Strategic Review

FEED THE FUTURE

October 6, 2010

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

Context

- Young democracy
- 36-year civil war; Peace Accords signed 14 yrs ago
- Income inequality is 13^{th} highest rate in world
- Chronic malnutrition is one of highest worldwide
- Population doubles every 24 years
- Mountainous terrain and 25 languages spoken
- Top 10 countries vulnerable to natural disasters

Context

Faces of the Two Countries

Non-Indigenous

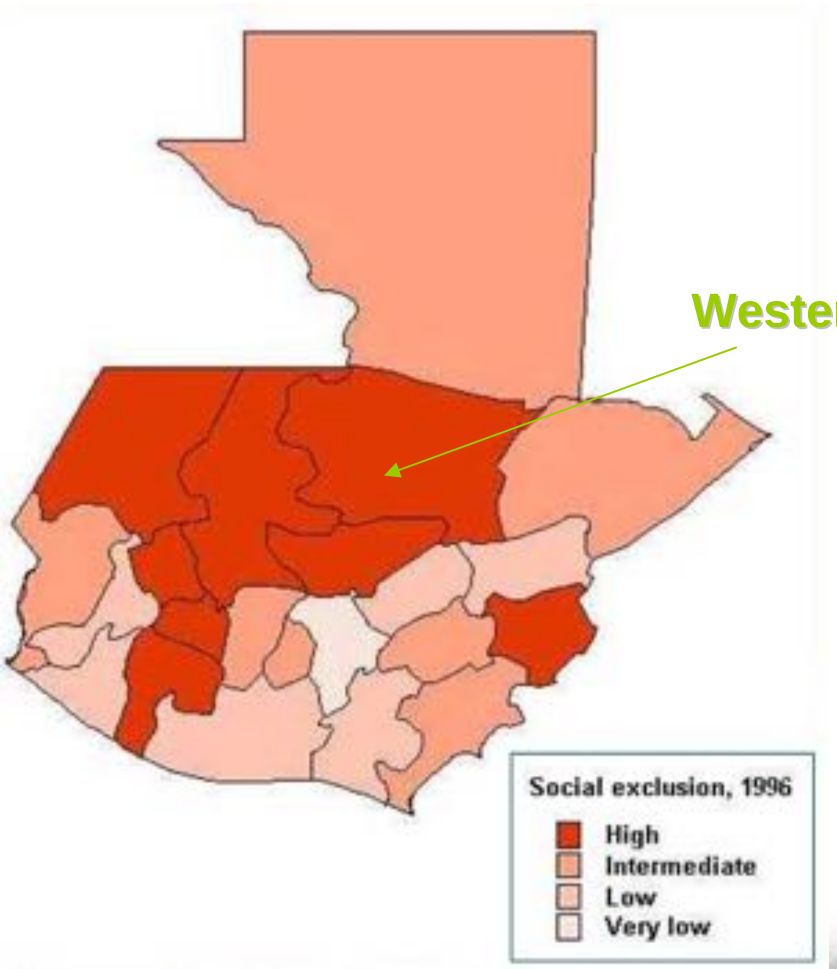
- 62% of total population
- 36.2% live in poverty
- 6.5 avg. years school
- Majority urban
- 30.6% chronic malnutrition

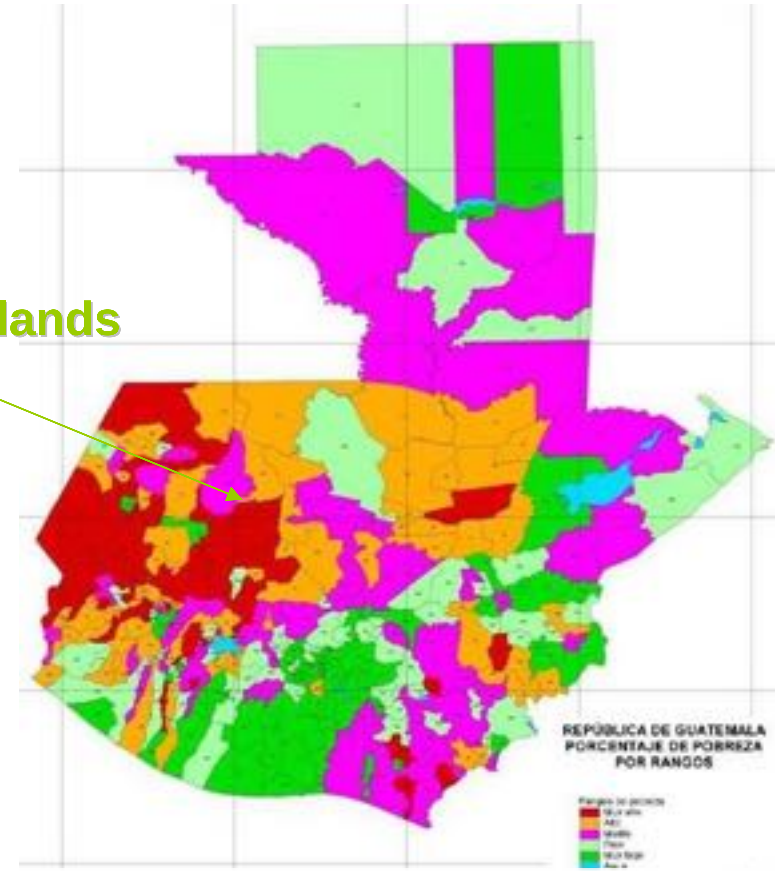
Indigenous

- 38% of total population
- 74.8% live in poverty
- 3.8 avg. years school
- Majority rural
- 58.6% chronic malnutrition

