

# Global Food Security Strategy (GFSS)

Honduras Country Plan

2022 - 2026

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## **Acronyms**

BHA Bureau for Humanitarian Assistance
CCIR Crosscutting Intermediate Result

CDCS Country Development Cooperation Strategy

CNI National Investment Council

DHS Demographic and Health Survey

DFC Development Finance Corporation

DO Development Objective
EU The European Union

FAO UN Food & Agriculture Organization

FHIA Honduran Foundation for Agricultural Research

FTF Feed the Future

GFSS Global Food Security Strategy
GOH Government of Honduras
GWS Global Water Strategy

IAF Inter-American Foundation

IICA Inter-American Institute for Cooperation on Agriculture

IDB Inter-American Development Bank

IHCAFE Honduran Institute of Coffee
INE National Statistics Institute

IR Intermediate Results

LAC Latin and Caribbean Region

MEL Monitoring, Evaluation, and Learning
MICS Multiple Indicator Cluster Survey

MoF Ministry of Foreign Affairs

MSME Micro, Small, and Medium Enterprise

PBS Population Based Survey

PyENSAN National Policy and Strategy for Food and Nutrition Security of Honduras

REFS Bureau for Resilience, Environment, and Food Security

SAG GOH Ministry of Agriculture (Secretaría de Agricultura y Ganadería)

SENASA National Plant, Animal Health, and Food Safety Service

SERNA GOH Ministry of Natural Resources and the Environment

SESAL GOH Health Secretary (Secretaría de Salud)

SUN Scaling Up Nutrition

USAID U.S. Agency for International Development

USDA U.S. Department of Agriculture

USG U.S. Government

WB World Bank

WTO World Trade Organization
WFP World Food Programme

ZOI Zone of Influence

## **SECTION I (A & B)**

## A. Country Context

Honduras remains one of the poorest nations in the Americas. Classified as a lower-middle-income economy, its human development outcomes are among the lowest in the Latin America and Caribbean (LAC) region. Inequality continues to be among the highest in the Western Hemisphere, reflected by a Gini coefficient of 48.17 that has only deviated slightly over the past five years. The country's per capita annual income is \$2,822 (2021), and in 2019 roughly 12.74 percent of Hondurans lived below the poverty line (\$2.15/day at 2017 PPP). While real GDP growth averaged 3.1 percent over the past decade, this was mainly driven by remittance-fueled private consumption expenditure that has resulted in economic gains largely favoring the middle and upper classes. The national level poverty rate is at 64.1 percent. This has led to greater income disparity across Honduras that has stagnated poverty reduction in recent years. Poverty is even more pronounced in rural areas where a majority depend largely on agriculture for their livelihoods, such as in the Dry Corridor. Moreover, 52.3 percent of Hondurans live in extreme poverty<sup>5</sup>, with this rate trending upward since 2014.6

The U.S. Global Food Security Strategy (GFSS) defines food security as the availability to always have enough quantity of food within the community and country; the adequate economic and physical access at the household and individual level; and, the utilization of these foods within the family to meet dietary needs for a productive and healthy life. Persistent rural poverty rates combined with both high economic inequality and climate-related shocks have only deepened existing vulnerabilities and food insecurity. Post-COVID recovery and recurring natural disasters, including prolonged periods of drought, cyclical and often devastating hurricanes (such as Eta and lota hurricanes of 2020) and floods highlight Honduras' exposure to the effects of climate change. Climate-related events have resulted in chronic food insecurity for the most vulnerable and marginalized populations, particularly for those in the southern and western regions of the country. Even though this places Honduras as a "moderate" country for hunger (62 out of 121 countries), the country has experienced the highest increase in food insecurity between 2012 and 2021 within the LAC region (35 percentage points). Currently, from a total population of 10.3 million, 4.9 million Hondurans suffer slight to moderate food insecurity and 1.5 million are undernourished, i.e., not able to satisfy their minimum food energy needs.

World Bank, 2022. Poverty and Inequity Platform, Country Profile-Honduras

<sup>&</sup>lt;sup>2</sup> Ibid.

