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HONDURAS

FY 2010 Implementation Plan

U.S. Government Working Document

The Feed the Future (FTF) FY 2010 implementation plans are working documents outlining U.S. government planning for the first year of the Global Hunger and Food Security Initiative. These plans represent a transition towards the development of multiyear strategies and are targeted at investments that lay the foundation for a new country-level and coordinated approach with a diversity of partners. Multiyear strategies are under development that will span development and diplomatic actions across multiple USG agencies.

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Abbreviations and Acronyms

| | |
|-----------------|--|
| APHIS | Animal and Plant Health Inspection Service (USG) |
| CABEI | Central American Bank for Economic Integration |
| CAFTA-DR | Central America Dominican Republic Free Trade Agreement |
| CARSI | Central America Regional Security Initiative (USG) |
| CAS | Country Assistance Strategy (USG) |
| CDA | Agribusiness Development Center Project (USAID) |
| CIDA | Canadian International Development Agency |
| CIP | Country Investment Plan |
| COHEP | Honduran Business Chamber |
| COMURAL | Rural Competitiveness Project (GOH/WB) |
| COPECO | Disaster Response Agency (GOH) |
| COTISAN | National Committee on Food Security and Nutrition (GOH) |
| E-CAM | Central America Regional Mission (USAID) |
| ECON | Economic Section (U.S. Embassy Tegucigalpa) |
| EG | Office of Economic Growth (USAID/Honduras) |
| ENDESA | National Demographic and Health Survey (GOH) |
| ENSAN | National Food Security and Nutrition Strategy (GOH) |
| EU | European Union |
| FAO | Food and Agriculture Organization (UN) |
| FAS | Foreign Agriculture Services (U.S. Department of Agriculture) |
| FCS | Foreign Commercial Service (U.S. Department of Commerce) |
| FHIA | Honduran Agriculture Research Foundation |
| FSIP | Food Security Implementation Plan (USG) |
| FSWG | Food Security Working Group |
| FTF | Feed the Future |
| GDA | Global Development Alliance (USAID) |
| GDP | Gross Domestic Product |
| GNP | Gross National Product |
| GOH | Government of Honduras |
| ICF | Forestry Conservation Institute (GOH) |
| IADB | Inter-American Development Bank |
| IFPRI | International Food Policy and Research Institute |
| IMF | International Monetary Fund |
| INE | National Statistics Institute (GOH) |
| LAC | Bureau for Latin America and the Caribbean (USAID) |
| M&E | Monitoring and Evaluation |
| MCA | Millennium Challenge Account (GOH) |
| MCC | Millennium Challenge Corporation (USG) |
| MD | Mission Director (USAID) |
| MDG | Millennium Development Goal (UN) |
| NGO | Nongovernmental Organization |
| OAS | Organization of American States |
| OFDA | Office of Foreign Disaster Assistance (USAID) |
| P4P | Purchase for Progress Program (World Food Program) |
| PESA | Policy Statement for Food Security in Rural Honduras 2004-2021 |
| PL | Public Law |
| PMP | Performance Management Plan (USAID) |
| PN | National Development Plan (GOH) |

| | |
|--------------------|---|
| PRAF | Family Cash Transfer Program (GOH) |
| PRONEGOCIOS | Rural Business Development Program (GOH/IADB) |
| P-SAN | National Food Security & Nutrition Policy (GOH) |
| PVO | U.S. Private Volunteer Organizations |
| Qq | Quintal (100 lb. sack used to measure commodities in Latin America) |
| RED | Rural Economic Diversification Project (USAID) |
| SAG | Secretariat of Agriculture & Livestock (GOH) |
| SDG | Secretariat of State of the Office of the President (GOH) |
| SENASA | Sanitary and Phytosanitary Unit (SAG) |
| SESAL | Secretariat of Health (GOH) |
| SEPLAN | Secretariat of Planning and International Cooperation (GOH) |
| SICA | Central American Integration System |
| SME | Small and Medium Enterprises |
| SOW | Scope of Work |
| SPS | Sanitary and Phytosanitary |
| Sq | Square Feet |
| SSWAP | Sub-Sector Wide Approach |
| T-LAD | Trade-led Agricultural Diversification |
| UMA | Municipal Government Environmental Units |
| UN | United Nations |
| UNAT | National Unit for Technical Analysis |
| US | United States of America |
| USAID | United States Agency for International Development |
| USDA | United States Department of Agriculture |
| USG | United States Government |
| UTSAN | Technical Unit for Food Security and Nutrition (SDP) |
| WB | World Bank |
| WFP | World Food Program |

I. INTRODUCTION

The United States Government (USG), through Feed the Future (FTF), has a special opportunity to help Honduras achieve its Food Security Policy objectives at this unique point in time by expanding economic opportunity and a sense of empowerment for the poorest sectors of society. The Government of Honduras (GOH) has identified food security as its top priority and is developing the equivalent of a Country Investment Plan in the form of the National Strategy for the implementation of the National Food Security Policy (ENSAN [CIP], for its acronym in Spanish).¹

The USG has made important investments through its development assistance programs over the last decade, upon which FTF can build. USG investments in nutrition and agricultural diversification, primarily through the United States Agency for International Development (USAID), and more recently the Millennium Challenge Corporation (MCC), have produced impressive results. For example, over the last five years, the USAID Rural Economic Diversification Project produced over \$50 million in new net farmer sales with a USG investment of \$16 million, representing a 3-to-1 return on investment. Such results demonstrate the potential for sustainably scaling up successes, while focusing even more on the country's poorest.

The positive policy environment and national leadership following reestablishment of relations between international donors and the post-coup, democratically-elected government sets the stage for Honduras to meet Millennium Development Goal I (MDGI) of eradicating extreme poverty and hunger. As a recognized leader in market-based agricultural diversification and maternal and child health

¹ All further references in this document to the Country Investment Plan for Honduras, refer specifically to this ENSAN/CIP document under development by the GOH.

systems, the USG will capitalize on strong GOH, multilateral, and bilateral donor support for a common food security investment plan focused on achieving MDGI.

Honduras is well-positioned to provide the leadership on food security through its donor coordination group. Therefore, through Feed the Future, the United States will help define the new, post-crisis relationship between the international community and Honduras.

Honduras is the second poorest nation in the Western Hemisphere after Haiti², with 65.5 percent of its population living in poverty.³ The country's persistent rural poverty, combined with high economic inequality, results in chronic food insecurity for more than three million Hondurans. According to the World Food Program's (WFP) national vulnerability and food security assessment, more than 60 percent of Hondurans have high food security vulnerability.⁴

Honduras is also one of the most vulnerable countries in the world to natural disasters and climate change risks.⁵ Increasingly frequent and severe external shocks (i.e., tropical storms, el Niño-induced droughts, global food and fuel price crises, and global recessions) exacerbate food insecurity, particularly since they are difficult to predict and mitigate.

In addition to these challenges, Honduras is emerging from its gravest political crisis in 25 years. The June 2009 coup d'état and resulting

²*Social Panorama of Latin American 2007*. Rep. United Nations Economic Commission for Latin America and the Caribbean (ECLAC), 2008. Web. <www.eclac.org>; *Social Panorama of Latin American 2008*. Rep. United Nations Economic Commission for Latin America and the Caribbean (ECLAC), 2009. Web. <www.eclac.org>

³ Household Survey. Honduras National Statistical Institute. May 2008.

⁴*Análisis y Cartografía de la Vulnerabilidad a la Inseguridad Alimentaria y Nutricional: Honduras*. Rep. World Food Programme, October 2003.

⁵*Climate Change Risk Report 2009/2010*. Rep. Maplecroft, 2010.

crisis have been broadly attributed to the failure of the GOH to significantly reduce poverty and social inequality. The reduced public confidence in democracy and government institutions underscores the importance of partnering with the new government on poverty alleviation through FTF. With 70 percent of Hondurans expressing a desire for a greater voice in government decisions, Feed the Future represents an ideal opportunity for the GOH to directly assist the poor and address underlying causes of political instability.

Agriculture is widely viewed as the best vehicle for long term, broad-based economic growth, and poverty reduction.⁶ Sixty percent of Honduras's general merchandise exports come from agriculture.⁷ Agriculture represents 14 percent of GNP, and generates 38 percent of all employment and 60 percent of rural employment in a country where 74 percent of the poor and 86 percent of the extreme poor are found in rural areas.

Over the last two decades, USAID assisted in the diversification of the agricultural sector into higher-value, export-oriented, non-traditional crops. Income generated by these crops is roughly 10 times that of traditional basic grains. The creation of linkages to new markets (e.g., supermarkets, processors, and U.S. markets) demonstrated the income and employment generating potential of non-traditional crops. The CAFTA-DR trade agreement provides incentives for further investment in agriculture by guaranteeing long term market access for the country's agricultural products.⁸

⁶*Propuesta para Potenciar el Sector Agrícola de Honduras*. Rep. Fundación para la promoción de la Inversión y Desarrollo de Exportaciones (FIDE), June 2009.

⁷Twenty-six percent if the textile maquila re-exports are included. A maquila is a foreign owned factory with special duty-free status for importing raw materials and then re-exporting their production (i.e. import U.S. yarn, export t-shirts).

⁸*Optimizing the Economic Growth and Poverty Reduction Benefits of CAFTA-DR: Accelerating Trade-led Agricultural Diversification (T-LAD)*. Rep. USAID, 2008.

Through USAID and MCC technical assistance, more than 15,000 small and medium farmers have seen their incomes increase by over 40 percent. An additional 20,000 subsistence

An important current widely accepted target is to reduce the number of persons under the poverty line by half over the next 15 years. That is an ambitious target but not unprecedented for individual countries. It is clear from the data and the theory that the core of achieving large macro targets of poverty reduction must be major acceleration of the agricultural growth rate and concurrent facilitation of the growth of small scale non-farm enterprises, largely producing non tradable goods and services in rural and market town areas. Conversely, poverty does not decline, even with large direct action programs without the agricultural growth.

- John Mellor, 1999

farmers, beneficiaries – beneficiaries of USAID's P.L. 480 Title II food security program—are now well-positioned to be integrated into markets, with strong potential for similar income increases. Two components of the MCC compact—roads to markets, and market-oriented agricultural diversification – have also laid a solid foundation for additional investments in the agricultural sector. Feed the Future will build on the successes of market-based programs that increase rural household incomes and create a sustainable path out of poverty.

The GOH has the demonstrated capacity and commitment to partner with the international community, private sector, and civil society to realize sustained agricultural sector growth and food security. As the first country poised to successfully complete an MCC compact, the GOH manages approximately \$800 million annually in international aid. The GOH developed a national, long-term food security and nutrition policy (*Política de Seguridad Alimentaria y Nutricional de Largo Plazo*), in consultation with civil society, which includes a

high level coordination and monitoring mechanism within the Ministry of Planning.⁹

Honduras's bilateral and multilateral donor group, known as the G-16,¹⁰ identified food security as a top priority. Donors already coordinate on food security through the established agriculture and forestry working group. The World Bank (WB), Inter-American Development Bank (IDB), European Union (EU), Canada, and other bilateral donors have additionally planned important food security investments over the coming years.

The fact that over the past 25 years agriculture has not been a strong engine of growth in rural Honduras presents a big challenge to policymakers and donor agencies alike. Many households in rural hillside areas seem to be locked into a vicious cycle of producing basic grains, mainly for subsistence consumption, and using traditional production technologies that have low land and labor productivity, blocking the transition to other income-earning strategies that would possibly be more profitable. Our study makes clear that agriculture should form an integral part of the rural growth strategy in hillside areas. High reliance of rural households on agricultural and related income means that any strategy targeted to these areas will have to build upon the economic base created by agriculture. Even though agriculture alone cannot solve the rural poverty problem, those remaining in the sector need to be more efficient, productive, and competitive.

