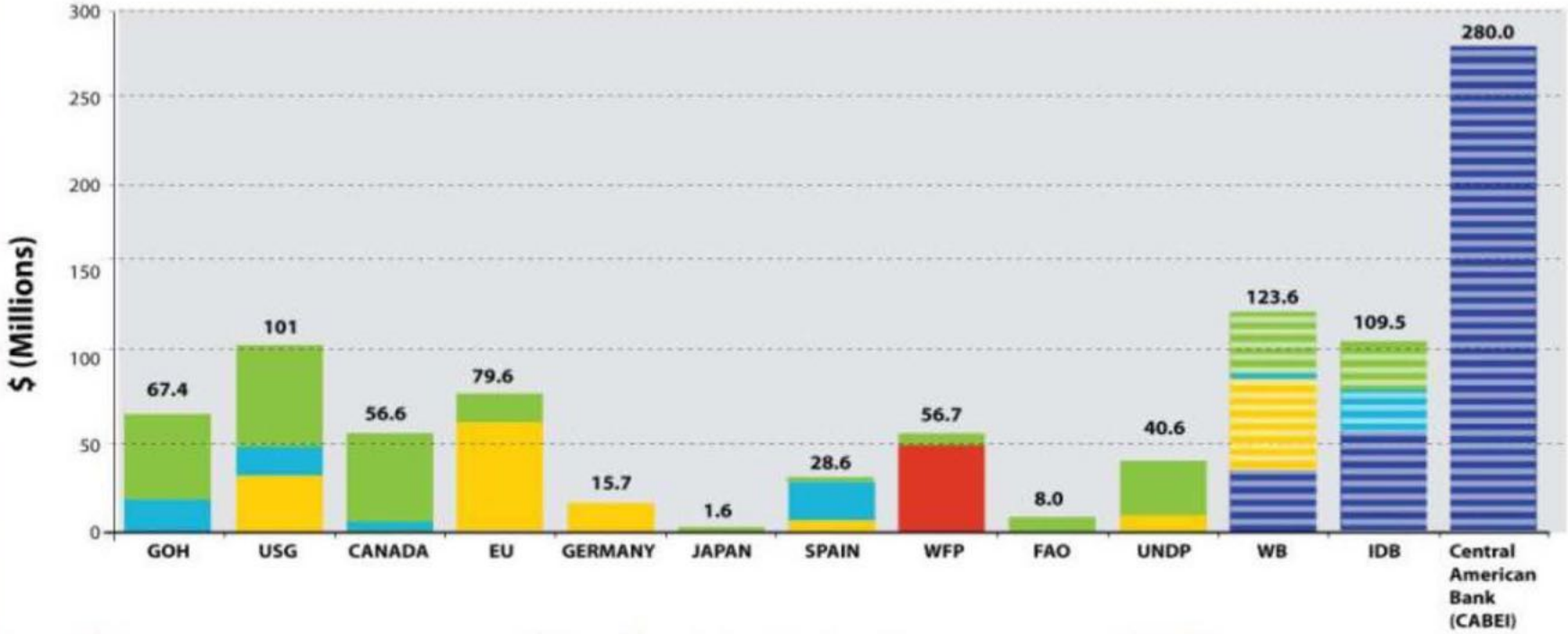
Activities Associated with Achieving Targets are in Process of Being "Costed" and Funding Gap Determined with FAO Support

Honduras has an Active Donor Coordination Mechanism

- Created to Monitor GOH Commitments to Donors
- Engages in High-level Policy Dialogue with the GOH
- Includes Sector Specific Working Groups
- Actively Participates in Food Security Agenda
  - Reviewed national food security and agriculture strategies
  - Maps and aligns investments
  - Ensures mutual accountability

Country Context | USG Strategic Decisions | Planned USG Investments

Donor Commitment to GOH Priorities (2010-2015)



$66.2m Health System Decentralization (Maternal and Child Health Services)