<sup>&</sup>lt;sup>3</sup> Instituto Nacional de Estadística (INE), 2023.

<sup>&</sup>lt;sup>4</sup> The Dry Corridor is an area classified as tropical dry forest or tropics, extending between Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala. More than 10 million people live in the Dry Corridor, where most are dedicated to agriculture and small-scale production of basic grains. In Honduras this constitutes western and parts of the central region of the country. This area is highly vulnerable to extreme climate events, with long periods of drought and shorter periods of heavy rains that strongly impact the livelihoods and food and nutritional security of local populations (FAO).

<sup>&</sup>lt;sup>5</sup> INE, 2023.

<sup>&</sup>lt;sup>6</sup> World Bank, 2022. Honduras - Paths Toward Building a Resilient Society: Systematic Country Diagnostic

<sup>&</sup>lt;sup>7</sup> Global Hunger Index, 2022. Global hunger index for Honduras

<sup>&</sup>lt;sup>8</sup> FAO, 2023. State of Food Security and Nutrition in the World, 2023

### **Nutrition**

Honduras continues to have one of the highest malnutrition rates in Latin America with nearly 19 percent of children under five years suffering from stunting (or low height for age) and seven percent being underweight nationally. This points to the fact that, according to the World Bank's Human Capital Indicator, a child born in Honduras will be almost half (48 percent) as productive when they grow up as they could be if they were guaranteed a complete education (see: *Gender inequality*) and health care. He 2019 Government of Honduras (GOH) Demographic and Health Survey (DHS) / Multiple Indicator Cluster Survey (MICS) does depict a reduction in stunting among children under five—downward from the 2012 rate of 22.6 percent (28.8 percent in rural areas); however, a stagnation in underweight values demonstrates that improvements in the diet, health care, and hygienic environmental conditions are still unsatisfactory. Wasting is not a public health problem in Honduras (2.4 percent or less is considered normal), but DHS/MICS illustrates an increase from 1.4 percent (1.5 percent in rural areas) in 2012 to 1.9 percent (1.8 percent in rural areas) in 2019.

A 2022 World Food Programme (WFP) assessment of the level of minimum dietary diversity for women in Honduras remained at 65 percent, unchanged from 2020. However, in terms of a minimal acceptable diet, only 57 percent of children 6-23 months have achieved this 12; and using UN Food & Agriculture Organization (FAO) socioeconomic determinants of unaffordability and inequitable access, they have determined that over half of the Honduran population in 2022 (51.3 percent) could not afford a healthy diet (income levels relative to the cost of a healthy diet). 13 Given the complexity between the prevalence of undernutrition and anemia, this would need further attention to achieve GFSS country-level food systems development outcomes. Regarding exclusive breastfeeding practices, data depicts that in children under six months of age, western Honduras only 33 percent are exclusively breastfed, and 39 percent of women employ a mixed feeding routine to those children. 14

Increased obesity is a troubling trend in improving nutritional status. The percentage of children classified as overweight is a potential public health problem with roughly five percent of children 0-60 months overweight nationally. Moreover, anemia among children has increased from 29 percent in 2012 to 36 percent in 2019. The prevalence of anemia, diarrhea, and respiratory infections is particularly high in the western departments of the country, particularly children under five years from the Indigenous Lenca and Maya Chorti ethnic groups. The anemia prevalence nationally in women of reproductive age (15–49 years) is 22 percent, with western departments representing higher anemia prevalence among women. While the data is concerning, a targeted study conducted in the seven communities of the department of Intibucá in 2018 used venous blood samples instead of a drop of capillary blood to measure anemia prevalence and found lower rates of anemia for women (12 percent) and preschool age children (23.6 percent) in those communities, perhaps indicating improved anemia testing and measurement approaches within the healthcare system is needed. This study also showed no deficiencies in vitamin A, iodine, or folate, which are micronutrients included in fortified sugar, salt, and

<sup>&</sup>lt;sup>9</sup> UNICEF, 2022. Dataset on malnutrition.

<sup>10</sup> World Bank, 2023. Country overview: Honduras.

<sup>11</sup> INE, 2021.