- IFPRI, 2006

At this point, the new GOH will need to: 1) consolidate the food security goals of its new National Plan, and 2) establish these goals as high level objectives for a more detailed food security CIP, which will allow donors to align all of their existing and planned investments with the GOH's goals. The CIP will also provide a framework for the GOH to monitor the impact of both donors' and its own investments in this area.

The USG's FY 2010 estimate of \$10 million for the Feed the Future Initiative will help Honduras establish the necessary preconditions to become a Phase II FTF focus country. The current budget request of \$20.3 million for FY 2011 will likewise poise Honduras to scale up programs to the Phase II level. In combination with other donor and GOH investments, Honduras will be able to achieve dramatic results toward MDG I goal of eradicating extreme poverty and hunger.

⁹ Previously the Ministry of the Presidency, but its technical unit (UNAT) has been incorporated in a recently created Ministry of Planning and Donor Coordination

¹⁰ Germany, CABI, IDB, World Bank, Canada, European Commission, Spain, IMF, France, Italy, Japan, United Nations (representing all resident agencies), Netherlands, Sweden, United States, Switzerland.

2. FY 2010 OBJECTIVES

2.1 COUNTRY INVESTMENT PLAN

Table I: MDG I Alignment with GOH Long-Term Development Plan

| MDG I: Eradicate Extreme Poverty and Hunger | GOH National Vision Law 2010-2038 (approved by Congress December 2009) |
|---|--|
| Target 1a: Reduce by half the proportion of people living on less than a dollar a day | Objective I: A country without poverty, educated and healthy, and with consolidated social safety networks. <ul style="list-style-type: none"> • Goal 1: Eradicate extreme poverty • Goal 2: Reduce to less than 10 percent the percentage of households living in poverty |
| Target 1b: Achieve full and productive employment and decent work for all, including women and young people | Objective III: A productive country, generator of economic opportunities and employment, that takes advantage of its natural resources in a sustainable fashion to reduce environmental vulnerability <ul style="list-style-type: none"> • Goal 11: Achieve full employment of the workforce reducing the rate of invisible under employment from 29 percent to 5 percent • Goal 12: Increase export of goods and services from 58 percent to 75 percent as a percentage of GDP • Goal 13: Increase from 30 percent to 80 percent the participation rate of renewable energy in the national electrical energy matrix • Goal 14: 400 thousand hectares of agricultural land with irrigation systems to satisfy 100 percent of the food security needs • Goal 16: One million of hectares of forestry land in process of ecological recovery and productive accessing the global bonds carbon market • Goal 17: Environmental vulnerability index reduced to 75 percent |
| Target 1c: Reduce by half the proportion of people who suffer from hunger | Objective I: A country without poverty, educated and healthy, and with consolidated social safety networks. <ul style="list-style-type: none"> • Goal 4: Achieve 90 percent coverage for all levels of health system. This includes a basic package of maternal and child health and family planning services. |

2.1.1. National Leadership on Food Security

The new GOH took office at the end of January 2010. The new administration is under tremendous pressure to establish a new socio-economic compact with the country, one that results in broad-based, sustained economic growth and development.

The Honduran Congress passed legislation in December 2009 that created a long-term development strategy for the country. It provides a set of high level goals for administrations over the next 25 years. This National Development Plan 2010-2038 (PN) was strongly embraced by President Lobo's Administration when it came into power in

January 2010. The strategy was conceived as a tool for national reconciliation and for putting the country back on a constructive development trajectory.

The law consolidated several analytical, planning, and budgeting units into a new Ministry of Planning and International Cooperation (SETPLAN). The new Ministry will be responsible for identifying investment priorities, aligning donor investments to these priorities, establishing the national budget in a manner consistent with these priorities, and monitoring and evaluating the impacts of both the GOH and donor investments towards these priorities.

As shown in Table I, the high level goals stated in the National Development Plan commit to fully achieving MDG I in Honduras.

GOH commitment to food security is also evidenced by the long-term National Food Security Policy (P-SAN; *Política de Seguridad Alimentaria y Nutricional de Largo Plazo*) developed by the Maduro administration in consultation with civil society. The policy includes a coordination and monitoring mechanism within the Secretary of State for the Office of the President (SDP) for high-level coordination among secretariats, donors, and food security implementers.

This strategy was launched in March 2006. Its principle objectives are to:

1. Design education programs oriented to the most vulnerable populations with emphasis on children and pregnant women living in extreme poverty.
2. Use food aid programs to address emergency situations only and for short periods of time.
3. Develop programs in areas of larger concentration of at-risk populations while promoting coordination and integration of public and private activities at the local level.
4. Monitor all public programs in the sector to be able to provide information on results

and impact. Based on the results, propose changes as needed.

5. Give priority to programs that have proven successful in reducing malnutrition and household diet diversity in extremely poor families.
6. Revise food safety norms.
7. Improve nutritional surveillance to monitor permanent nutritional status of the populations at risk.
8. Develop a monitoring system of indicators as part of the Poverty Reduction Strategy.

The strategy is in place and represents a solid foundation for moving ahead in tandem with the FTF Initiative. The strategy has been reviewed and updated by the Lobo administration to align it with its own priorities and with commitments Honduras made in the context of the United Nations (UN) and other multilateral organizations agreements.

Honduras is in the process of linking the relevant goals of the long-term National Development Plan to the specific objectives of the more detailed Strategy for the Implementation ENSAN. This ENSAN will allow donors to align all of their existing and planned investments that are relevant with the goals of the GOH.

Moving forward, the GOH has taken steps to meet key requisite conditions for a country-led food security initiative such as:

- Designation of high-level national institutional leaders responsible for food security (e.g. Vice President, Ministers).
- Elaboration of the new National Implementation Strategy to Implement the Food Security and Nutrition Policy (ENSAN (CIP)) that includes all of the elements of an FTF Country Investment Plan.
- Establishment of the Technical Unit for Food Security & Nutrition (UTSAN) within the Secretariat of State of the Office of the President (SDP) responsible coordination of food security policy across the GOH.
- Development of a corresponding food security monitoring and evaluation (M&E)

framework and baseline linked to the National Development Plan.

- Drafting of a National Food Security Law by Congress.

2.1.2. National Policy Priorities for Food Security

As noted above, the strategic role for the GOH in the food security initiative is to improve the enabling environment for economic growth and poverty reduction and effectively implement and enforce existing laws and policies. This leadership and its implementing agenda must be set by the GOH. Listed below are some of what the USG considers to be the most important elements to be addressed in the food security policy agenda:

- Establishment and/or strengthening of market-oriented public and private agricultural extension services.
- Expansion of the Civil Service Reform Pilot Project to include the Secretariat of Agriculture and Livestock (SAG).
- Continued professionalization and partial outsourcing, where appropriate, of the Plant and Animal Health Inspection Services (SENASA) of SAG.
- Strengthening of national institutional linkages to international agricultural research system.
- Prioritization of public goods and productive capacity infrastructure investments in target regions and communities, including:
 - Market access
 - Rural and secondary roads
 - Irrigation
 - Electrification
 - Community potable water systems
- Improvement in the business enabling environment for agriculture and rural enterprise, including:
 - Improved access to credit and other financial products
 - Improved services for small and medium (SME) and women-owned enterprises, particularly in key rural market towns

- Improved investor and intellectual property rights protections
- Public/private workforce development support for youth from food insecure communities to develop the skills necessary for gainful employment.
- Development of active, effective mechanisms for public/private sector collaboration on food security.
- Full implementation of CAFTA-DR obligations and the establishment of the Institute of Foreign Trade as provided by existing law.

2.2. BUILDING ON PRIOR INVESTMENTS & RESULTS

Over the last 25 years, the USG has been instrumental in diversifying the agricultural sector into value-added, export-oriented, non-traditional crops. Specifically, during the last 10 years, USAID and MCC-funded programs supporting the agricultural sector helped more than 45,000 households move out of poverty. This does not include a number of people that have been supported with non-farm activities such as transportation, processing, exporting, post harvest management, marketing, among others.

These households have increased their income by an average of 40 percent, which has been sufficient to dramatically improve these families' food security. In rural areas, the cost of the minimum household food basket is \$4,774¹¹ per year and the rural minimum wage is only \$2,560¹² per year. Most USG-assisted farmers have achieved annual household incomes over \$5,000 per year.

Production of fresh fruits and vegetables has grown significantly. The creation of new market linkages with supermarkets, processors,

¹¹ Calculation based on an average household of six people and the daily cost of a basic package of goods estimated in the May 2008 Household Survey (exchange rate of \$1x L.19).

¹² 2009 Honduran Minimum wage law, (exchange rate of \$1x L.19).

and U.S. markets, has been critical to this growth. The CAFTA-DR trade agreement represents an incentive for further investment in the sector, as it provides long term market access for 95 percent of the country's agricultural products.¹³ Specialty coffee, fine cacao, sustainably certified timber and wood products, and tourism (as a complementary source to off-farm and non-landholder employment), also represent competitive, growing market opportunities upon which Honduras can base its new food security strategy. Rural SMEs based on these crops, or on the new demand they create in rural areas, are key to improving incomes and creating new employment. Women-owned and operated businesses have been proven to be particularly effective at contributing to these goals.

The USG has historically focused a significant portion of its development activities and resources on the western mountains of Honduras, where poverty and food insecurity are greatest. P.L. 480 Title II food aid in this region supports interventions aimed at the

causes of food insecurity: low incomes and employment, limited access to markets due to inadequate transport infrastructure, poor health and nutrition, and lack of ownership by poor communities in programs that affect their welfare.

These efforts resulted in the following achievements:

- Reduced percentage of chronic malnutrition in children less than two years in the target population.
- Groundwork established for participant, subsistence farmers to become vegetable producers and sell their products in local markets.
- Increased access of target populations to health services due to establishment of community health centers and health volunteer training.

Isolated communities connected to market, health, and education services through the construction and improvement of rural roads.

Table 2: Recent USG Agricultural Program Beneficiaries

| | | | | | |
|---|---------------|-----------|--------|--------|---------|
| USAID Agribusiness Development Center (CDA) | \$20 million. | 2000-2005 | 6,000 | 12,000 | 108,000 |
| Rural Economic Diversification (RED) | \$17 million | 2005-2010 | 2,500 | 5,000 | 45,000 |
| Farmers Training Program (MCC) | \$22 million | 2005-2010 | 6,500 | 13,000 | 117,000 |
| Program Total | \$59 million | | 15,000 | 30,000 | 270,000 |

¹³ USAID/LAC, Optimizing the Economic Growth and Poverty Reduction Benefits of CAFTA-DR: Accelerating Trade-led Agricultural Diversification (T-LAD), 2008.

¹⁴ USAID and MCC procurement documents.

¹⁵ CDA, RED, and MCA-H progress reports.

¹⁶ Ibid.

¹⁷ Calculation based on May 2008 average household size.