$50m School Feeding Program

$218m Agricultural / Rural Small and Medium Enterprise Diversification

$175m Reducing Climate Change Vulnerability / Natural Resource Management

$57m Agricultural Loans

$27.5m Health Loans

$375m Conditional Cash Transfer Program

Country Context | USG Strategic Decisions | Planned USG Investments

Shared Donor Policy Agenda

- Effective Poverty Reduction Programs
- Education Sector Crisis Resolution
- Enabling Environment for Economic Growth
- Health System Decentralization
- Fiscal Discipline
- Combating Corruption
- Improving Security

2. USG Strategic Decisions

2

USG Strategic Decisions

1. Focus Geographically
2. Apply Market-Driven Agricultural Approach
3. Select Highest Potential Value Chains
4. Pursue Private Sector-Based Change Model
5. Increase Basic Grain Productivity
6. Create Economic Opportunities for Women
7. Decentralize Maternal and Child Health Services
8. Reduce Risks Associated with Climate Change

Country Context | **USG Strategic Decisions 1.** | Planned USG Investments

Focus on the Main Food Insecure Region of Honduras (The West)

1. Focused investment in the West will have the greatest impact towards achieving MDG1

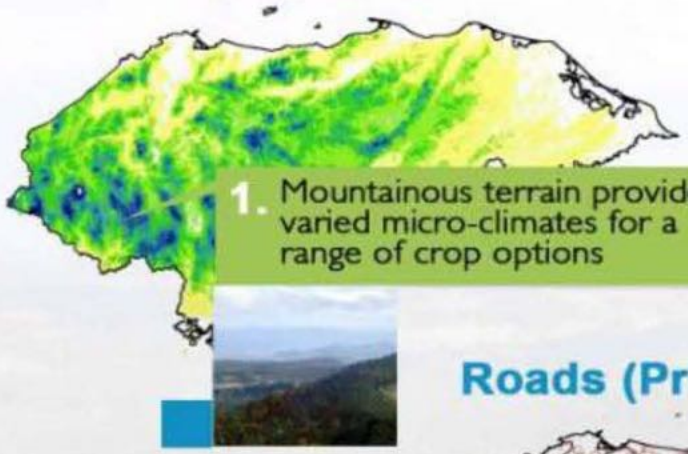
2. Working intensively in the poorest municipalities in the West leverages synergies between agriculture and nutrition interventions

Department	Population (2010)	Extreme Poor Population
Copan	362,226	170,845
Intibuca	232,509	154,464
La Paz	196,322	129,320
Lempira	315,565	235,437
Ocotepeque	132,453	46,246
Santa Barbara	402,367	232,454
Total	1,641,442	968,765

3. Focusing geographically in the West will reduce transaction costs and thereby increase results per dollar invested

The West has the Necessary Conditions for an Agricultural Based Poverty Reduction Strategy

Topography



1. Mountainous terrain provides varied micro-climates for a range of crop options

Land-use (Forest / Agriculture)

2. Forests provide good water sources to supply drip irrigation

Roads (Primary / Secondary)

3. Relative proximity to major highways and markets

Country Context | **USG Strategic Decisions 1.** | Planned USG Investments

Opportunity to Maximize Returns on MCC Infrastructure Investments in the West

Productive Public Goods

Highway Segment and Secondary Roads

1. Small scale agricultural infrastructure in the West

- Integrated Production Systems
- Value Added Processing and Packaging
- Community Irrigation
- Water Harvesting
- Coffee Research Center
- Biological Control Laboratory

2. CA-5 highway upgrade provides improved access to markets

49.5 km of principal highway
45 km of secondary roads

Country Context | **USG Strategic Decisions 1.** | Planned USG Investments

Complementary Donor Investments Focused on the Most Food Insecure Regions (West and South)

Region: The West

Principal Donors	Project	Focus	Budget
USAID	New Food Security Program	Food security and nutrition improved through market-orientated agriculture and decentralized maternal and child health services	$50m / 5 years
THE WORLD BANK	Rural Competitiveness (COMRURAL)	Increased productivity for small-scale agricultural producers - assistance to commercially ready farmers (not subsistence farmers as with USAID)	$30m / 5 years
IDB	Strengthen Decentralized Management and Supply of Health Services in Honduras	Enhance the coverage and quality of health services, emphasis on maternal and child health care, using a performance-based financing model	$34.2m / 4 years