A Story of Exclusion and Poverty

Western Highlands

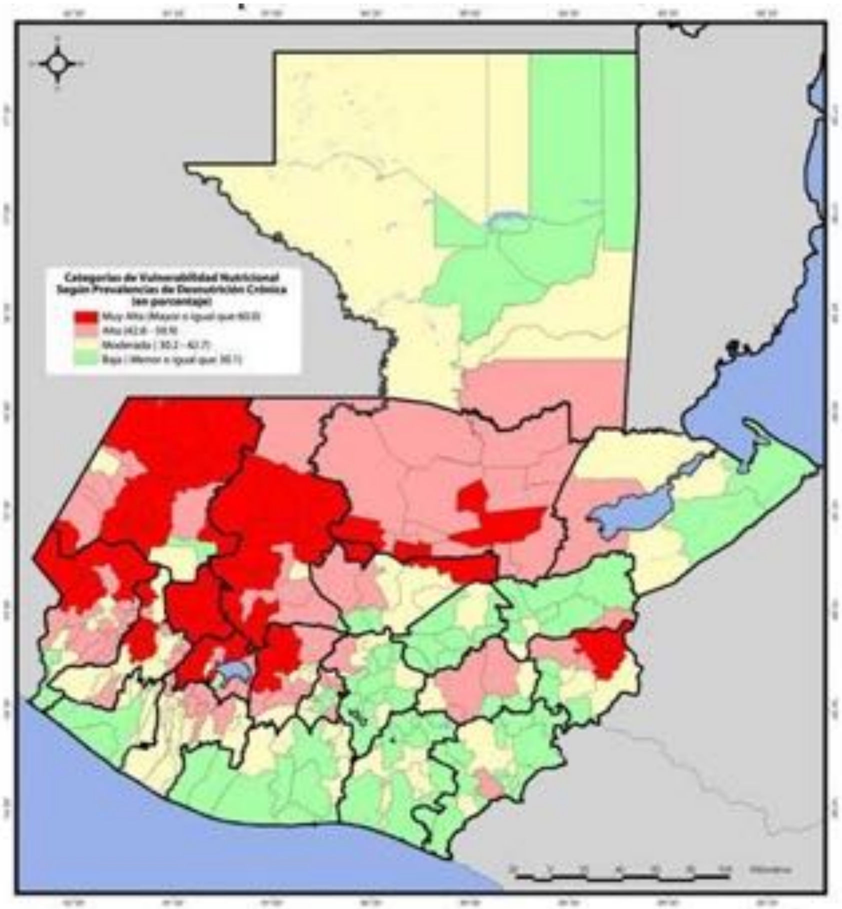




Context

Chronic malnutrition in Schoolchildren

by Municipality ~ 2008



Chronic malnutrition is common in families without power to purchase

Moving Out of the Basic Grain Business

Tariff and Quota Reduction Schedule for Guatemala

Commodity	Years for Tariff Elimination
Peas	10 Years
Red Beans	Immediate
Black Beans	15 Years
White Beans	10 Years
Fresh Potatoes	15 Years
White Corn	TRQ of 20,000 MT
Yellow Corn	10-year duty phase-out. TRQ of 525,000 MT, growing by 5 percent per year.
Rice	TRQ of 54,600 MT for rough rice and 10,500 MT for milled rice, growing by 5 percent per year.

TRQ = Tariff Rate Quota. Source: USTR




Country Readiness >>> Structural

CONASAN

National Food Security Council

MESAN

SESAN

Food Security Secretariat

INCOPAS

Civil Society Consultation

PESAN

National Food Security Strategic Plan

Sub-National Plan

Western Highlands Strategy

Country Readiness >>> Policy Progress

Progress towards territorial Country Investment Plan (CIP)

✓Existing Strategic Plan for Food Security and Nutrition (PESAN)

✓Government decision taken by National Council on Food Security, headed by the Vice President, to develop a Regional Country Investment Plan (RCIP) for the Western Highlands

Quality of outreach and consultations

✓National Council includes representatives of the commercial private sector and civil society (INCOPAS)

Progress / commitment on conducive policy environment

✓Existing commitment to free trade and addressing trade barriers

✓Sanitary and Phytosanitary Standards (SPS) will be addressed with FTF activities. CAFTA-DR contains a chapter on SPS requirements.

✓Food and Nutritional Security Law of 2005 being actively implemented by the GOG

✓Governmental Decentralization Law of 2002 provides clear division of responsibilities among national, regional and municipal governments

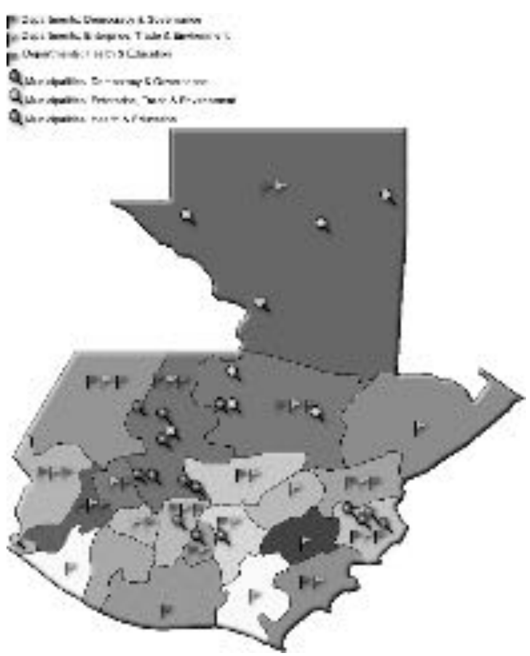
Stocktaking and Evidence Base

- **Strategic Approach**
  - Food Security Framework Analysis: programmatic choices and geographic focus
  - McKinsey Strategic Review
- **Agriculture Led Growth**
  - Mellor/IARNA Economic Development Model
  - Series of 7 sub-sector analyses for Feed the Future
    - Mapping exercise of poverty/malnutrition/agricultural potential
    - Sanitary and Phytosanitary Standards
    - Research and Extension
    - Rural Finance
    - Non-farm Income
    - Access to Technology
    - Water and Irrigation
  - Market Analysis and Benchmarking Study