2.3. DESIGN OF NEW APPROACH

USG agencies in Honduras participated in identifying the most important elements in this new approach to address food insecurity. In FY 2010, efforts will focus on the design and establishment of a comprehensive food security strategy. This comprehensive strategy, in coordination with GOH initiatives noted above, will be designed to:

- Integrate farm, natural resource management, firm, value chain, and policy issues related to agriculture development.
- Create farm and non-farm income and employment opportunities through the growth of rural enterprises.
- Improve health services and education to reduce under-nutrition, primarily through support of GOH decentralization efforts.
- Increase employment of women and youth through non-formal, market-oriented workforce development activities.
- Collaborate closely with the GOH, other donors, the private sector, and civil society.

3. TARGET GROUPS BY LOCATION AND INCOME

3.1. POVERTY IN HONDURAS

Poverty definitions used in the document:

Poverty information in Honduras is collected by the National Statistics Institute (INE is its acronym in Spanish) through a household survey. The INE household survey is considered to be the best source of poverty information in Honduras, and its validity has been confirmed by World Bank audits. INE's bi-annual national household survey will be an important tool through which the GOH will monitor the impact of its food security interventions on poverty rates. The following definitions are used by INE:

1. **Poverty** is measured using the poverty line methodology. The poverty line is the

minimum level of income necessary to purchase a basic package of goods.

2. **Poor:** Households whose income per capita is under the poverty line, or whose income is below the cost of the basic package of goods.
3. **Relative poor:** Households whose income is below the cost of the basic package of goods and services and above the cost of the basic package of foods.
4. **Extreme poor:** Households whose income is below the cost of the basic package of foods.
5. **Basic Package of Foods:** Is the package of foodstuffs observed, adjusted to satisfy the nutritional requirements to carry out a medium level of activity.
6. **Basic Package of Goods:** In addition from the basic package of foods, this package satisfies health, education, transportation, and housing needs.
7. **Poverty and Extreme Poverty by Household Monthly Expenditure¹⁸:** Extremely poor households are those who spend less than \$1.10 per person per day. Poor households spend less than \$1.66 per person per day.

In 2008, the cost of a basic package of goods in rural Honduras was \$ 2.18 a day. The cost of a basic package of food was \$ 1.63 (see Table 3). Therefore, a household whose income is below \$2.18 a day, but above \$1.63 a day, is defined as poor and a household whose income is below \$1.63 is defined as extremely poor. Given an average household size of 6 people, the annual household income target for food security is \$4774.20.

How many poor people are in Honduras?

Approximately 90 percent of rural hillside dwellers live on less than one dollar per day. About 43 percent of the Honduran population (3.3 million) cannot purchase a basic package of

¹⁸ IDB-GOH Cash transfer program focalization study, based on household survey information from 2004

goods and services due to low household income.¹⁹

As indicated in Tables 3 and 4, while a vast majority of the extreme poor are rural, Honduras's food insecure include a significant

urban population. Accordingly, an agricultural-led strategy to reduce extreme poverty should incorporate rural-urban linkages that contribute to reducing food insecurity in this urban component.

Table 3: Cost of Basic Package, May 2008

| | Food (\$/day/person) | Goods (\$/day/person) |
|-----------------------|---------------------------------|----------------------------------|
| National Total | 1.81 | 3.16 |
| Urban | 2.08 | 4.16 |
| Rural | 1.63 | 2.18 |

Source: May 2008 Household Survey conducted by the National Statistics Institute

Table 4: People Living in Poverty by Level and Domain, May 2008

| Domain | Total | Non-poor | Poor | | |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| | | | Total | Relative | Extreme |
| National Total | 7,681,312 | 2,650,278 | 5,031,034 | 1,756,250 | 3,274,783 |
| (%) | 100 % | 34.5 % | 65.5 % | 22.9 % | 42.6 % |
| Urban | 3,495,311 | 1,362,430 | 2,132,881 | 1,194,294 | 938,587 |
| (%) | 100 % | 39 % | 61 % | 34.2 % | 26.9 % |
| Tegucigalpa | 963,467 | 452,544 | 510,923 | 319,858 | 191,065 |
| (%) | 100 % | 47 % | 53 % | 33.2 % | 19.8 % |
| San Pedro Sula | 568,189 | 269,535 | 298,654 | 194,546 | 104,109 |
| (%) | 100 % | 47.4 % | 52.6 % | 34.2 % | 18.3 % |
| Other urban | 1,963,655 | 640,351 | 1,323,304 | 679,891 | 643,413 |
| (%) | 100 % | 32.6 % | 67.4 % | 34.6 % | 32.8 % |
| Rural | 4,186,001 | 1,287,848 | 2,898,152 | 561,956 | 2,336,196 |
| (%) | 100 % | 30.8 % | 69.2 % | 13.4 % | 55.8 % |

Source: May 2008 Household Survey conducted by the National Statistics Institute

¹⁹Household Survey. Honduras National Statistical Institute. May 2008.

Progression of poverty over time: Table 5 shows the progression of poverty in Honduras over the last eight years by households.

The percentage of households living in extreme poverty has gone from 44.2 in 2001 to 36.2 in 2008, an 8 percent decrease.

Table 5: Households by Poverty Level 2001- 2008 (percent)

| Year | # of Households | | | Poverty | |
|------|-----------------|----------|------|----------|---------|
| | Total | Non-Poor | Poor | Relative | Extreme |
| 2001 | 100 | 36.3 | 63.7 | 19.5 | 44.2 |
| 2002 | 100 | 35.2 | 64.8 | 19.2 | 45.6 |
| 2003 | 100 | 34.7 | 65.3 | 18.6 | 46.7 |
| 2004 | 100 | 35.4 | 64.6 | 18.4 | 46.2 |
| 2005 | 100 | 36.3 | 63.7 | 17.6 | 46.0 |
| 2006 | 100 | 40.1 | 59.9 | 19.6 | 40.4 |
| 2007 | 100 | 41.8 | 58.2 | 20.8 | 37.5 |
| 2008 | 100 | 40.8 | 59.2 | 22.9 | 36.2 |

Source: May 2008 Household Survey conducted by the National Statistics Institute

Who are they? The poor in Honduras roughly equate to the three lowest quintiles (65.5 percent of the population). Each quintile represents slightly more than 1.5 million people. Table 6 shows some main characteristics of the poor in Honduras. For example, the poorest

20 percent (Quintile 1) is 32 percent illiterate, has completed only 4.9 years of school, has a per capita income per day of \$0.70, receives 3.2 percent of national income, has a total fertility rate of 5.6 children, and experiences an unemployment rate of 57.60 percent.

Table 6: Characteristics of the Poor, May 2008

| Quintile | Illiteracy Rate (%) | Average Years of Schooling | Per capita Income (\$/Day) | Income Share (%) | Unemployment Rate* | Total Fertility** (# of Children) |
|--------------------------|---------------------|----------------------------|----------------------------|------------------|--------------------|-----------------------------------|
| Quintile 1 (Poorest 20%) | 32.0 | 4.9 | 0.70 | 3.2 | 57.60 | 5.6 |
| Quintile 2 | 22.7 | 5.7 | 1.54 | 7.0 | 53.95 | 3.8 |
| Quintile 3 | 14.3 | 6.6 | 2.58 | 11.7 | 50.00 | 3.3 |

Source: May 2008 Household Survey conducted by the National Statistics Institute

* Unemployment Rate is defined as the percentage of the working age population who are not participating in the labor market

** 2005 data

Where are the poor? Geographically, the regions with the highest number of households in extreme poverty and most food insecurity are those located in the “poverty belt,” along the Southwest border with El Salvador, with a noticeable “doughnut hole” of extreme poverty in the center of the country.

3.2. NUTRITION

Stunting rates—a sign of chronic under-nutrition—have remained high in Honduras in the face of significant declines in the rest of Central and Latin America. The most recent national health and nutrition survey shows that 43.2 percent of Honduran children fewer than 5 years in the poorest quintile of the population

are stunted.²⁰ In some of the most food insecure areas in western Honduras, more than 60 percent of 5 year old children suffer from stunting. These rates have been maintained for at least a generation, and as a result, approximately one-third of the present Honduran population suffers life-long adverse consequences caused by chronic under-nutrition as a small child—heightened immunodeficiency, impaired cognitive functions, reduced lifetime income.²¹

3.3. VULNERABILITY

Honduras is one of the most vulnerable countries in the world to natural disasters and climate change.²² Honduras's susceptibility to increasingly frequent and severe external shocks such as tropical storms, el Niño-induced droughts, global food and fuel price crises, and global recessions, creates complex volatile situations that exacerbate food insecurity. Between 2008 and 2009, Honduras suffered widespread flooding, an El Niño-induced drought, economic recession, and fertilizer and energy price crises, which contributed to a food price crisis in 2008 and greater food insecurity.

3.4. AGRICULTURAL AND OTHER RURAL ENTERPRISE OPPORTUNITIES

One-third of Hondurans farm on small, eroded plots. These small, subsistence farmers suffer low yields and high post harvest losses.

Approximately 63 percent of the households in poor communities farm corn, beans, livestock, and in some cases, small amounts of cash crops using traditional technologies. Only 24 percent of household food consumption is produced on these farms; the rest must be purchased. To meet minimum caloric intake needs, they must earn sufficient income through off-farm employment. Households consistently fail to adequately cover the gap between self production and the minimum nutritionally adequate consumption for all household members. With year-round food stocks more than adequate throughout the country, food security in Honduras is primarily an issue of access resulting from insufficient household purchasing power.

Value-added agriculture is widely viewed as the best prospect for long term, broad-based economic growth, and poverty reduction.²³ Sixty percent of Honduras' general merchandise exports come from agriculture.²⁴ In terms of Gross National Product (GNP), before the 1990s, agriculture represented 25 percent of Honduras's GNP, but the major devaluation and structural adjustment in the early 1990s, as well as the rise of the textile industrial parks or factories as a major new source of exports, resulted in agriculture representing 14 percent of GNP today. The declining percent of total GNP in agriculture, however, masks a sector that is still growing. Even today, agriculture generates 38 percent of all employment. Accordingly, a growing, diversified agriculture sector is indispensable to long term poverty reduction in Honduras.

Market-based agricultural diversification has proven to be the most effective means of improving household incomes in rural areas, not

²⁰ ENDESA 2005-2006. Rep. Government of Honduras, 2006.

²¹ Allen, J. "Malnutrition and Human Function: A Comparison of Conclusions from the INCAP and Nutrition CRSP Studies." *Journal of Nutrition* Suppl 125.4 (1995).; Dobbing, J. "The Later Development of the Brain and Its Vulnerability." *Journal of Inherited Metabolic Disease* Suppl 5.2 (1982).; Maluccio, J. "The Impact of Nutrition During Early Childhood on Education Among Guatemalan Adults." *The Economic Journal* 119.4 (2009).; Alderman, H. "Long Term Consequences of Early Childhood Malnutrition." *Oxford Economic Papers* 58.3 (2006).

²² *Climate Change Risk Report* 2009/2010. Rep. Maplecroft, 2010.

²³ *Propuesta para Potenciar el Sector Agrícola de Honduras*. Rep. Fundación para la promoción de la Inversión y Desarrollo de Exportaciones (FIDE), June 2009.

²⁴ This would be 26% if the textile maquila re-exports were included. A maquila is a foreign owned factory with special duty-free status for importing raw materials and then re-exporting their production (i.e. import U.S. yarn, export t-shirts).

only in increasing incomes and on-farm employment, but also in creating a multiplier effect that fosters growth in other non-farm businesses in the same rural areas. Extensive research over the last 30 years on the link among agricultural development, poverty reduction, and broader economic growth indicates that significant expansion of the agricultural sector leads to increased demand for other non-tradable services and produces an economic multiplier effect. Successes in raising the incomes of the relative poor through

market-based agricultural diversification in limited geographic areas over the last 10 years will now be expanded to include the extreme poor—those who earn less than \$1.63 a day—throughout rural Honduras. Efforts will also focus on integrating women into agricultural diversification and market-based activities. However, the smaller plots, poorer soils, lower educational levels, very limited assets, and farther distances to market of these hillside subsistence farmers will make generating comparable results more challenging.