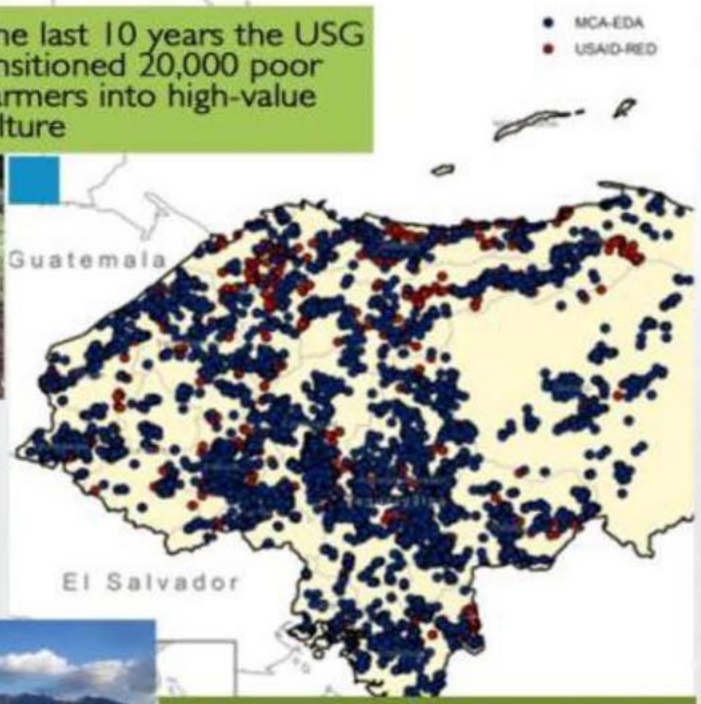
Region: The South

Principal Donors	Project	Focus	Budget
	Various Projects	Food security and nutrition improved through increased income	$60.6m / 5-8 years
IFAD	"Emprende Sur"	Rural market access, entrepreneurial linkages, and institution / organization strengthening	$37.2m / 6 years

Country Context | **USG Strategic Decisions 2.** | Planned USG Investments

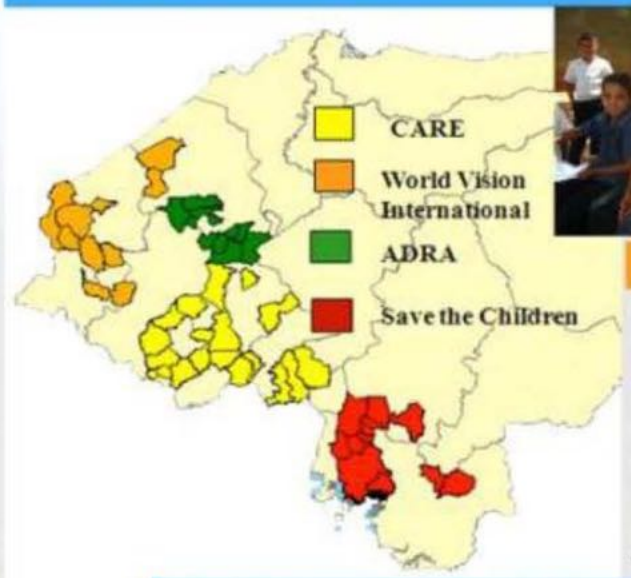
The USG Will Bring its Successful Market-Driven Agricultural Approach to the Extreme Poor

1. Over the last 10 years the USG has transitioned 20,000 poor small farmers into high-value horticulture



2. Farmers diversified into high-value horticulture increased incomes by at least $2,000 per hectare

3. Title II NGO programs targeted the poorest municipalities in the West with integrated community development programs*



* Closed September, 2009

4. Traditional Title II partners will play an important role in maternal and child health services

Trade: Honduras has Good Access to its Most Important Markets

1. CAFTA

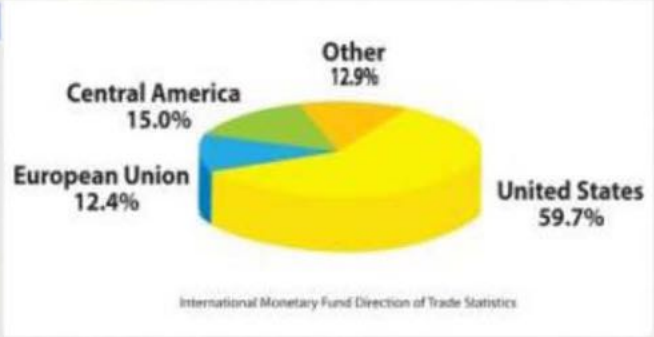
Provides permanent tariff free access to the U.S. and Central America for 95% of agricultural products