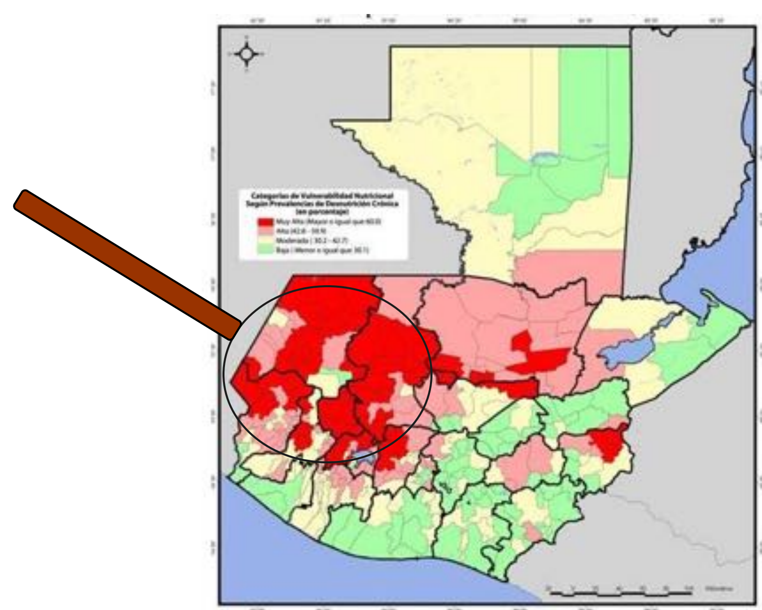
- **Nutrition**
  - Lancet 2008 report
  - World Bank "Scaling Up Nutrition"
  - Maternal and Child Health Survey (1995 to 2008/2009)
  - Demographic Health Survey (2006)

Strategic Decisions

- ✓ Transition from existing to new geographic areas
- ✓ USAID influence deeper in more concentrated area
- ✓ Focus on improving access to food and health services
- ✓ Higher cost and slower progress with extreme poor



USAID program activities, 2008



Chronic malnutrition in Schoolchildren by Municipality ~ 2008

USG Strategic Focal Points

1 Geographic>
Western Highlands

2 Food Access>
Increased incomes through
Horticulture and Coffee Value Chains

3 Food Use>
Nutrition

4 Transparency & Sustainability>
Municipal Governance

Region with Greatest Potential Impact

Poverty density map of Guatemala[1]

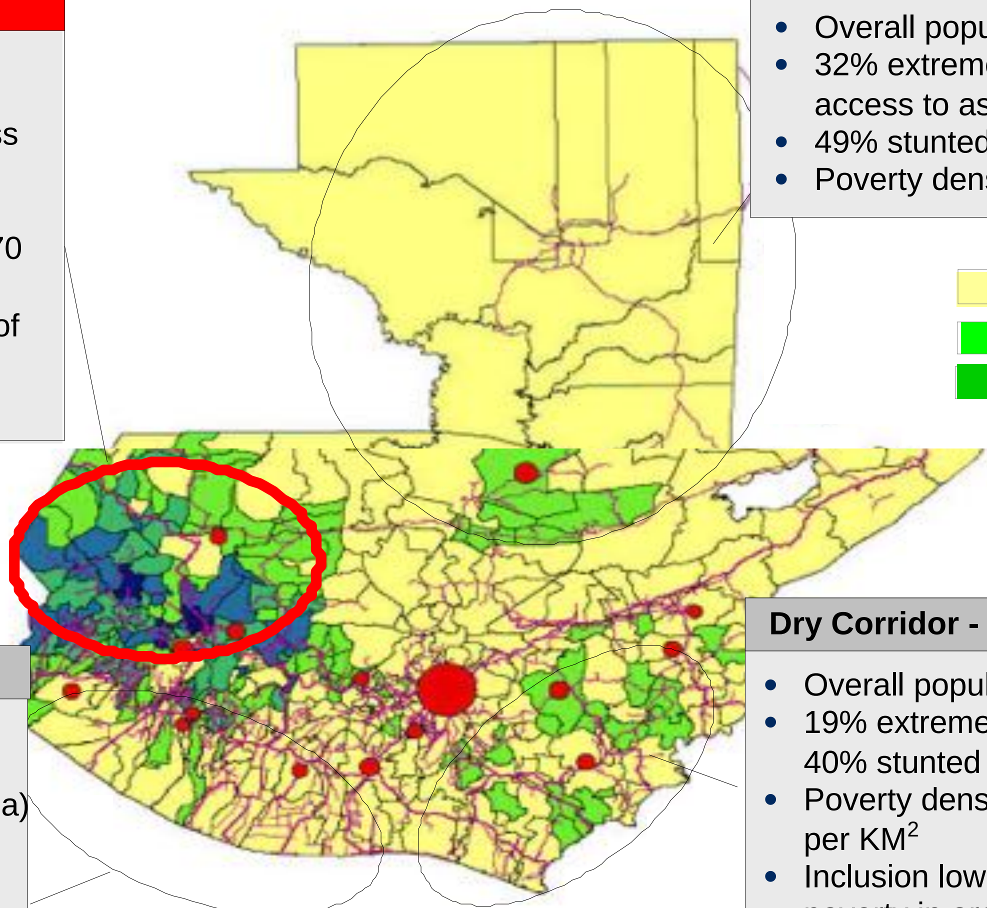
Number of people below poverty line per km^2