Table 7: Comparison of Three Honduran Rural Households Livelihood Types

| Questions | Traditional Subsistence Household | Improved Subsistence Household | Market Diversified Subsistence Household |
|---|---|---|--|
| Does this family harvest enough basic grains to satisfy their consumption demand for the entire year? | No, only for 8 months | Yes, the entire year | Yes, the entire year |
| Does this family have access to basic grains the entire year? | No | Yes | Yes |
| How much is the yield of corn and beans per manzana (7,000 sq meters)? | Corn and sorghum 15 qq | Corn, 36 qq | Corn 36 qq |
| How much is the production cost of a quintal (qq) (one hundred pounds) of corn and/or beans? | Corn/sorghum US \$ 15.00 Beans US \$ 27.00 | Corn, US \$ 7.00 Beans, US \$ 14.00 | Corn/sorghum US \$ 7.00 Beans US \$ 14.00 |
| How much money would this family spend to fill the gap buying these commodities in the market? | Corn and/or sorghum US \$ 134.00 Beans US \$ 50.00 | None | None |
| Does this family make any profit from selling basic grains or other farm product? | None | Corn, US \$ 270.00 Beans, US \$ 660.00 Total profit US \$ 910.00 | Two harvest/year of potatoes US \$ 4,232.00 |

The rural poor are a heterogeneous population, and differentiated approaches to working with different demographic sub-groups are essential. The rural poor consist disproportionately of youth, females, and the elderly, due to high rates of emigration by economically active males. The resulting high dependency ratio²⁵

(74 percent) and low educational levels severely constrain households' income-earning capacity.²⁶

The elderly are unlikely to be interested in undertaking new livelihood strategies or investing in their own education. Thus, remittances and social safety net subsidies (i.e., conditional cash transfers) combined with

²⁵ Dependency ratio is the percentage of dependents (under 15 or over 65) to the population.

²⁶Jansen, G.P. "Identifying the Drivers of Sustainable Rural Growth and Poverty Reduction in Honduras." Rep. IFPRI. 2005. Numbers are derived from 2001/02 INE data and 2004/05 LSMS data.

modest productivity improvements in their traditional subsistence agricultural activities represent a more effective approach for combating food insecurity for this sub-group. Conversely, youth and women are more likely to benefit from formal and non-formal education opportunities that supply the skills and cognitive abilities required for successful participation in the formal job market. Connecting youth and women from remote, food insecure hillside communities to enterprises in growing, secondary market towns and industrialized urban centers will be essential to Honduras' long-term, sustainable food security. Experience shows that increasing women's income and status results in improved household nutrition.

Although 88 percent of Honduran children graduated from primary school in 2008, access to secondary education is limited. While more than 90 percent of young people want to continue their studies after the 6th grade,²⁷ most rural and low income youth cannot afford to do so. The rural-urban disparity here is marked: Nearly 60 percent of urban, but only 25 percent of rural youth, youth are enrolled in grades 7-9; For grades 10-12, 38 percent of urban youth are enrolled, compared to 15 percent of rural youth.²⁸

At the request of the GOH, The International Food Policy and Research Institute (IFPRI) conducted an analysis in 2006 on the plight of poor subsistence farmers in Honduras to identify the best, empirically based strategies for using agriculture to improve incomes of the

²⁷A survey was conducted to help determine the demand for alternative or equivalency degree programs after primary school. More than 1,400 rural and urban youth from 16 to 22 years of age, in 16 of the 18 departments of the country, was conducted in 2008. More than 90% of the youth surveyed expressed desires to continue their studies after primary school; Ulana Umansky, Russbel Hernandez, Mario Alas, and German Moncada, *Alternative Upper Secondary Education in Honduras: Assessment and Recommendations*, USAID and the Academy for Educational Development, 2008.

²⁸Rural and urban post-primary enrollment rates from INA, *May 2008 Household Survey*, p. 18.

The results of this study demonstrate that there are no easy and straightforward solutions to the poverty problem in the rural hillside areas in Honduras. The asset portfolios of many households in these areas is often largely limited to their (unskilled) family labor and some land, and as a consequence these households have no other choice but to use their scarce assets to grow food for subsistence; mainly maize, beans, and sorghum. But this livelihood strategy is strongly associated with poor biophysical and socioeconomic conditions and extreme poverty, even if pure basic grains farmers may be more food secure than households with less land who combine basic grains growing with off-farm work. The strong focus on food security reflects the traditions and cultural ties of many rural households in hillside areas to farming; a relatively high degree of risk aversion (attempting to avoid food purchases as much as possible); and differences in the prices of buying versus selling food due to high transport costs, which favors the autarkic solution of self-sufficiency.

--IFPRI, 2006

rural poor.²⁹ This study used the World Bank's Purchasing Power Parity definition of poverty. The study finds that:

- While the severity of poverty is associated with size of landholding, the relationship is not smooth and continuous. The amount of **land farmed, by itself, is no guarantee of prosperity**. Land tenure security among hillside households is limited; only 35 percent of households have any land with legal title, but this percentage decreases with level of poverty: 51 percent, 35 percent, and 32 percent for non-extremely poor households, extremely poor households, and desperately poor households, respectively. In addition, less-poor households tend to be located in areas with somewhat higher rainfall, lower altitudes and better soils. There is **no**

²⁹ G.P. Jansen, 2006.

clear relationship between poverty and household size. However, the average dependency ratio of households that earn US\$1.00/person/day is less than half of that of desperately poor households (\$0.45 vs. \$1.00 per day according to the VVB PPP poverty definition using 2005 data). Education levels, as noted above, are very low: on average household members have less than three years of formal schooling. With limited educational progress over time, the human asset base in rural Honduras has stayed virtually stagnant between 1993 and 2003.

- **Remittances account for only 3 percent of average household income in the hillside areas.** For the 17 percent of households that receive remittances, this source of income accounts roughly one third of their total income, or US\$202. The vast majority of households that receive remittances use these funds for food purchases. Remittances are also used to cover health care expenses and schooling costs, though to a much lesser extent. Only 20 percent of households in IFPRI's survey reported wanting to spend this income on food, others would have liked to invest this money in buying cattle, fixing the house, starting a business, buying clothing, or saving. However, many recipient households reported that funds were either insufficient or necessary to buy food, and that these investments could therefore not be realized.
- **Nearly 70 percent of all rural households do not receive any form of formal or informal credit.** Many surveyed farmers claimed that credit is too expensive and also risky, thus preventing them from accessing financial resources for investing in productive activities or as a potential safety net for coping with unexpected disasters. Credit from regulated institutions is hardly relevant in the hillside areas. Access to formal credit from non-regulated institutions (e.g., producers' cooperatives, communal banks,) seems somewhat easier: about 10 percent of rural households reported using it.

Informal credit is by far the most common. Nearly one quarter of all rural households sampled reported its use. Poorer households rely more on informal credit.

- Livelihood strategies in hillside areas mostly revolve around agricultural and small-livestock activities, with relatively few households engaging in higher-return activities, such as production of vegetables, or nonfarm activities. In Honduras, the latter account for only 22 percent of total rural income on average, compared to 60 percent in Costa Rica, 42 percent in Nicaragua, and 38 percent in El Salvador. **More than half of households pursue a livelihood strategy that centers on basic grains production.** Livestock is also an important livelihood strategy, and to a lesser degree so is coffee production and serving as a coffee laborer.³⁰

3.5. ECONOMIC SITUATION

The International Monetary Fund (IMF) lists Honduras as one of the most vulnerable countries in the world to global recession.³¹ In the past two years, Honduras's real gross domestic product (GDP) growth has faltered significantly, with the IMF now showing GDP to have declined between 2 and 6 percent in 2009. Over the next five years, the IMF projects annual GDP growth of 2 to 3 percent, compared to averages above 5 percent in the previous decade.³² This decrease reflects reduced trade, aid, and remittances.

GOH financial authorities have mitigated the recession by an expansionary monetary regime and domestic bond sales. Unemployment and underemployment have increased substantially due to both a 60 percent increase in the minimum wage and a downturn in labor demand resulting from declining construction, exports,

³⁰ As the data for this survey was collected in 2001-02, it does not reflect the potential impact of USG market diversification programs begun during this period.

³¹ *The Implications of the Global Financial Crisis for Low Income Countries*. Rep. IMF, March 2009.

³² *World Economic Outlook*. Rep. IMF, October 2009.

and tourism. Foreign direct investment dropped about 40 percent from 2008. Foreign exchange reserves have dropped about 10 percent, but are still greater than three months of imports and comfortably cover 43 percent of money in circulation.

Inflation for the first nine months of 2009 was a low 2.7 percent while the lempira/dollar exchange rate remains stable at 19 to 1 (unchanged for over 3 years).

In addition to its economic woes, Honduras is emerging from its gravest political crisis in 25 years. The political events in June 2009 created an unconstitutional break in democratic rule and resulted in the suspension of most aid disbursements. The political events are also perceived to have weakened the country's investment climate, and several major international firms subsequently relocated production to other countries.

Despite current economic challenges, Honduras has considerable, yet unrealized economic potential. With access to ports on two oceans, the country has direct sea entries to all three of the world's major markets (U.S., EU, and Asia), with a particularly advantageous proximity to the world's largest market, the United States. Under the CAFTA-DR trade agreement, Honduras has permanent duty free access to U.S. markets for 95 percent of all agricultural products and strong U.S. commitment to reduce significant non-tariff barriers. Honduras's integration into global markets is also advancing rapidly for telecommunications, banking, supermarkets, textiles, and tourism sectors.

CAFTA-DR is also opening and integrating Central American economies with each other. After the United States, Central America represents Honduras's biggest market.

3.6. IDENTIFICATION OF TARGET POPULATIONS

As noted above and confirmed by numerous sources, the poorest and most food insecure

regions in Honduras are located in the so called "poverty belt," a remote and primarily rural area in the South and Southwest of the country. The targeting of efforts will be further refined by examining the following questions:

1. Where are the areas with greatest need not currently covered by other donors or service providers, which also have potential for improving food security and achieving sustainable results?
2. Where can the USG build upon its existing capacity, infrastructure, and expertise to maximize results, leverage private resources, and improve /expand existing services?
3. How can synergy between the USG, the GOH and other donors' objectives and resources be created?

Additional analysis and baseline establishment over the coming year will serve to further address these questions.

4. CORE INVESTMENT AREAS

4.1. INCREASING SUSTAINABLE AGRICULTURAL PRODUCTIVITY

Looking forward, the challenge will be to move subsistence farmers into more remunerative crops, while continuing to help them maximize productive return on the land they plant in basic grains.

The P.L. 480 Title II program represents a pilot effort to increase productivity among 20,000 largely subsistence farmers. These farmers have received basic training in improved agricultural practices for subsistence crops, as well as an introduction to vegetable production, but have generally not been integrated into market value chains. By assisting these small-scale producers to achieve a consistent, high quality supply of products to meet market demand, incomes can be raised and rural enterprise stimulated. This may be achieved by fostering partnerships between NGOs, who continue to maintain an

institutional presence in the most food insecure regions of Honduras, and private agricultural and marketing technical assistance providers, capable of building farmers' organizational and coordination capacities.