2. EU Trade Agreement

New Association Agreement provides preferential access to EU market

3. Transportation Corridor

Provides access to U.S., European and Asian Markets



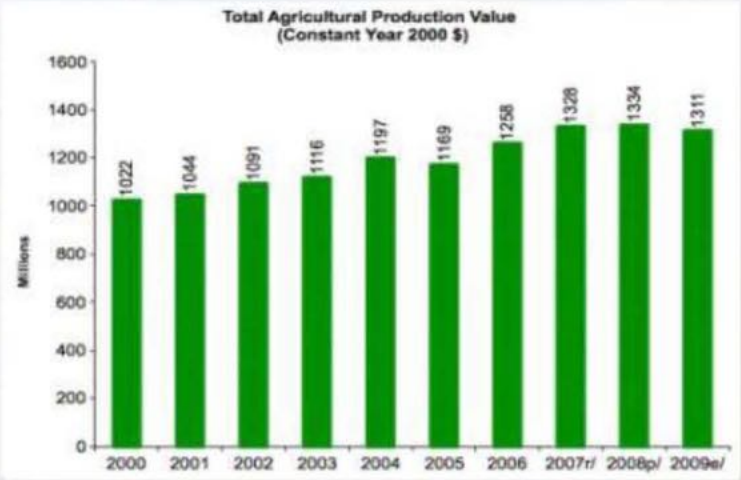
Source: International Monetary Fund Direction of Trade Statistics, 2009

Focus on the Two Highest Growth Agricultural Products Suitable to the West

1. Vegetables and Fruits

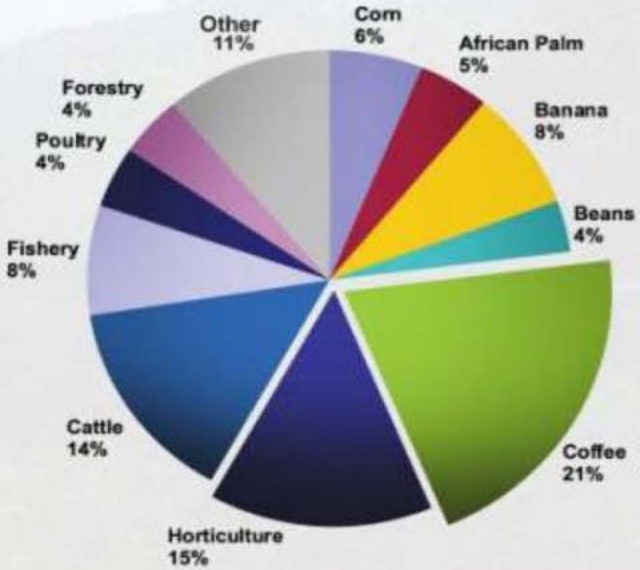
2. Specialty Coffee

Agricultural



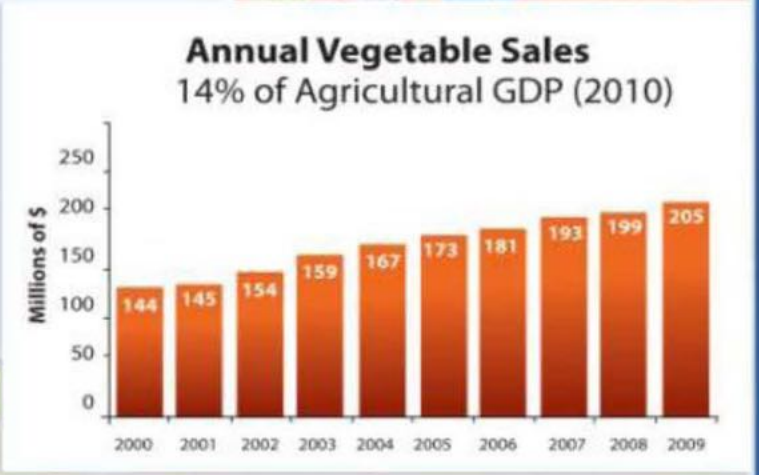
Source: Secretaria de Agricultura y Ganadería (SAG)