<sup>&</sup>lt;sup>12</sup> Government of Honduras, 2023. <u>ENDESA-MICS</u>, Chapter 8, Table TC 7.7.

<sup>&</sup>lt;sup>13</sup> FAO, 2022. Regional overview of food security and nutrition in Latin America and the Caribbean: Towards improving affordability of healthy diets.

<sup>14</sup> INE, 2023. Evaluación de la situación nutricional y de seguridad alimentaria en 4 regiones priorizadas de Honduras.

<sup>&</sup>lt;sup>15</sup> INE, 2021.

<sup>16</sup> Ibid.

wheat flour, respectively. Dialogue is continuing around the potential for optimizing large-scale food fortification to include vitamin B12 and zinc, which continue to be inadequately consumed in Honduras.

National nutrition Priorities. The 2018-2030 National Food and Nutrition Security Policy and Strategy (PyENSAN) is the government's political commitment for eradicating hunger, food insecurity, and malnutrition. Through a local to national level multi-sectoral approach, the PyENSAN 2030 framework consists of a decentralized management model of cohesive actions for increasing food and nutrition security. Yet, despite this strategy, the government's investments in and the enabling environment for multi-sectoral nutrition remain poor. Resource mobilization via public and private sectoral resources are needed to increase access to and delivery of nutrition services. This includes building an enabling environment to foster healthier lifestyles and diets, consumer demand for healthier foods, and maintaining a year-round supply of affordable, safe, and nutrient-rich foods. The GOH's Food Security and Nutrition Technical Unit, whose mandate is to drive investments, remains wholly dependent on donor resources operationally (the European Union and World Bank). Honduras joined the Scaling up Nutrition (SUN) Movement in May 2019 in an effort to catalyze and consolidate the National Food and Nutrition Security System as a permanent mechanism for effective coordination, as well as accelerate monitoring and evaluation structures. USAID nutrition resources are seeking to leverage and entrench nutrition multi-sectorally with the GOH and the donor community toward a more robust enabling political environment—addressing immediate determinants of malnutrition, as well as increasing the consumption of nutritious and safe diets.

### **Gender inequality**

Reducing gender inequalities through building resilience and increasing access to resources is critical for a more equitable and sustainable agrifood system. According to FAO, women constitute over 40 percent of the agricultural workforce globally.<sup>17</sup> This is a similar trend in Honduras where women make up a key part of the agricultural labor force (49.4 percent). However, with less access to productive assets, including land, technology, and financial services, women have lower incomes and experience greater food insecurity than men, particularly in marginalized and indigenous communities (such as Lenca and Garifuna). These constraints illustrate the fact that Honduras has the third-highest level of gender inequality in Central America, with a Gender Inequality Index score of 45.3 percent.<sup>18</sup> Per the Women's Empowerment and Equality Index, (on a scale of 0-5), both women's access to capital (1.86) and decision-making—those determinants around leadership and agency—(1.76) rank below the LAC regional average; furthermore, the female completion rate of an upper secondary education in Honduras is nearly 20 percentage points below the regional average.<sup>19</sup> In 2022, the gender wage gap in Honduras was nearly 30 percent: that equates in real terms to women earning, on average, 65 cents to every dollar their male counterparts earn (the global wage labor in agriculture earnings for women was 82 cents for every dollar of male earnings).

Rarely are women considered smallholder farmers in their own right in Honduras. They participate most often in upstream efforts in agriculture, such as harvest, post-harvest, and the provision of labor for added value products within different value chains. Women's participation in public and community events, particularly rural events, is often contingent on receiving permission from their spouse and making sure that food and childcare needs are provided for. A patriarchal society that exhibits and

<sup>&</sup>lt;sup>17</sup> FAO, 2023. The status of women in agrifood systems.

<sup>18</sup> UNDP, 2023. Gender inequality index.