Western Highlands - High

- Overall population 2.8M
- 26% extreme poor (<.04ha), 47% poor (<.2ha), 18% access to assets (1-5ha)
- 67% stunted
- Poverty density high – 74 -270 people per KM^2
- Inclusion high due to density of asset ownership next to high poverty areas

Northern Region - Low

- Overall population 1.7M
- 32% extreme poor, 46% poor, 30% access to assets (1-4ha)
- 49% stunted
- Poverty density low – 7-83 per KM^2



- 0-33
- 34-80
- 61-142
- 143-268
- 269-696
- Urban area

Coastal Region - Low

- Overall population 1.0
- 11% extreme poor, 44% poor, 18% access to assets (10-20ha)
- 37% stunted
- Poverty density low – 58-100 people per KM^2

Dry Corridor - Medium

- Overall population 1.1M
- 19% extreme poor, 41% poor 40% stunted
- Poverty density low – 33- 86 people per KM^2
- Inclusion low due to wide-spread poverty in areas with few productive assets

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2 Access >> Agriculture Value Chains

Value chain	Market	Key Investments	Nutrition impact	Inclusion potential	Overall feasibility
Coffee	• **High** – Int'l imports increasing, driven by Guatemala's main market, US • Increase in value for strictly hard beans, key crop of target region	• **Med** - Need to train and mobilize farmers, provide with plants • Key investments would be infrastructure access	• **Low** - No nutritional value and in many cases can exacerbate unsanitary water-related illnesses	• **High** - Currently ~45,000 households • Could reach 50,000 with at least 1ha, based on coffee growing areas • Low risk access due to growing crop in tandem with existing crops	
Horti-culture	• **High** - International market available for key products; snow peas, french beans, broccoli	• **Med** - Need to train and mobilize farmers, provide with plants– could be undertaken by private sector with right incentives • Key investments would be infrastructure access and certification process	• **High** – multinutrients missing from diets • Need to supplement with education, however, no guarantee foods will be purchased	• **High** - Currently ~ 15,000 households in this region • Could reach 25,000 based on land size and clustering • Employment for non-land owners ~ 5,000 people	
Beans	• **Low** - Likely in local market as substitute for income	• **Low** - Yield improvement to develop altitude-resistant crop with shorter growth cycle, currently no product in pipeline however	• **Med** – protein and energy, however, not complete protein • Improved transition food for babies >6mo	• **High** – about .1M households grow their own beans, but average plot is <.04ha • No product available to improve yields in highlands	

High feasibility

Low feasibility

Focus area

2 Testing Change Agent Models

Change Agents	When to use	Benefits	Drawbacks	Ideal for
Industry associations *Current Model*	• Strong value chain that spans from commercial farms and smallholders but is mostly small producers • Need for extension/research to benefit everyone in value chain • Weak government leadership on innovation, policy	• Creates strong platform industry platform (e.g. certification policy, storage techniques, improved starter plants) • Maintains some social incentive that attracts funding • Builds local capacity	• Incentive is to reinvest dollars to help current members rather than expand to large number of new members • Cost/household ~$300, lower if org is at scale and funded with fees (Coffee cost is <$200 per farmer)	Coffee, Horticulture
Private sector consolidators &wholesalers *Pilot*	• Value chains exist, but smallholders cannot access without help • Farmers are geographically concentrated • Need for infrastructure in value-chain; e.g. storage facilities, processing plants	• Profit motive may overcome risk of investing in new smallholders • Incentive to develop competencies and replicate geographically • Seed funding, not ongoing and cost ~ goal $120-300/household	• High risk investment • Need entrepreneur to invest in infrastructure to ensure sustainability • Profit-motive needs to be strong enough to take on risky market expansion	Horticulture
Farmer groups[1]	• Value chains exist, but smallholders cannot access without help • Farmer group is established as an association and seeking to grow	• Market value of scaling is tied to profit motive • This ensures inclusion of higher risk farmers (i.e. those who aren't yet productive)	• Cost/farmer high; $600-$700/household because its hard to leverage other funding • Might also not risk scaling to because of demands of current membership	Horticulture

1 Farmer groups are legally called "associations", we use "farmer group" to distinguish from industry associations which are groups of farmer associations

- ✓ **Strengthen and focus health and nutrition programs in Feed the Future Western Highlands focus region to prevent, detect and treat childhood diseases and malnutrition through:**
    - ✓ **Strengthening delivery of an integrated package of health-nutrition services**
    - ✓ **Ensuring the availability of necessary health commodities and equipment**
    - ✓ **Improved diet diversity**
- ✓ **USG activities will focus on women and children (-9 to +23.9 months) to capitalize on the *"1,000 Days"* special window of development opportunity**
- ✓ **Build upon synergies between Global Health Initiative and Feed The Future.**

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Sustainability >> Municipal Governance

- ✓ **Support community based advocacy to ensure food security and rural development are addressed by local and national government.**
- ✓ **Strengthen municipal governments' economic development strategies to reduce poverty and chronic malnutrition.**
- ✓ **Improve municipal governments' delivery of basic services including water and sanitation**