Water is a principal constraint to expanding vegetable production in the "poverty belt," which is also referred to as the "dry corridor," due to its inconsistent rainfall patterns. Less than five percent of arable land in this region appropriate for irrigation is irrigated. USAID and MCC experience over the last 10 years indicates that micro-irrigation systems on relatively small plots of land (<5 Ha) can be game-changing. With linkages to markets, the resulting higher return per area and potential for year-round production allow farmers to quickly recoup their investments.

Potatoes are particularly well suited to the agricultural conditions of the western highlands, where experience has demonstrated that irrigation and improved planting material can result in major productivity and income increases compared to traditional growing practices. The most important supermarket chain in Honduras currently imports 60 percent of its potatoes, and it has expressed interest in obtaining product from Honduran suppliers. The MCC's creation of a potato seed bank to improve the quality of seedlings also strengthens the crop's prospects. Plantains are another domestic staple crop with both strong market demand and demonstrated potential to increase incomes through improved technology and irrigation.

In addition to vegetables, other important value added crops suited to the food insecure region offer opportunities for Honduras' poor farmers to diversify. For example, the country has been identified by the chocolate industry as a potential producer for the niche gourmet chocolate market, and Honduras' principal private agricultural research institute is developing new cacao planting materials with disease resistant traits, specifically geared to this niche. Shifting high altitude coffee production to

much more profitable specialty coffee may also be an opportunity in food insecure regions.

The USG has been working for the past 25 years in sustainable hillside farming, striving to convert small (1-2 hectare) basic grain plots into sustainable productive systems. Other donors such as the IDB, World Bank, and the Food and Agriculture Organization (FAO) have also begun investing in these efforts. The focus of their new programs will be on promoting the adoption of soil conservation and management practices, combined with improved cropping technologies—namely seed selection, plant spacing, enhanced crop varieties, green manuring, alternative crop production, modified planting calendars, etc. – which are expected to continue to significantly increase yields on a short-term basis and improve productivity on a longer-term scale. Experience has shown that adoption of these technologies effectively curbs both traditional slash-and-burn agriculture and expansion of the agricultural frontier via destructive practices.

These on-farm actions will be linked to community-based, integrated micro-watershed management and protection activities which focus on improved water resource use and management, work with local watershed committees and water boards, and collaborate

Thus, the potentials for poor areas must be examined carefully and the changes needed to bring some of them along made. But, given potentials to migrate to burgeoning market towns in prospering agricultural areas, a harsh decision not to invest in the agriculture of unresponsive areas needs to be made. Concurrently investments that assist migration (e.g. education) and mitigate the problems of the remaining people are sound anti-poverty programs.

—John Mellor, 1999.

closely with municipal government environmental units (UMAs) under the GOH's broad-based land-use improvement efforts. Work will also be coordinated with small-scale

cattle ranchers and other private landowners. Similarly, the program will be closely coordinated with USAID's on-going disaster preparedness efforts. Municipal and community emergency committees, many of whose members also serve on watershed committees, will continue to receive training and equipment related to basic risk management prevention practices.

Global climate change is expected to cause more extreme weather events and conditions which could seriously affect agricultural production. More severe hurricanes, for example, produce flooding and drainage problems at low elevations, and landslides and increased in soil erosion on hillsides. The food security program will promote the adoption of intensive soil conservation and other soil and water management practices, particularly on fragile hillside farmland, to significantly reduce soil loss from normal rainfall as well as extreme weather events.

Expected results are: increasing new net sales of participating rural micro, small, and medium enterprises (MSMEs), new employment created in participating rural MSME (Full Time Equivalents), new MSME investment, and the number of MSMEs that have successfully adopted new inputs, technologies, and practices.

4.2. LINKING SMALL FARMERS TO MARKETS AND ENCOURAGING PRIVATE SECTOR GROWTH

One of the great challenges of linking small farmers to markets is achieving economies of scale, ensuring the necessary volumes and quality reach the market at the appropriate time. Added issues like adequate packing, labeling, certification, storage, and transportation increase the challenge. Agricultural cooperatives have been promoted to deal with these issues, but with only limited success.

Specialized brokers represent another approach. These better-educated, market savvy partners handle the highly specialized, risky, and

capital intensive task of connecting with the major national, regional, and international markets. With the emergence and development of more intermediaries, supported by the new food security program, farmers will be able to focus where they have a competitive advantage, on cultivating a quality product.

The USG will work with existing and emerging brokers to take advantage of emerging productive capacity. While the most important function of these regional intermediaries is as the buyer, they also represent an important potential source of a whole range of critical market access services: bulk seed and input provider, production planning to meet volume requirements, transportation, quality standardization through sorting and packing, credit provider or market reference to other financial intermediaries, source of market information (e.g., through text messaging) and sources of new demand as they diversify their own market relationships, enter into preferred supplier arrangements or begin to export. The program will work with interested intermediaries, from promising farmer associations to independent brokers to supermarket proprietary procurement agents to recognize and adapt their business model to the opportunity of working with small farmers.

Work in this area will result in an increase in the net sales of agriculture-related small businesses, an increase in employment created in these enterprises, and an increase in access to new market opportunities. This last result will be measured by the number of brokers providing new market linkages to these small farmers. Special emphasis will be placed on creating new small business and employment opportunities for women.

As volumes increase, private sector investments in value-added processing become viable business opportunities. Processing facilities can offer new market opportunities for produce that does not meet fresh market quality standards and for surplus fresh product that can not be absorbed by the market. Processing facilities also represent important new sources

of non-farm employment, particularly for women.

These market opportunities represent possible growth areas for rural SMEs in Honduras's food insecure regions. By generating increased demand for non-agricultural goods and services, rural SME development will serve as the engine for job creation and income growth necessary to eliminate food insecurity among impoverished Hondurans.

Expected results are: increasing the number of brokers providing market linkages to MSMEs, the number of MSMEs that have been verified to meet market standards for their products, and increasing the MSME client satisfaction rate

4.3. INCREASING AGRICULTURAL TRADE

The USG will work with the GOH and through the G-16 donor group to address policy issues. Topics will include integrating food insecure regions into the wider economy and fostering broad-based economic growth through trade-led agricultural diversification. Areas of emphasis will likely include: improved access to financial services for rural enterprises; more effective government services for rural enterprises (e.g., business registration, licensing, permitting, import/export requirements, property registration, tax collection, contractual dispute resolution) and prioritization of public infrastructure investments (irrigation, rural roads, electrification, etc.) in target regions. Some further internal agricultural trade constraints can be addressed with the private sector in relevant sector associations and value chain networks. Examples include fair business practices in contracting SME suppliers, coordination and provision of integrated transportation and cold storage services, and elimination of costly time delays resulting from poor private sector coordination.

Honduras's food security program will address the lack of access to financial services, a key agricultural trade constraint, by increasing credit availability for rural SMEs. This effort will

build on recent, successful MCC efforts to pass a secured transactions law. This law provides the legal foundation for establishing new credit products based on moveable property guarantees. These products include standard U.S. business finance arrangements such as: 1) bonded warehouses, where a changing inventory of perishable goods (grains, coffee, etc.) serves as collateral, 2) factoring (i.e., short term cash flow credit based on third party collection of accounts receivable invoices), and 3) longer term capital investment loans based on a company's non-real estate assets (cars, machinery, office equipment, etc.). Activities will also capitalize on the related MCC plans to establish a moveable property registry within the Chamber of Commerce.

The USG is prepared to provide technical assistance to the financial sector, the Chamber of Commerce, and interested businesses to pilot these new moveable property guarantee products. Since this will provide new financing primarily to intermediaries, the USG may also establish a new rural enterprise Development Credit Authority agreement with rural banks to increase available credit for rural SMEs. Assistance will also support existing NGO-based rotating credit funds to reinforce small infrastructure and business investments such as irrigation, packing facilities, and packing materials. The goal will be to gradually move farmers into operational cost financing using sales-based contracts that are grounded in the agricultural cycle and recognized by banks. USAID experience in Honduras and other countries indicates that these types of contracts represent the most viable basis for bank lending without additional guarantees. This is the result of the fact that this private sector solution does not require the resolution of entrenched public sector weaknesses such as poor or non-existent property rights, collateral law and judicial enforcement. Opportunities to leverage remittance flows as collateral or for productive investment will also be explored.

Expected results are: increasing the number of MSMEs accessing market based financing, the number of value-added agriculture, tourism and

forestry value chain/ sector constraints identified & resolved, and the number of relevant business enabling environment legal and institutional reforms implemented.

4.4. IMPROVING NUTRITION

To address food insecurity and household nutrition status in a comprehensive manner, Honduras' food security program must include a stunting prevention component designed to strengthen the link between availability of food through increased household income and utilization of food to have an impact on improved nutrition.

The health component will center on: 1) improving food consumption at the household level in terms of quality, quantity and variety of the diet since along with inadequate food availability, children have fewer meals, smaller meals, and inadequate nutritious intake; and, 2) improving maternal and child health practices. The component will equally target men and women in the same households as those participating in the agriculture-led activities and it will work on two sub-elements: Prevention Programs, and Delivery and Nutrition Enabling Environment and Capacity.

First, the nutrition component of the Food Security Strategy will improve maternal and child nutrition through prevention programs targeted to rural poor women and children under two years old. These programs will include activities, among others, such as child growth monitoring; education, for both men and women, to improve maternal diets; nutrition during pregnancy; exclusive breastfeeding; infant and young child feeding practices; use of fortified staple foods; micronutrient supplementation. Second, the health component will support the delivery of nutrition services through sustainable platforms, as part of primary health care systems. Under the health component of USAID's Food Security Program, USAID will

support technical assistance to the GOH to ensure the delivery of promotion and prevention activities related to nutrition and maternal health are delivered as part of a guaranteed package of services.

Technical assistance will be provided to the GOH to identify the priority food security focus areas where the decentralized contracts will be expanded to cover children under five years old and their mothers; develop appropriate contractual arrangements for service delivery; and develop tools for monitoring and financing these arrangements. Quality indicators will also be developed and implemented through the decentralized health units for quality control, accountability and payment purposes. Through these ongoing efforts, the communities receiving these services as part of the food security strategy will be progressively phased over and included in the Secretary of Health's (SESAL) sustained decentralized health delivery system over the next five years.

Lastly, Feed the Future will focus on strengthening non-governmental institutions for locally-led improvements in nutrition. With USAID support, nongovernmental organizations (NGO) will implement nutrition-related prevention and promotion activities, as well as develop capacities at community levels with local governments, health units, and health volunteer networks to improve nutrition of children and mothers. By its end, the aforementioned NGOs will have built the capacities to become decentralized service providers financed by the Ministry of Health; this will be directly in line with the Mission's reform and decentralization strategy with GOH to achieve long term and sustainable coverage of high quality of services, especially for underserved and rural populations.

Expected results are: decreased stunting and percentage of children underweight in children between 6-23 months, improving maternal and child health practices, and diet diversity.

4.5. ENGAGING UNDERSERVED POPULATIONS IN RURAL ECONOMIC GROWTH

Honduras' food security strategy will engage underserved populations in rural economic growth by targeting the most food insecure geographic areas of the country. Women, ethnic minorities, and the poorest households will be targeted as beneficiaries.

This FTF implementation plan is not gender neutral. Women are generally recognized as being among the most vulnerable to food insecurity along with young children and the elderly. However, women are also the main decision-makers at the household level regarding health care, major investments, daily purchases, and family trips. Data shows that, in Honduras, over half of household decisions are made by women.³⁴ FTF recognizes women as producers and economic agents in their own right with their own unique constraints and opportunities.