<sup>&</sup>lt;sup>19</sup> International Development and Economic Analysis, 2021. Women's economic empowerment & equality: Honduras. USAID.

permeates a repressive social order of machismo limits women's property rights, participation, and productivity in agriculture, as well as their ability to earn income and influence how earnings are spent. This also contributes to inequalities in labor market participation and outcomes. A large unmet need for family planning services also leads to large family sizes. In most communities, women are the main or sole caretakers of children; this large time burden on women prevents their further integration into the paid production system. Many women are impacted by cultural norms and often by romantic partners who may discourage them from participating in meetings or other community events. Meanwhile, problems like alcoholism and family disintegration (often linked to absent parents who have migrated in search of dignified work) plague many families, and make it even more difficult to escape poverty. It is important to note the association between high levels of rural poverty and lower levels of education. Most rural children currently achieve only a sixth-grade education, and a rural illiteracy rate of 18.5 percent only adds to factors of inequality. The percentage of adolescents (15-19 years) who are already mothers or are pregnant with their first child is also significantly higher in rural areas (28.3 percent).<sup>20</sup> All this has significant consequences to food insecurity among women and girls, particularly as they are exposed to many different types of vulnerability, whether physical, psychological, social, environmental, economic or structural.

Resilience to stresses and shocks are also shaped by gender inequalities. In fact, along the livelihoods continuum in Honduras, both the pandemic and resulting economic crisis have increased women's care burden and contributed to an increase in the incidence and perceptions of gender-based violence. This was particularly true in terms of domestic violence and abuse against women and girls, largely as a result of intra-household tensions caused by lockdowns, school closures and food and financial insecurities.<sup>21</sup> However, it should be also noted that prior economic growth investments that have increased women incomes and greater financial independence, thus influencing changes in household power dynamics, can also increase risk of gendered violence. Being cognizant of and intentional about determinants and salient approaches around "do no harm" is critical. This said, Gender Based Violence (GBV) is a serious and persistent issue in Honduras. It is the second leading cause of death among women of reproductive age in the country,<sup>22</sup> and nearly every 29 hours a woman is murdered. Given the pervasiveness of GBV, decreasing rural economic opportunities is understood to be one of the key drivers of this increased violence. Allowing women greater control over resources and breaking the cycles of violence are pivotal for women's empowerment, and must be systematically addressed to narrow the gender gap and reduce poverty and inequalities in food security and nutrition. <sup>23</sup>

<sup>&</sup>lt;sup>20</sup> INE, 2022. Situación de la mujer Hondureña

<sup>&</sup>lt;sup>21</sup> FAO, 2023. The status of women in agrifood systems

<sup>&</sup>lt;sup>22</sup> Centro de Derechos de Mujeres, 2022. Boletin: "Violencia contra las mujeres en Honduras."

<sup>&</sup>lt;sup>23</sup> Boudreaux, Karol, 2018. "Intimate Partner Violence and Land Tenure." USAID Report

### **Agriculture and Food System Constraints**

Honduras is characterized as having an informal and expanding food system.<sup>24</sup> Between 2016 and 2022, the agriculture sector provided work for about 27.3 percent of the country's economically active population, which accounts for 76 percent of rural employment.<sup>25</sup> Although the majority of rural Hondurans engage in agriculture as their principal livelihood, these trends also reflect a lack of dynamism in the sector—one dominated by smallholder, hillside farming practices and that reflects an aging rural population. Agricultural systems involving the production of coffee, vegetables, livestock, and low-profit crops such as maize, beans and other staple crops, provide economic means for at least 70 percent of agricultural rural households. There are certain agricultural products, such as banana, pineapple, melon, shrimp, and oil palm, that are important for Honduras as a whole, but these are not cultivated by most farmers, instead being concentrated on large plantations in a few geographical areas. Staple grain production by many rural families is primarily for self-consumption. Thus, few smallholders cultivate key high value crops such as vegetables, fruits, or tubers, even though the climate is suitable for horticultural production. Poor road infrastructure, particularly in the secondary and tertiary networks, hinder access to markets, as just over 20 percent of the roads in Honduras are paved.<sup>26</sup>