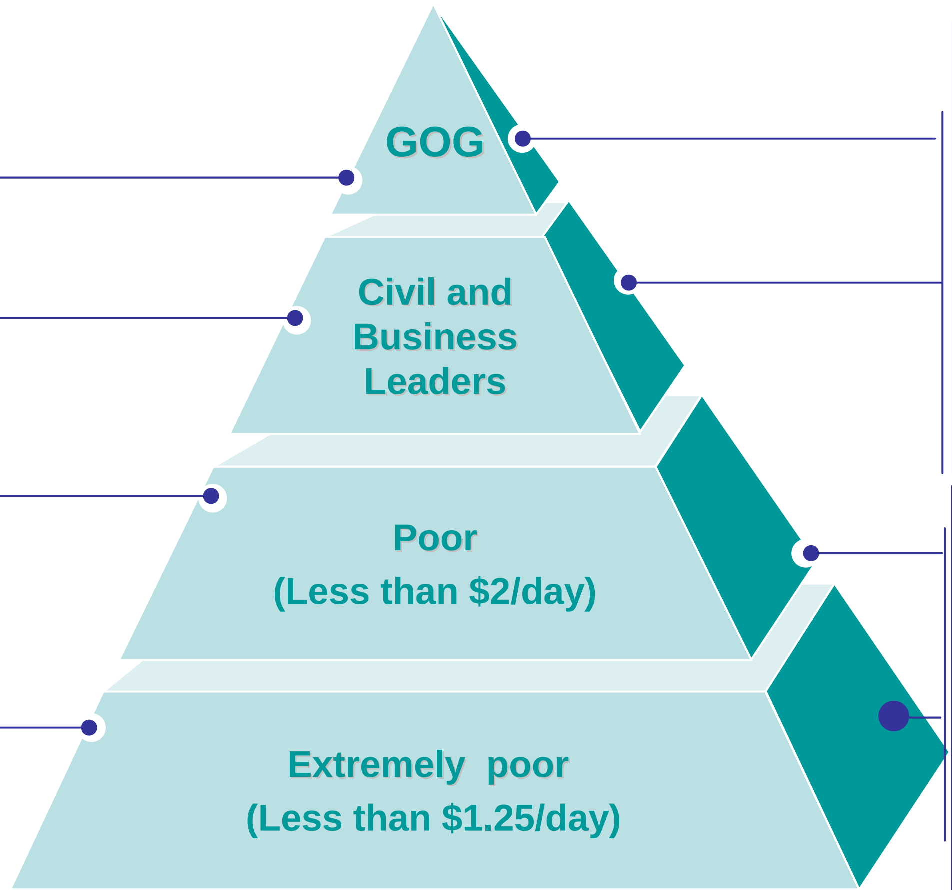
Gender Synergies

- **Significant inequity exists in Guatemala between men and women. This inequity must be addressed in order to reduce cycles of poverty and malnutrition.**
- **Agriculture is a major source of rural income. Therefore, USG will assure greater equity by integrating women and men into value chains.**
- **Women remain primary health providers for families. Thus, nutrition and health programs will adopt a maternal and child health focus.**
- **USG/Guatemala has analyzed gender dynamics in development and applies the findings of its gender analysis to all programs as a cross cutting issue.**

Whole-of-Government Results

Drive system transformations in Western Highlands (USG integration, nutrition and value chains focus)

PL 480 Title II



Targeted policy expertise on high impact issues, and capacity building at local governance level

Expand value chains and improve linkages between value chains and PL480 Title II and USDA programs.

PL 480 Title II

Questions and Answers

Additional Supporting Slides

Diversification Yields 6 Times the Income

	Only Corn	Corn & Horticulture
Agricultural inputs	$ 290	$ 2,536
Day laborers	538	2,511
Total Costs	$ 828	$ 5,047
Sales	1,050	7,163
Profit (Sales – Costs)	223	2,115
Income (profit + day labor)	$ 750.50	$ 4,626.38

Analysis by: Ricardo Hernández, doctoral candidate at Michigan State University, based on ENCOVI data.

Farmer Family Annual Incomes

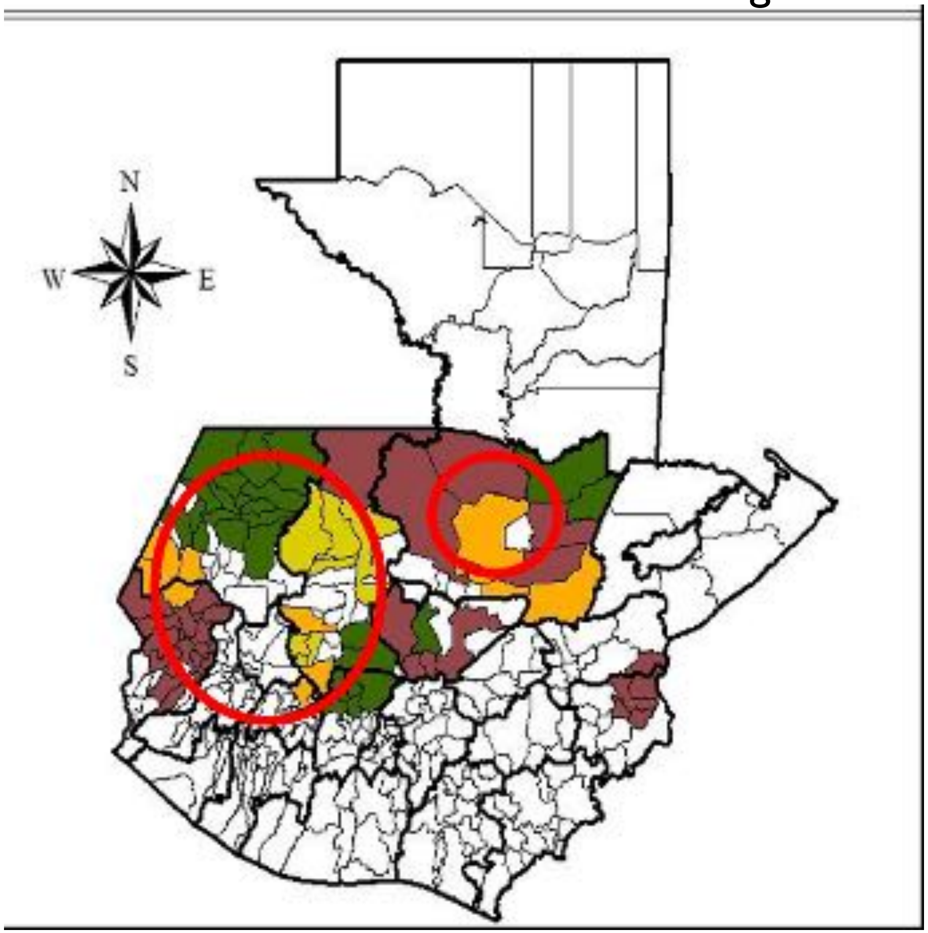
Source of Income	Poorest 25%	Poor 25%	Middle Income 25%	Richest 25%
Agricultural crops	9%	27%	22%	10%
Livestock	22	12	7	3
Agricultural Wage Labor	31	31	27	15
Skilled Non-farm Labor	2	2	2	8
Unskilled, Non-farm Labor	23	20	35	51
Remittance or Other	14	8	6	11