Traditionally the caretaker, the rural Honduran woman plays a critical role in her household's food security. Although Honduran women have

the same rights under law as men; cultural, traditional, and other factors have long kept women at a disadvantage in terms of active participation in business-oriented agriculture. FTF will support the creation and growth of women-owned small businesses in targeted regions. FTF will also build on the women's leadership base created by the USAID P.L. 480 Title II program. Activities will focus on women's economic empowerment and market access, to improve household food access, availability, and utilization. Interventions will build on Title II successes in training women to be community leaders, by concentrating on maternal and child health care intervention.

The USG Mission in Honduras recognizes that it may need to conduct additional analysis on approaches for reaching underserved populations. As a step in this direction, a USAID gender specialist provided technical assistance and training on best practices in gender programming to its staff in December, 2009. As part of the visit, the specialist consulted with the Mission on the Honduras Food Security Implementation Plan Improving the efficiency of humanitarian assistance.

Table 8: Female-headed Household Poverty Rates, May 2007

| | |
|---|---------|
| % female-headed households in poverty | 64.1% |
| % female-headed households in extreme poverty | 38.8% |
| % rural female-headed households in poverty | 67.7% |
| # female-headed households in the bottom three income quintiles (poorest 60%) ³³ | 281,553 |

Source: May 2007, Household Survey, National Statistics Institute

³³ Household Survey, National Statistics Institute, May 2008

³⁴ INE, ENDESA 2005-2006

4.6. IMPROVING THE EFFICIENCY OF HUMANITARIAN ASSISTANCE

USAID provides minimal humanitarian assistance in Honduras. The P.L. 480 Title II Food Aid Program which ended in FY 2009 was the most significant effort to date. Otherwise, the Mission's humanitarian efforts center on emergency responses to natural disasters, channeling emergency humanitarian assistance through U.S. Private Volunteer Organizations (PVO) located throughout Honduras' vulnerable rural areas. USG capacity to respond quickly to natural disasters will be strengthened by the food security program's direct relationship with these PVOs. Disaster responses are closely coordinated with the GOH disaster response agency (COPECO) and USAID's Office of Foreign Disaster Assistance (OFDA) Latin America Office in Costa Rica.

The GOH and the WFP provide daily rations to 1.3 million children in public schools to increase school enrollment. WFP also implements modest programs to provide food to: 1) malnourished children and pregnant and lactating women through recuperation centers at two hospitals and at community feeding centers, and 2) families affected by drought, crop failures, etc. During the last three years WFP's annual budget has been around \$7.4 million. The GOH contributes an additional annual \$15 million, approximately, for the school feeding program. These amounts are expected to continue in 2010 at the same levels.

5. PARTNERSHIP PLAN

Initial FTF investments will enable a new approach to food security and will help Honduras establish the preconditions for becoming a Phase II focus country, at which level Honduras, in conjunction with its own and other donor investments, will be able to achieve dramatic results toward the UN MDG I of eradicating extreme poverty and hunger.

The USG has supported Honduras in the development of a country-led National Food Security Policy (P-SAN) and National Strategic Implementation for the Food Security and Nutrition Policy. In-country donors are receptive to aligning ongoing initiatives and new activities on food security to the ENSAN/CIP.³⁵ Preliminary discussions with potential and existing partners in the public, private, and NGO sectors also indicate a willingness to fully participate and align.

As part of this process, the USG will:

- Participate in food security-related coordination with key players of the GOH at both policy and technical levels.
- Formally establish food security partnerships with the private sector.
- Move quickly to collaborate with civil society organizations on food security priorities.

The USG will continue to support the GOH's establishment of a country-led food security strategic planning and monitoring process to clarify, and where necessary, redefine national policies, goals, and targets for food security, nutrition, and poverty reduction. This effort is coordinated by the Ministry of the Presidency and the Ministry of Planning and International Cooperation. Implementation will be carried out by different GOH ministries and institutions such as the Ministry of Agriculture and Livestock (SAG), the Ministry of Health, the Social Development Ministry and the Forestry Conservation Institute (ICF) among others.

5.1. REGIONAL, MULTILATERAL, AND BILATERAL ORGANIZATIONS

The GOH receives approximately \$800 million annually in international aid. Honduras' bilateral and multilateral donor group, known as the

³⁵ Canada, European Union, World Food Program, Food and Agriculture Organization, World Bank and Inter-American Development Bank.

G-16³⁶, has an established Agroforestry working group that coordinates food security and related issues.³⁷ Donors will continue to implement programs through existing modalities, including direct GOH execution in the case of the WB, IDB, and MCC. The GOH has taken full ownership of a country-led planning process in food security by developing the ENSAN/CIP and will be responsible for providing general oversight and coordination to ensure that donor funded activities are achieving intended results. The GOH will also be responsible for establishing monitoring systems to track progress and measure impact.

Many organizations and bilateral donors have indicated a willingness to participate both actively and financially in the GOH-coordinated ENSAN/CIP and GOH monitoring efforts. Several of these entities are currently developing new five-year strategies, or revising existing ones. This will enable them to respond quickly to GOH food security priorities.

The GOH is also providing leadership by coordinating the division of labor among donors. For example, the Canadian International Development Agency (CIDA) will work in southern Honduras with integrated rural development program to address chronic food insecurity. The World Bank will start a program in western Honduras to increase productivity and competitiveness among organized rural small-scale producers through their participation in productive alliances. This program will provide funding for the implementation of approximately 150 viable

business plans in 7 western departments. The IDB will work in four other departments of Honduras to increase the capacity of rural business to develop business plans and take advantage of greater market opportunities.

These new World Bank and IDB agricultural competitiveness programs will support the creation of market intermediaries in high-potential agricultural valleys. Both banks have also expressed interest in partnering with USAID and CIDA to extend these efforts into mountainous, food insecure regions in the west and south. These interventions are particularly timely, given the large number of farmers who diversified into vegetable production over the last ten years under programs sponsored by USAID and the MCC. In these areas, production volumes are now capable of supporting broker operated marketing channels. Accordingly, Honduras's ENSAN/CIP will link the new target group into existing and emerging value chains supported by these donor programs.

The WFP will expand its pilot Purchase for Progress (P4P) program, a program that provides technical assistance and market opportunities for subsistence farmers, in five departments of Honduras.

5.2. PARTNERSHIPS WITH THE PRIVATE SECTOR

A market-based approach to eradicating extreme poverty will require a close partnership with the Honduran private sector. The Honduran private sector is organized in an interlinked set of regional chambers, sector and professional associations, and unions that has as an umbrella organization: the Honduran Business Chamber (COHEP is its acronym in Spanish). COHEP is very active across the full spectrum of private sector issues, and formally represents the private sector on a range of governmental and non-governmental committees and consultative bodies, including the G-16.

³⁷ The G-16 system is a tiered donor coordination mechanism that, at its highest level, facilitates policy dialogue among the Ambassadors of major donor countries and country representatives of the major multilateral banks, top grades of the GOH, and representatives of civil society and the private sector. At its second tier, the G-16 mechanism facilitates coordination among the heads of development agencies and their ministerial counterparts. At the working level, G-16 technical groups organize around specific development objectives.

The rise in supermarkets and their rapid and continued growth in Honduras represent the strongest, most accessible market opportunities for vegetable growers in the country. Wal-Mart is now Honduras' dominant supermarket chain, controlling more than half of the stores in the country, and with plans to expand over the coming five years. USG agricultural diversification programs have worked closely with Wal-Mart since its initial investment in Honduras four years ago. Our programs have integrated farmers into company supply chains to the point that Wal-Mart's produce buyer estimates that more than 80 percent of its vegetable suppliers received direct support from USAID or MCC programs.

Wal-Mart Honduras' partnership manager and produce buyer have expressed strong interest in focusing the Honduras portion of a Central American regional global development alliance (GDA) on expanding vegetable production in the country's western highlands. A direct partnership with Wal-Mart would open a direct channel of communication with Wal-Mart, and more critically, it would create a tremendous opportunity to help the company design new value-chain relationships. Such a GDA could be an important private sector partnership of the Honduras food security program.

While supermarkets represent an important urban market opportunity, the primary private sector partners for a food security initiative must be the small and medium enterprises (SMEs) that are the private sector in rural communities. Most of these SMEs are in the business of providing local services or selling basic products, and many, if not most, of these SMEs are women owned, or operated. These SMEs will be linked into local value chains. Partnerships with larger companies will be related to these types of value-chain opportunities.

5.3. USG DIPLOMATIC AND DEVELOPMENT STRATEGY

In support of the USG's renewed global effort to combat hunger and promote food security,

Embassy Tegucigalpa has engaged with the GOH and worked with the international community through sustained and coordinated diplomatic and development efforts. While USAID will take a lead role in development activities, guided by its Food Security Implementation Plan, other sections of the embassy will take an active role to promote and sustain a comprehensive approach to support country-led initiatives and to coordinate and leverage the efforts and abilities of NGOs, donor nations, and international development sponsors.

5.3.1. Political Crisis and its Roots in Persistent Poverty

Honduras is emerging from its gravest political crisis in many decades. The coup d'état that occurred June 28, 2009, and the resulting crisis have been broadly attributed to the failure of government to significantly reduce poverty and social inequality. This perceived failure has reduced public confidence in democracy and government institutions and rekindled populist politics and policies. It also underscores the importance of partnering with the new democratically elected government on poverty alleviation through the FTF initiative.

The global economic downturn, poor economic management, the political crisis caused by the coup d'état and the subsequent withdrawal of international support, and a moderate drought all contributed to an especially bleak situation for Honduras at the beginning of 2010.

A positive step in restoring the democratic order was the previously-scheduled election of a new president in November 2009. With a new GOH Administration, a window of opportunity has opened for engaging the Honduran government on the issue of national food security. President Lobo expressed his support for USAID's current agricultural diversification program and emphasized his desire to expand the benefits of CAFTA-DR to the poorer segments of society through a comprehensive food security program.

In the wake of the 2009 political crisis, there is widespread agreement within the government and the private sector that addressing the needs of the poor is crucial to the country's political stability. President Lobo has credibly expressed strong commitment to poverty alleviation. In creating his cabinet, he reached out to opposition political party representatives, including those on the left, to serve in key positions. The Minister of Agriculture comes from the Liberal Party, which obtained the second highest number of votes in the 2009 election.

U.S. Embassy Tegucigalpa is committed to advancing the five principles of the Global Hunger and Food Security Initiative through the coordinated and sustained diplomatic and development efforts described below.

5.3.2. Adopt a Comprehensive Approach to Food Security

USAID and MCC have been instrumental in diversifying the agricultural sector into higher value, export oriented, non-traditional crops. As a result of USAID and MCC technical assistance, more than 20,000 small and medium farmers have seen their incomes increase by over 40 percent. An additional 20,000 subsistence farmers—beneficiaries of USAID's P.L. 480 Title II program—are now well positioned to integrate into market value chains with the potential for similar increases. Feed the Future will build on the success of market-based programs that increase rural household incomes and create a sustainable path out of poverty. The USG supports USAID's efforts to secure the funding necessary to continue these and other programs.

5.3.3. Invest in Country-Led Plans

The GOH has the capacity to implement its full scale ENSAN/CIP in partnership with the international community, the private sector, and civil society. The country is also poised to be the first in the world to successfully complete an MCC compact (\$215 million). Indeed, the MCC compact's two components—roads to

markets, and market-oriented agricultural diversification—lay a solid foundation for further investments in the sector.