Agricultural Products´ Contribution to Honduran Agriculture GDP 2000-2009



Vegetable and Fruit Value Chain: The Best Market Opportunity for Raising Rural Household Income

Markets	Production	Income
• Consistent national, regional and international demand growth • National and regional supermarket chain integration and growth represents an excellent long-term supplier opportunity • Link small farmers to markets through broker / exporter supplier relationships	• Year-round production, multiple crop cycles • Large number of crop options suitable for full range micro-climates of the West • Good agricultural practices, drip irrigation, and integrated pest management can be adapted to evolving market opportunities	• Demonstrated capacity to generate a 40-200% increase in subsistence farmer household income and move them out of poverty



Source: Secretaria de Agricultura y Ganaderia (SAG)

Country Context | **USG Strategic Decisions 3.** | Planned USG Investments

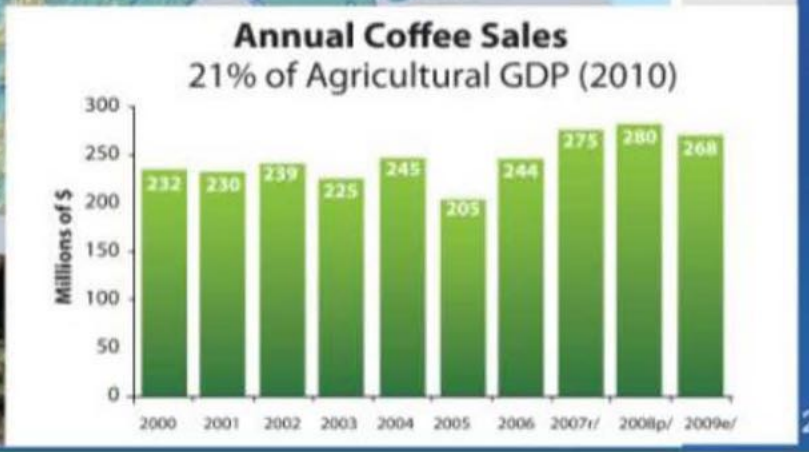
Specialty Coffee Value Chain: Significant Unrealized Potential to Increase Incomes of the Poor in the West

1. 80% of coffee in the West meets specialty market requirements, but only 10% is sold to the specialty market
2. A large number (50,000) of small coffee farmers live in target region
3. Direct broker-retailer relationship provides price premium to farmer

Increse Productivity > Improve Quality > Create Uniform Lots > Establish Direct Market Relationships

4. Global growth for specialty coffee is strong, although sensitive to recession

Source: Honduran Coffee Institute (IHCAFE)



Country Context | **USG Strategic Decisions 4.** | Planned USG Investments

Pursue a Private Sector Based Agricultural Change Model that Delivers Sustainability through Profits

1. Assist small farmers to effectively respond to market standards

2. Foster relationships with brokers to provide clear market signals to farmers on market standards

NGO Extension Support

Producer Association Farmer

Sector Associations

Financial Service Providers

Broker / Processor / Exporter

Input and Other Service Providers

Preferred Supplier Programs

Wholesaler / Retailer / Supermarket

3. Develop strong market relationships to facilitate access to credit

4. Address value chain constraints through private sector policy advocacy

Leverage Agriculture Approach to Create Income Generation Opportunities for Women

On-Farm Agriculture Businesses:

- Women can be successful small farmers
- Support women interested in agriculture
- Adjust training approach to women's needs

Off-Farm Businesses (Ag-linked)

- Commercial agriculture generates new employment opportunities
- Seedling production, washing, sorting, value-added processing

Off-Farm Businesses (Other):