Current agricultural practices produce poor yields and continue to deplete soil nutrients. Antiquated crop management practices and the absence of new varieties or technologies also leave households exposed to crop diseases, inefficiencies, and as the majority of smallholder farming systems rely exclusively on rain-fed agriculture, it leaves farmers vulnerable to crop failures caused by drought. Again, continuous climatic shocks (drought and flooding) exacerbate vulnerability and present constraints toward productivity. Overall, there is a shortage of technical expertise, quality inputs, market information, and investment in rural areas—hence, USAID/Honduras' use of a facilitative private sector approach to increase access for these services and investment. The war in Ukraine continues to impact the volatility of food, fertilizer/input costs, and energy costs, driving additional risk to food security. Food prices are likely to remain higher for the foreseeable future, further limiting the household purchasing power of communities that have not recovered from the economic hardships of the pandemic and the 2020 Eta and lota hurricanes.<sup>27</sup>

Agricultural research in Honduras is very low and conducted by a few institutions that operate with scarce resources. Investment in research is only 0.1 percent of the agriculture GDP, a significant gap from a goal of one percent recommended by the UN. Research is also concentrated around select crops: the Ministry of Agriculture's (SAG) focus is on testing new varieties of corn, beans, potato, and rice; however, their public research stations have little operation capacity and only a few studies are conducted every year. The two private institutions that generate the most significant research are the Honduran Foundation for Agriculture Research (FHIA) and the Honduran Institute of Coffee (IHCAFE). Both institutions finance research with their own funds, complemented with donor and private sector contributions, to conduct ad-hoc research. The other relevant research institution is Zamorano University. It conducts research on new corn and bean varieties, as well as technological innovations

Quinn Marshall, Jessica Fanzo, Christopher Barrett, Andrew Jones, Anna Herforth, Rebecca MacLaren, 2021. "Building a Global Food Systems Typology: A New Tool for Reducing Complexity in Food Systems Analysis." Frontiers in Sustainable Food Systems, Vol 5 (November).

<sup>&</sup>lt;sup>25</sup> World Bank, 2023. Employment in agriculture: Honduras.

<sup>&</sup>lt;sup>26</sup> CIA, 2023. World factbook-Honduras.

<sup>&</sup>lt;sup>27</sup> Jonathon Lara-Arevalo, Lucia Burgos, ERH Moore, Roni Neff, and Marie Spikerm 2023. "COVID-19, Climate Change, and Conflict in Honduras: A food system disruption analysis." *Global Food Security*, Vol 37 (June).

around biological pest and disease control, food processing, and on-farm productivity. Usually, this research is funded principally through donors and the private sector. Student research needs to be better aligned with agriculture sector needs, with clear dissemination modalities. While these three institutions have the capacity to conduct and scale research, funding shortages limit their ability to harness longer term programs to generate new knowledge and that attract qualified researchers for innovation. Moving forward, FTF programming will place a key focus on driving research and assessments via sustainable private sector research business models (such as with FHIA). This is needed to scale a breadth of new technologies and crop varieties across targeted value chains, which will be complemented by farm and landscape decision support models and tools around targeted crops and soils that increase productivity and strengthen food security.

A recurring impediment in agricultural development across the globe is that many smallholder farmers and off-farm agricultural businesses lack access to finance or capital to invest in more productive systems. In Honduras, smallholders' lack of access to finance within the formal banking system (collateral, fees, interest rates, etc.), for example, is challenging. This is being addressed by certain actors, such as through a national trust fund for agricultural investment, or through the robust network of village banks or community savings and loans organizations (cajas rurales), which represents a promising source of micro-finance that can be self-sustaining and well-adapted to local contexts. Although lending is often for financial needs other than agriculture production, more attention needs to be placed on the roles of women and increasing leadership and empowerment opportunities within these community-based institutions. USAID is also focusing on innovative agribusiness-financial institution partnerships as models for access to loans and capital for smallholders, where businesses become pivotal intermediaries to buy-down risk. Overall, however, there is the need for scaling blended financing and other innovative financial packages to meet the needs of the agricultural sector.