P.L. 480 Title II

- ✓ **The Guatemala P.L. 480 Title II Program uses a development approach to create durable food security in Guatemala's poorest rural communities. The program has two components:**
  - ✓ **Health:** Last year, the program provided nutritional interventions for children and training to men and women in child health, nutrition practices, maternal newborn care.
  - ✓ **Food for Work:** The program improves food security through: soil conservation, organic agriculture, plot management plans, family gardens, improved granaries, poultry vaccinations, animal production, irrigation systems, and reforestation.

- ✓ **The current 5-year program (MYAP) will end next year.**
- ✓ **A separate emergency program (SYAP) provides similar assistance to the eastern Dry Cooridor. This will also end next year.**
- ✓ **Next-Generation MYAP will be targeted to reach the FTF geographic focus region.**

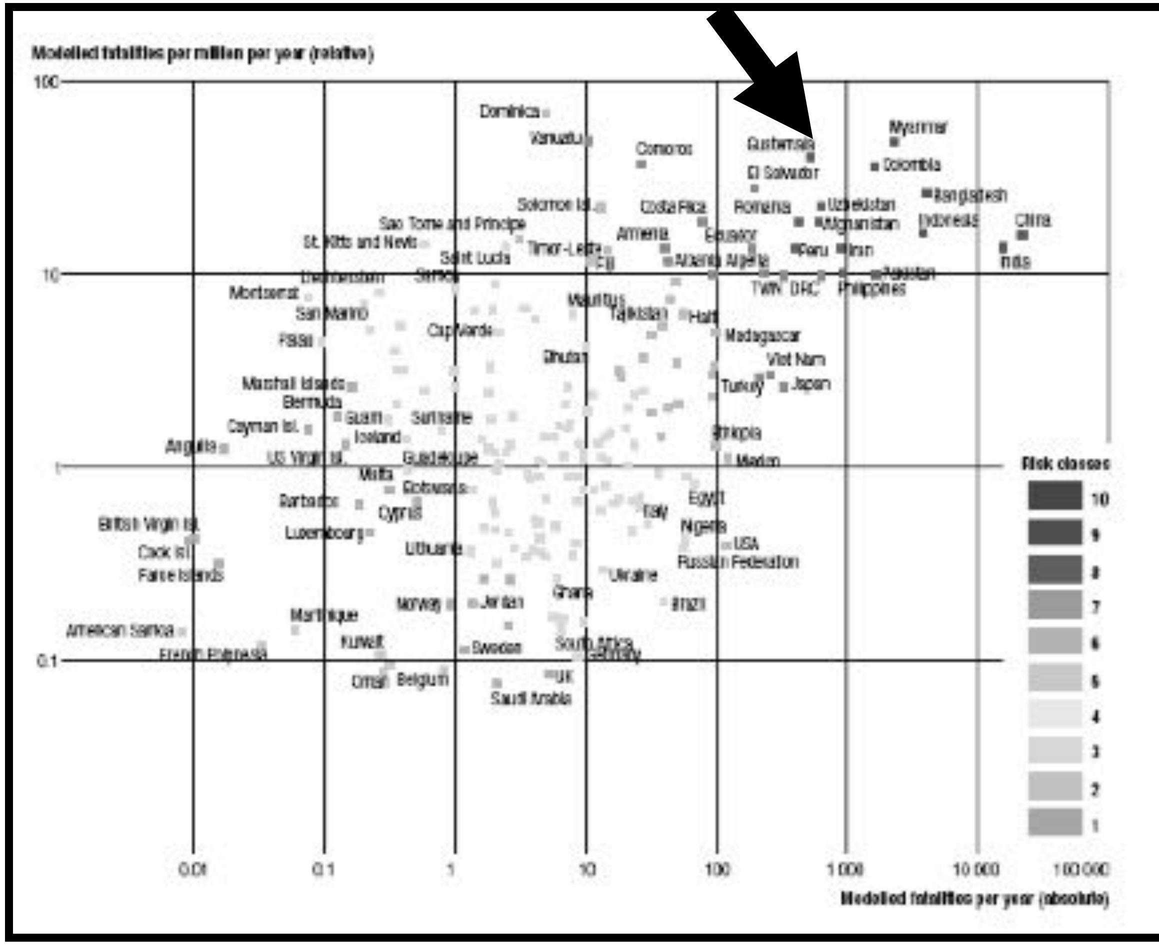
Current Multi-Year Assistance Program



Climate Change and Vulnerability

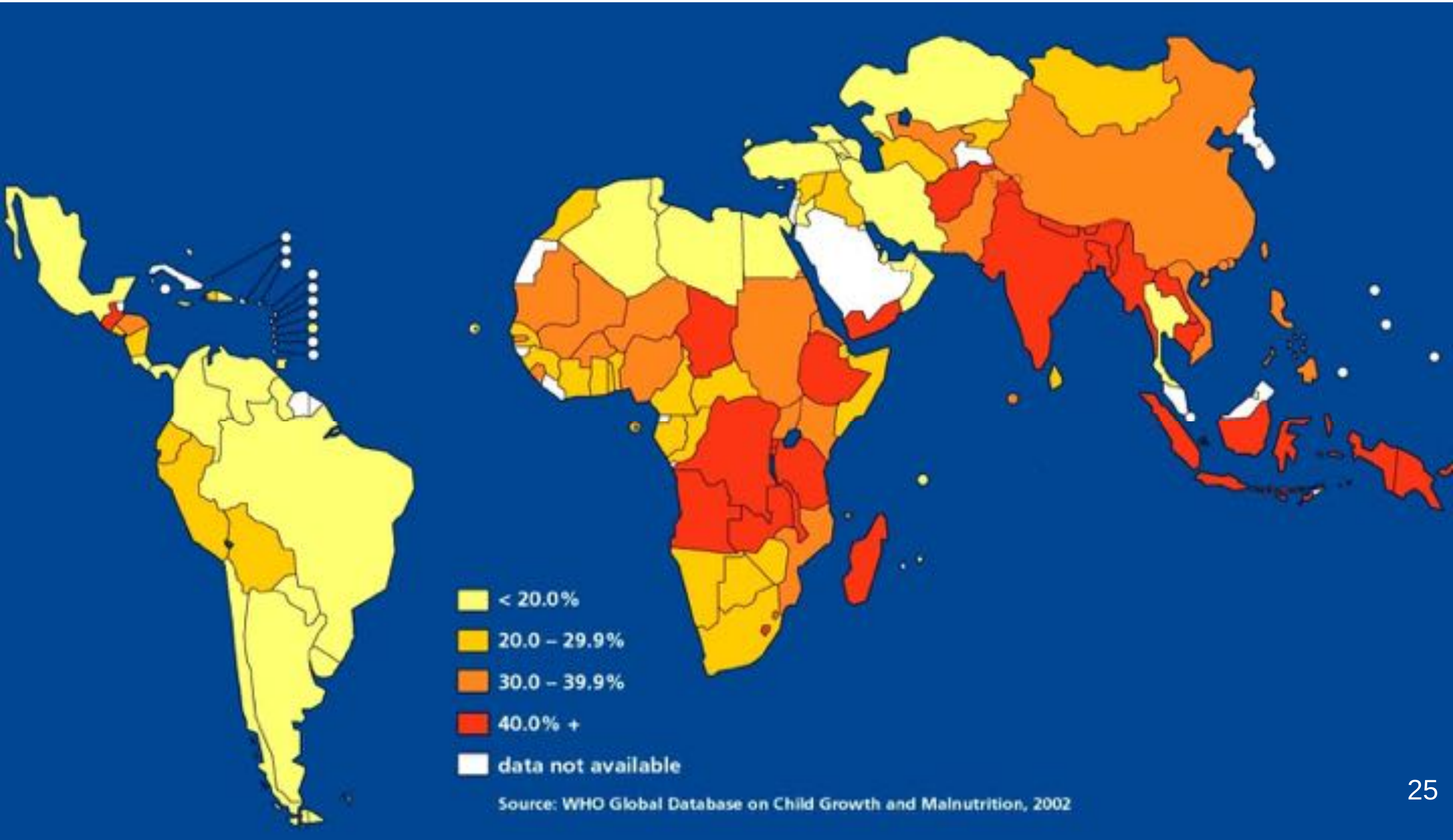
Guatemala has a high risk to climate-related hazards such as droughts and is among the <u>10 top countries with the highest mortality risk</u> index due to natural disasters

Classes	Absolute risk	Relative risk	Mortality Risk Index
10	>3 000	>500	Extreme
9	1 000–3 000	100–500	Major
8	300–1 000	30–100	Very high
7	100–300	10–100	High
6	30–100	3–10	Medium high
5	10–30	1–3	Medium
4	3–10	0.5–1	Medium low
3	1–3	0.1–0.5	Low
2	0.8–1	0.05–0.1	Very Low
1	[illegible]	[illegible]	Negligible
0	0	0	Unknown exposure