Pathways to Prosperity

The “Pathways to Prosperity” initiative, through which the United States and its regional trading partners identify mechanisms for spreading the benefits of trade throughout society, was launched in late 2008. Honduras volunteered to chair the main working group under the initiative “Expanding Opportunities,” which seeks ways to link small and medium enterprises, including in agriculture, to international markets. At the March 4th Pathways Ministerial in San Jose, Costa Rica, First Presidential Designate Maria Antonieta Bogran, the second-ranking official in Honduras’ government, proposed two food security-related themes for the working group’s work over the next year: giving small farmers access to high-value agriculture, and creating secured transactions programs for farmers and other small business owners through which assets can be registered and used as collateral.

5.3.4. Strengthen Strategic Coordination Globally, Regionally, and Locally

The GOH has taken steps to integrate its National Food Security Policy to regional efforts such as those of the Forum of Legislative Branch Presidents of Central America and the Caribbean (Foro de Presidentes de Poderes Legislativos de Centroamérica y la Cuenca del Caribe-FOPREL). The GOH has participated in various food security meetings with FOPREL and has moved forward in the design of joint efforts. The GOH has also secured technical assistance from non-traditional donors, such as Colombia.

At a global scale, the GOH has also worked with the Alliance for Global Food Security, an alliance of private voluntary organizations and cooperatives based in the US with global reach. They are working jointly on the Alliance to End Hunger initiative.

The USG will support the GOH in these efforts to link to regional and global food security strategies and efforts.

The USG will also promote awareness of the linkage between food security and democracy as part of its efforts to rebuild bridges to disaffected elements of Honduran society following the political crisis. Our public affairs efforts will focus on the close links between the societies of Honduras and the United States, emphasizing our food security programs as part of our effort to promote social and economic well-being in Honduras. The USG and USAID will seek to identify innovative ways of using technology to promote food security, such as using text messaging to promote access to markets.

5.3.5. Leverage the Benefits of Multilateral Institutions

In close collaboration with other regional, multilateral, and bilateral donors, the USG supported the establishment of a new Food Security sub-working group (FSWVG) within the Agroforestry working group in the G-16 donor coordination mechanism. This will:

- Confirm in the minds of donors, partners, and stakeholders that food security has moved front and center in development programming in Honduras.
- Create a platform for donor collaboration in parallel food security design, management, monitoring, and information/data sharing.

More than 10 international donors have confirmed their support for a comprehensive, agriculture-led food security program in the most impoverished, food insecure communities of Honduras. These organizations have indicated a willingness to participate both actively and financially in joint planning, coordinated implementation, and shared monitoring efforts.

5.3.6. Deliver on a Sustained and Accountable Commitment

As outlined in the FSIP submitted for Honduras by USAID, the USG Mission in Honduras proposes a comprehensive, market-based agricultural development program. This five-year, whole-of-government program would partner with the GOH, international donor community, and other relevant stakeholders, undertaking new and innovative approaches to reduce hunger and poverty as measured by increased incomes and improved nutrition.

While Honduras experienced a difficult political and economic situation after the coup d'état, there appears to be sufficient organization and will within the new administration to tackle food security issues. The USG, in a concerted effort and in coordination with the G-16 donor group, will use this opportunity to encourage the GOH to concentrate its efforts, and to work with donor entities as partners in its own strategies to create sustainable solutions to end chronic hunger and poverty. This is an important priority for the USG not only for humanitarian reasons, but also because addressing Honduras' endemic poverty will prevent the type of political polarization that led to the June 28, 2009 coup d'état and ensuing political crisis.

6. FY 2010 CAPACITY BUILDING PLAN

The USG will focus host-country capacity-building investments directly on program beneficiaries, such as farmers, small businesses, producer and sector associations, brokers, suppliers and market buyers, to achieve the greatest impact on livelihood opportunities for the poor. Other donors, especially the World Bank and the UN, are actively pursuing measures to upgrade the Ministry of Agriculture in management, procurement, and fiscal areas.

The USG believes that the critical measure of country-led development processes should be the demonstrated political will by national

government leaders to make the tough decisions; to decide on the trade-offs in national fiscal and budgetary priorities; to actively advance a consistent, transparent enabling environment; and most importantly to effectively implement and enforce national policy, regulations, and laws. Activities to strengthen these capacities will take priority over other types of capacity building, such as long-term training for government staff. Donor underwriting of a significant percent of the public sector payroll, investments, and social programs have enabled successive governments to avoid making the hard choices on the trade-offs between collecting taxes or not, the size of the public sector relative to available revenues, investments in results vs. investments in employees, and generous entitlement programs for middle class public sector employees vs. more productive investments for society as a whole. In an attempt to contribute towards a larger international effort to break this cycle, the USG will not take a “business as usual” assistance approach. Additionally, Honduras’ present revenue base cannot support these expenses, such actions are always quickly reversed as soon as donor support diminishes. Accordingly, capacity building for the GOH will focus on technical assistance, policy dialogue, and information sharing to help the GOH create a sound enabling environment for private sector and civil society implementation efforts.

6.1. GOVERNMENT CAPACITY

Three key GOH capacities are required to successfully implement a major multi-year, whole-of-government food security strategy in partnership with the donor community and Honduran society.

First, the GOH is aware of the need to demonstrate leadership and commitment to reducing extreme poverty. The GOH’s P-SAN and the corresponding ENSAN/CIP contain a clear vision of how to effectively implement a broad partnership of government, civil society, and private sector actors. The Technical Unit on Food Security and Nutrition (UTSAN) of the Secretariat of State of the President’s Office

(SDP) has the mandate to coordinate food security policy across the GOH.

In 2008, under UTSAN’s leadership, the GOH established the National Committee on Food Security and Nutrition (COTISAN), a food security inter-agency coordination mechanism. COTISAN serves as a forum for coordinating strategic priorities across relevant ministries (e.g., Agriculture, Health, Natural Resources, Infrastructure, National Statistics Institute, Finance, Trade, Property Institute, and Education), and with Congress. COTISAN represents an opportunity for new advances in GOH food security coordination; however it has not reached its potential to date. The USG food security program will coordinate closely with UTSAN/COTISAN in all relevant aspects.

While each donor will likely maintain its own program-level monitoring and evaluation system, it is important that the GOH undertakes a high-level M&E effort to measure long term impact and development outcomes across donor, private sector, and GOH investments. World Bank and IDB Agriculture sector projects contain funding for these efforts. The National Unit for Technical Analysis (UNAT) within the newly created Ministry of the Planning and Donor Coordination (SEPLAN)—the most important source of analytical and policy capacity within the GOH—has experience leading M&E efforts for both the Poverty Reduction Strategy and the MCC compact. Additionally, the National Statistics Institute has expertise designing and implementing household surveys. Drawing on these resources, the GOH will be able to use existing survey data and regular national survey instruments to create a data collection plan for monitoring national food security results. Donors are expected to coordinate their own individual M&E efforts closely with the SEPLAN’s overall monitoring program.

SAG is the implementing agency for the World Bank’s \$30 million Rural Competitiveness Project (COMRURAL) and the IDB’s \$27 million Rural Business Development Program Project (PRONEGOCIOS). The SAG also gets

support from the USDA for its sanitary and phytosanitary (SPS) systems.

International financial institutions and the European Union continue to strengthen the SAG's normative role in the agriculture sector's development. The USG will coordinate closely with SAG to ensure necessary compliance with policies and regulatory requirements.

Turning to nutrition, the GOH's Ministry of Health is well-positioned to play an effective role in a national food security initiative. The major donor-supported strategy to decentralize primary health services focuses heavily on the most food insecure regions of the country. The strategy establishes critical capacity for preventive and educational support to rural mothers to ensure adequate early childhood nutrition. Many health promotion services for food-insecure communities that were being provided by P.L. 480 Title II NGO implementers are now being incorporated directly into the decentralized health clinic system.

Government incentives for poor households to access health and educational services have been developed through a joint World Bank/IDB conditional cash transfer project known as the Family Cash Transfer Program (PRAF). According to research in Latin America over the last decade, conditional cash transfer programs can be an effective tool for overcoming inequality of opportunities for the poor, and particularly for underserved minority groups and women. Under PRAF, mothers in the poorest households receive a periodic stipend for ensuring that their children attend school and complete all mandatory health clinic visits. The direct financial incentive reinforces the mothers' cognitive capacity to find opportunities that will lead them and their families out of poverty. As the program primarily targets food insecure regions, PRAF will form part of the GOH's food security safety net efforts benefitting the poorest of the poor who are seldom able to respond to market based anti-poverty opportunities.

The GOH will work through existing mechanisms—particularly the G-16 donor system and the FSWG—to coordinate the reduction of hunger and food insecurity. The G-16 system is already an established, well-developed entity, and the GOH has shown the capacity to use it effectively.

6.2. CIVIL SOCIETY – NGO CAPACITY

Civil society organizations have played a critical role in filling the gap left by weak GOH institutional presence in rural areas. A network of rural development NGOs—consisting of local NGOs, U.S. PVOs, and U.N. implementing agencies—have provided packages of critical humanitarian and development services to the poorest municipalities of western and southwestern Honduras. This NGO network has also actively participated in GOH and donor supported food security programs over the last 20 years and has demonstrated capacity and commitment to working with the poorest of the poor.

FTF will leverage the institutional presence and on the ground and first-hand knowledge of the livelihood challenges of the extreme poor in the region of the existing network of NGOs in Honduras to for the country's new food security program.

One of the strongest capacities of the NGO community is to implement integrated community development programs that address a whole range of development issues at the local level including health, local governance/public participation, economic development, education and workforce skills training and sound environmental management. FTF will focus its investments on improving incomes and nutritional outcomes working in partnership with NGOs and their holistic approach. FTF's results orientation combined with NGOs' emphasis on locally owned development processes will combine the strengths of both approaches.

6.3. PRIVATE SECTOR CAPACITY

Honduran agricultural development has been largely driven by the private sector. The GOH played a relatively minor role in the diversification into non-traditional export crops in the 1980-90s and the boom in horticultural export crops over the last ten years. Consequently, a successful strategy to integrate poor, small farmers into market opportunities must also be based on a partnership with the private sector.