- Increased rural incomes generate new demand for goods and services in rural communities
- Create business opportunities, including: bakeries, tortilla making, other prepared food / micro-processing
- Businesses can be home based and have flexible labor demands

Income earned and controlled by women has a double development impact, as women are more likely than men to spend their income on family welfare investments (health, education, nutritious food)

Country Context | **USG Strategic Decisions 7.** | Planned USG Investments

Support Ministry of Health (MOH) Decentralization of Child Nutrition and Growth Services to Increase Access and Reduce Costs

Traditional Centralized System	Central MOH Funds	MOH Run / Staffed Health Clinic	Rural MOH Health Services
New Decentralized System	Central MOH Funds	NGO Run / Staffed Health Clinic (GOH Contract)	Rural NGO Health Services (GOH Contract)

Coverage and cost of community-based child nutrition and growth services by service delivery model*

Model	Percentage Coverage	Annual Cost per Child in US$
Decentralized	70.0	79
Centralized	50.8	92

Decentralized system has demonstrated improved health outcomes

Strong community participation and social auditing = greater accountability and better quality of services

Sustainability: Donor funded health services will be absorbed by MOH decentralization process

* Ministry of Health, 2009

Country Context | **USG Strategic Decisions 7.** | Planned USG Investments

Improved Health through Community-Based Integrated Maternal and Child Services

Improved Nutrition for Children Under 5

Exclusive breastfeeding for children under 6 months	Appropriate feeding according to age	Education of households in appropriate feeding behavior

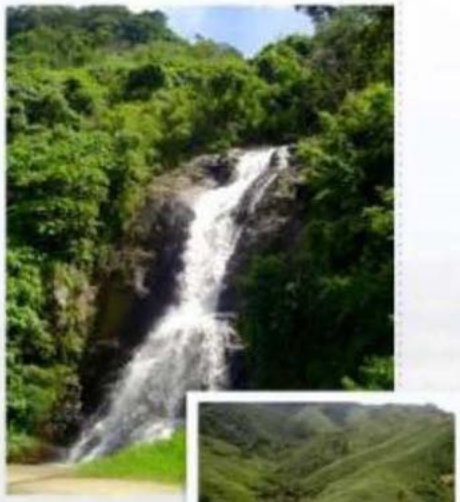
Improved Maternal and Child Health Services

Improved prenatal and postnatal care	Improved access to contraception	Education for men and women on importance of birth spacing

Community-Based Risk Monitoring

Regular infant weighting	Monitoring of households with underweight and sick children	Refer at-risk children to health units

Reduce Household Risk and Increase Economic Sustainability through Climate Change Mitigation Activities



1. Promote on-farm environmental practices through existing agricultural extension providers
2. Improve enforcement of local natural resource management regulations
3. Provide renewable energy to small rural businesses and public service providers (e.g., health clinics)
4. Strengthen community disaster preparedness, including using cell phone based early warning system

3. Planned USG Investments

USG Honduras FTF Baseline Scenario Illustrative Targets 2011-2015

Goal: Reduced Poverty (MDG1)

36,000 poor households **(180,000 people)** moved out of poverty
18,000 of these households **(90,000 people)** start from extreme poverty

Agriculture

New Net Small Business Sales: **$100 million**
New Full-Time Equivalent Employment: **10,000 positions**
New Business Investment: **$20 million**

Nutrition

Stunting rate of 5 year-olds: **20% decrease***
Prevalence of underweight children: **20% decrease***
Prevalence of breast feeding of children under 6 months: **20% increase***

* From baseline in target communities of the 6 departments of Western Honduras

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Honduras: The Perfect Time and Place for Feed the Future

- Honduras is one of the poorest countries in the hemisphere with 66% of its population food insecure.
- The 2009 coup d'état demonstrated the fragility of democratic institutions and the lack of public confidence in them.
- Food security is a critical piece of the Embassy Country Team's post-crisis response strategy by:
  - Supporting democratically elected President Lobo's GOH-led initiative to meet the needs of its poorest people
  - Thereby bolstering citizen support for, and faith in, democracy
- The GOH has demonstrated strong leadership on food security.
- Robust USG interagency and multilateral donor coordination support GOH food security leadership.