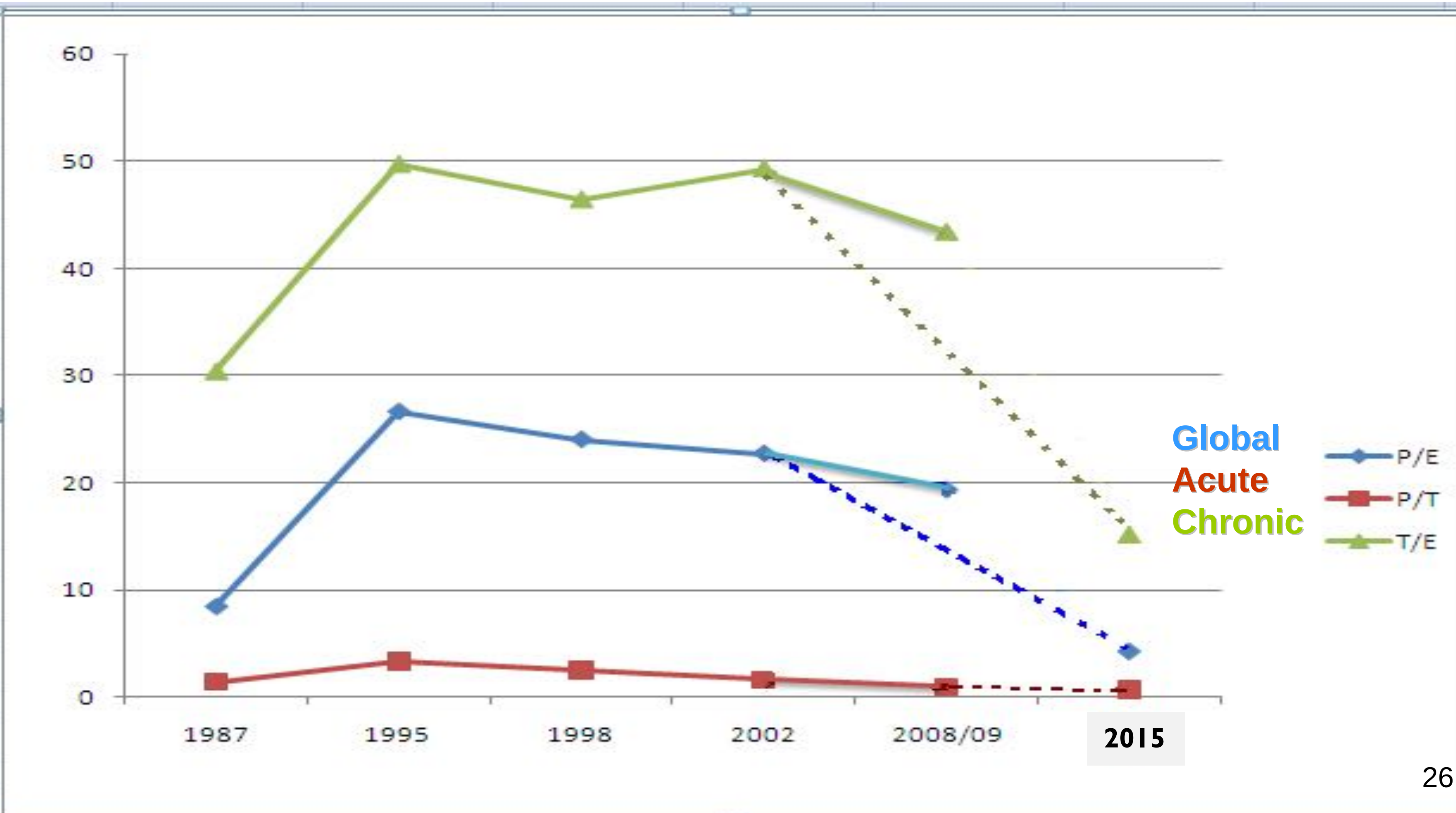


2009 Global Assessment Report on Disaster Risk Reduction , UNISDR

Stunting

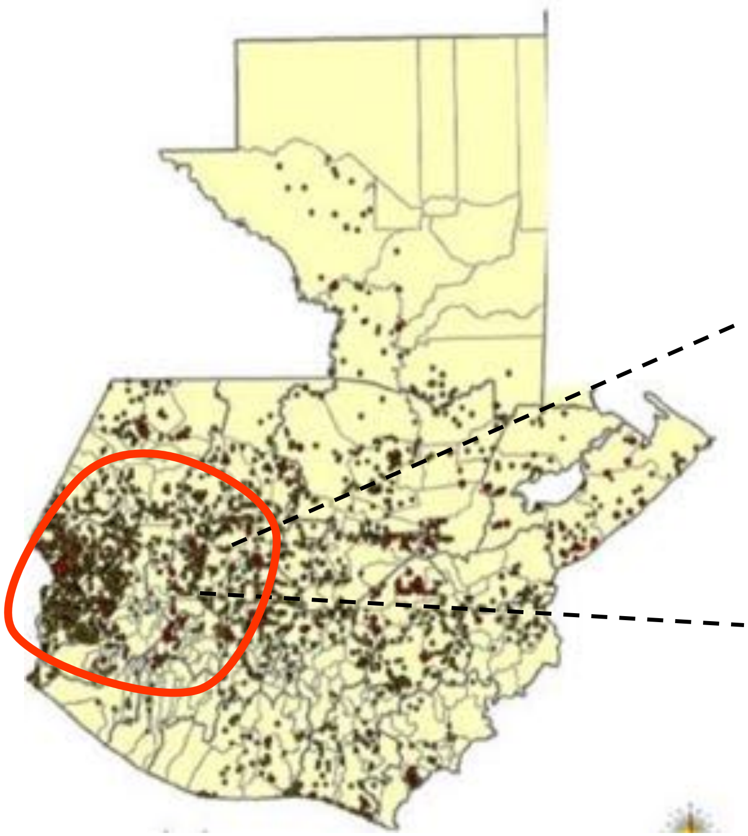

< 20.0%
20.0 – 29.9%
30.0 – 39.9%
40.0% +
data not available
Source: WHO Global Database on Child Growth and Malnutrition, 2002

Malnutrition in Guatemala



Snapshot of Western Highlands

Chronic Food Insecurity and Malnutrition Risk Density



Snapshot of Western Highlands		
	Poverty	Chronic Malnutrition
Totonicapan	71.9	74.2
Quiche	81.0	64.8
Huehetenango	71.3	64.7
Quetzaltenango	44.0	37.0
San Marcos	65.5	46.8

Source: ENSMI 2008-09, ENCOVI 2006