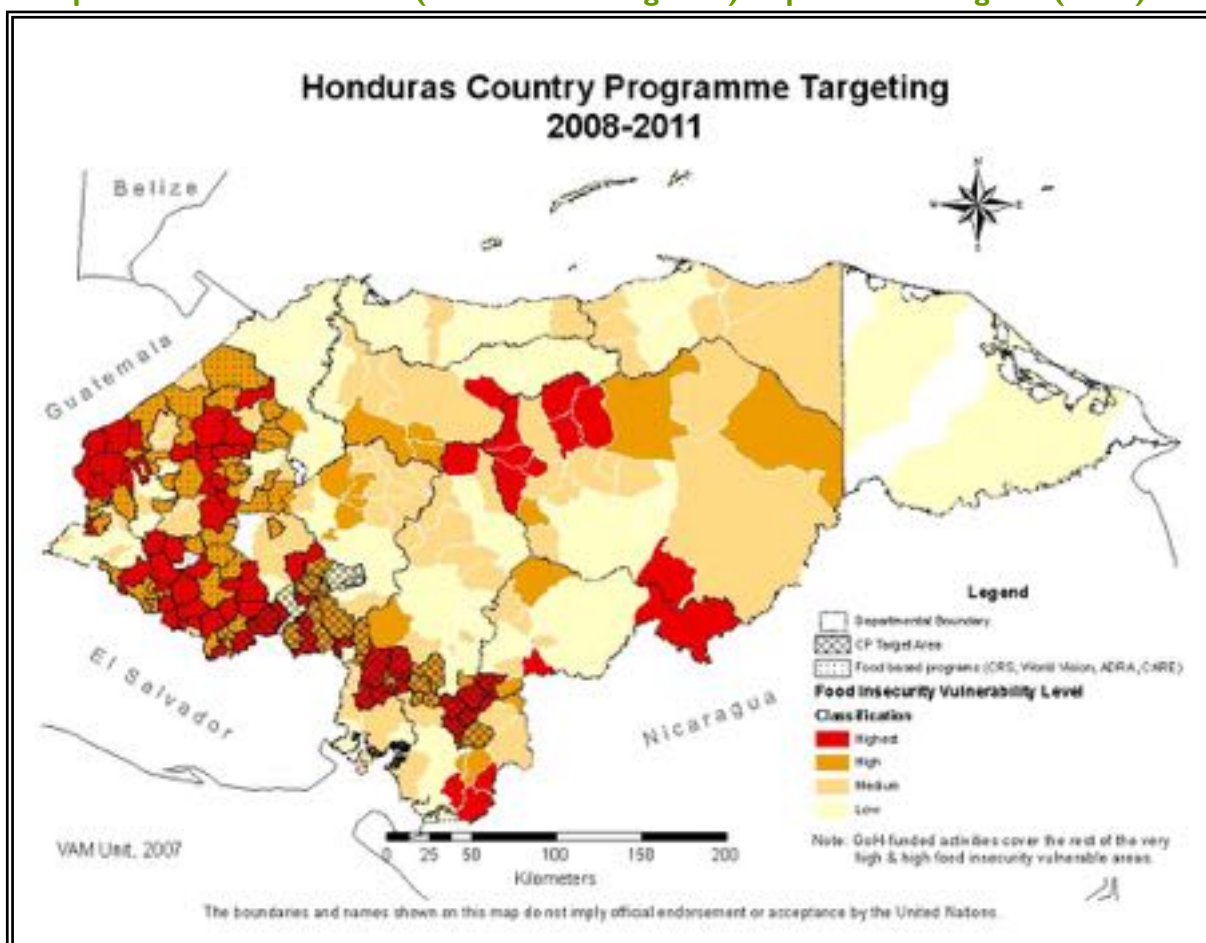
The Honduran private sector is able to conduct practical research in diversified agriculture, as exemplified by the Honduran Agricultural Research Foundation (FHIA), established with support from the USG in the 1980s. FHIA performs research for both large scale commercial crops, such as bananas and plantains, and for a wide range of smaller-scale commercial fruits and vegetables. During the past several years the USG has partnered with

FHIA to develop and implement small-scale agroforestry systems on small farms in and around protected areas.

In northern Honduras, FHIA implemented multiple field trials and successful agroforestry cropping patterns. FHIA also developed improved varieties of cacao, vanilla, black pepper, cinnamon, and other economically viable cash crops, as well as many species of tropical trees. The Honduran coffee sector has also been conducting practical on-farm research and developing improved varieties for many years.

Increasingly, key market partners—such as the principal supermarket chains in Honduras—are working to expand in-country productive capacity to meet growing national and regional demand. These private sector actors will be important allies as Honduras moves forward in defining and implementing its food security program.

Map 1: WFP & Title II PVO (Food Based Programs) Implementer Regions (WFP)



7. MANAGEMENT PLAN

7.1. WHOLE-OF-GOVERNMENT COORDINATION STRUCTURE

All economic development assistance and policy efforts are coordinated through the Ambassador's weekly Economic and Development Meeting which is facilitated by the ECON section of the Embassy. All agencies involved in development assistance (USAID, MCC, and USDA) and economic policy dialogue (State, Commerce, Treasury) take part in these weekly meetings. This ECON meeting will serve as the primary mechanism for USG coordination on food security. Through this meeting, State will continue to coordinate closely with all relevant agencies to effectively engage with the GOH on food security issues.

USAID will represent the USG at the working level in the G-16 donor process on food security. In addition, the MCC's Rural Development Program has created a foundation for basic infrastructure and rural credit in target communities. USDA will continue to strengthen the capacity of the GOH/SAG Sanitary and Phytosanitary Unit (SENASA) and help NGOs working in target communities with farmer organization strengthening. In addition, USDA is providing assistance valued at \$7.8 million through the Food for Progress program. Through this program, small agricultural producers will receive access to credit and training on increasing production, adding value, and gaining access to markets. These activities will allow producers to take better advantage of opportunities available through CAFTA-DR.

Peace Corps volunteers in target communities will contribute to the achievement of these shared results. As necessary, USAID will organize issue-specific USG inter-agency meetings on food security. ECON, together with the Foreign Agricultural Service (FAS), Foreign Commercial Service (FCS), and Animal and Plant Health Inspection Service (APHIS), will continue to build partnerships to strengthen

food security, trade capacity, and climate change mitigation.

The Economic Section is the lead office within the Embassy in promoting our renewable energy strategy, renewable energy projects do not have the unintended consequence of crowding out food production. The ECON Section is also responsible for promoting improvements in land tenure policies, a serious weakness in Honduras, where poor titling practices often lead to land disputes, including over agricultural land.

7.2. LINKAGES WITH OTHER MISSION STRATEGIC OBJECTIVES

The USG Mission in Honduras recently completed and received approval on its five-year, whole-of-government Country Assistance Strategy (CAS). The food security crisis of 2008 and the resulting prioritization of food security within foreign assistance were important considerations in the strategy development process. As a result, the economic goals section of this CAS establishes a market-based approach to food security as a USG priority for assistance programming.

The strong direct integration between FTF and USAID/Honduras Health Program's nutrition and family planning project have been described in detail earlier in this document. Several links between governance and food security have also been noted by development experts. For example, governance affects institutional effectiveness, service provision, economic development prospects and livelihood constraints—all of which encompass critical elements of a food security agenda. Therefore, the CIP recognizes the importance of building local capacity and enhancing good governance. Instead of treating these as separate objectives, however, specific strategies to increase regional, municipal and grass-roots capacity will be integrated into agriculture and nutrition activities. USG efforts will take advantage of synergies with USAID's democracy and

governance programs in these areas wherever possible.

The USAID/Honduras Office of Economic Growth will design and manage both a new food security program and a new integrated environmental program. While all agricultural technical assistance under the food security program will include both on-farm best natural resource management practices and community-based natural resource governance strengthening, USAID/Honduras will also support natural resources management and natural disaster vulnerability aspects of food security through close integration of the food security program with this new climate change mitigation and biodiversity conservation program currently in development. In addition to its core focus on restructuring Honduras' national protected area system, this program will work with the environmental unit of municipal governments in some food security program target regions to strengthen local governance capacity for effective natural resources management and enforcement. National natural resource and climate change policy issues will be addressed through this new environmental program.

The new environmental program will include the formal protection of upper slope forests that are the source of water for food insecure communities, the streamlining of the legal and certification requirements for community forestry under a new, recently passed forestry law, the planting of high value timber species along farm boundaries, and the piloting of emerging forest-based carbon credit and payment for environmental services arrangements. These sound forest management approaches represent another important income diversification opportunity for poor, rural food insecure communities. The program will also extend USAID/Honduras capacity building in disaster preparedness in these disaster-prone, mountainous regions. Finally, the new environmental program will have a rural tourism development component that seeks to create new non-farm, rural income, and employment opportunities.

Another major foreign assistance initiative with which the USG Mission in Honduras has been engaged over the past two years is the Central America Regional Security Initiative (CARSI, formerly known as Merida). As part of CARSI, USAID will support anti-gang/youth-at-risk activities in 12 of Honduras' 18 food insecure departments where FTF is expected to be implemented. USAID will also provide academic and technical education oriented to the job market, as well as workforce development activities, to help the area's low income, at-risk youth obtain better income and employment opportunities.

The USG will engage with relevant regional food security actors (SICA, OAS, UN, etc.) through the USAID Central America Regional Mission based in El Salvador (E-CAM). This will include close collaboration with E-CAM on regional food security issues, as occurs in all sectors.

7.3. MONITORING AND EVALUATION OF RESULTS

7.3.1. GOH Monitoring and Evaluation

The primary responsibility for monitoring and evaluation of results of Honduras' food security program will reside with the GOH. The primary responsibility will likely be assigned either to the Ministry of the Presidency, as is most often the case, or to the newly-elected Vice President, who was recently named National Agriculture Coordinator.

The National Institute of Statistics will conduct annual household surveys to assess FTF's progress toward reaching targets. The USG will also have its own monitoring process, to manage performance and fulfill necessary information and reporting requirements.

7.3.2. USG Monitoring and Evaluation

The USG will design and conduct surveys, assessments, and a final evaluation to measure program progress and impact. A baseline study

will be performed for all indicators in the performance management plan. An analysis on approaches for reaching underserved populations, including women-led households, will also be conducted. Additional studies may be undertaken to collect beneficiary and stakeholder feedback, former participant comments, and other information.

All USG agencies supporting FTF will also develop M&E systems to track and measure programs results. USAID/Honduras is currently developing its Performance Management Plan (PMP) for its results framework under the new CAS. This PMP will include indicators and targets for the FTF's two key results:

- Increased income for food insecure households
- Reduced under-nutrition in food insecure households

Additional economic growth indicators will include new net sales and new employment (full time equivalents) from participating rural enterprises.

Reduced malnutrition measures will include: decrease in stunting in children less than 5 years old (height by age); and decrease in acute malnutrition (weight by age) in children between 6-23 months, since this is the period in which damage can be reversed in terms of children's growth and development.

Data collection and reporting will be incorporated into contracts and grants established to implement FTF. All results data

will be shared with the GOH for inclusion in the consolidated M&E system.

7.4. MISSION STAFFING

USAID/Honduras's Office of Economic Growth (EG), which will lead USG implementation of Honduras's food security program, intends to more than double staffing in FY 2010 in preparation for the execution of this plan. Current EG staff includes one USDH (FS-01 Supervisory Agricultural Officer), one USPSC (Environment Specialist), and one Senior FSN (Agriculture and Trade Specialist). The Office also has a new USDH Deputy Director position (FS-03 Private Sector Officer) on the FY 2010 bid list and is in the final stage of hiring another FSN. Additionally, the Mission transferred to the EG Office the two FSN positions responsible for managing the PL 480 Title II Food Aid Program (currently housed in the Health Office), since the program is closing this fiscal year. Finally, the Mission is considering creating a new Senior Food Security Specialist PSC position to provide technical leadership for USG implementation of the food security initiative in Honduras.

For FY 2011, two staffing scenarios are presented for a) the current \$22m food security budget request, and b) the \$50-70 million preferred budget level. Under Scenario A, the Mission would add a third USDH staff person in FY 2011. Under Scenario B, addition of a fifth Senior FSN position would bring the total number of professionals managing this program to ten.

Table 12 USAID/Honduras Projected Economic Growth Office Staffing Levels

| USAID/Honduras | FY2009 | FY2010 | FY2011.a | FY2011.b |
|------------------|----------|----------|----------|-----------|
| USDH | 1 | 2 | 3 | 3 |
| PSC | 1 | 1 | 2 | 2 |
| FSN | 1 | 4 | 4 | 5 |
| Total | 3 | 7 | 9 | 10 |
| New hires | 0 | 3 | 2 | 3 |