Regarding the enabling environment for external investment, the regulatory framework that guides the country's investment promotion strategy has undergone significant changes over the last 12 years. These continuous adjustments, as well as the legal instability, have translated into adverse effects on the country's investment indicators. While the constitutional framework remains intact, the legislative framework is no longer in force, further contributing to uncertainty over the government's commitment to investment protections required by international treaties.

In terms of trade, Honduran agricultural exports in 2022 totaled \$12.135 million, an increase of 53 percent since 2016, principally via coffee exports as well as tourism and manufacturing increases postpandemic. The share of agricultural products in total exports averages around 35 percent, indicating both the sector's importance for the economy and as a net exporter of agricultural products. Key export products are still relatively concentrated as coffee and bananas exceeded 44 percent of total agricultural output in 2022.28 Coffee has become the principal agricultural product in Honduras, with high-quality and organic coffee maintaining its competitiveness, surpassing bananas as the main agricultural export product. Coffee represents 30 percent of the agriculture GDP, three percent of the national GDP, and is grown by over 100,000 smallholder families and generates approximately one million jobs. There is potential for increased export of more traditional agricultural products, such as high-value vegetables, tubers, and other fruits.

Trade is one of the key engines for food security. Through the National Agriculture and Food Health and Safety Service (SENASA), through USG support, Honduras is increasingly improving food

<sup>&</sup>lt;sup>28</sup> World Trade Organization Secretariat, 2023. Fourth Trade Policy Review-Honduras.

production and processing infrastructure to meet minimum safety and quality requirements, and efforts have been made to expand the limited certification systems to improve access to agricultural export markets. Yet, policy and institutional challenges remain, limiting markets from reaching their economic potential. For example, while USG trade investments (under USDA's Food for Progress, and Interagency coordination toward meeting Central America Free Trade Agreement requisites) have strengthened capacity around sanitary and phytosanitary requirements, border management institutions are still limited, and requirements are not harmonized across principal trading routes and border crossings. Further modernized and integrated inspection and dispatch procedures are needed to reduce the time and cost of trade. Increasing intra-regional agricultural trade requires further investment in border infrastructure to improve cross-border operational structures, strengthening regulatory institutions on modernizing risk management and safety protocols, and in technical assistance to firms on trade in the region.

The importation of agricultural products accounted for 15.6 percent of total imports in 2022. Total food production continues to increase but, due to population growth, the availability of agricultural land per capita is decreasing. Inflation has generally remained within the established tolerance range, apart from 2022 when price levels were affected by the higher international price for raw materials, mainly energy and food, causing inflation to accelerate, reaching nine percent.<sup>29</sup>

Electricity is often the major operational expense for agro-processors and agribusinesses. While the Honduran energy sector has the capacity to generate almost 2,900 megawatts, it is believed to have a deficit of approximately 300 megawatts. Current legislation requires that the GOH assume a controlling stake in new energy generation projects, which has constrained private sector investment and limits new projects coming online that can increase generation capacity. GOH has instead focused on reducing losses, including making some investments in the grid to reduce losses and pursuing energy efficiency initiatives to reduce demand. They have recently instituted a policy of rolling "brownouts" in response to the deficit in energy available to meet peak demand. This situation raises the specter of emergency energy generation contracts which in the past have resulted in corrupt, overpriced contracts.

### Digital technology

Honduras' digital infrastructure has grown significantly in recent years, with mobile broadband now covering an estimated 95 percent of the population.<sup>30</sup> That has not yet translated into universal internet adoption, though, with only 48 percent of the population aged 15 and up using the internet as of 2021. However, uptake has been growing steadily with average annual growth of around 13 percent from 2013 to 2021.<sup>31</sup> Despite not yet achieving near universal mobile and internet adoption, opportunities still exist to leverage digital technologies to strengthen food security and rural economic growth in Honduras. A digital agriculture ecosystem assessment conducted in Honduras in 2022 found that while "the digital agriculture ecosystem in Honduras is in its early stages, there are several building blocks in place: good network coverage, strong smartphone penetration and a group of stakeholders well positioned to help the digital agriculture ecosystem accelerate."<sup>32</sup> In addition, an increased use of geospatial tools and digital mapping platforms are being employed to help increase productivity, inform innovative agricultural insurance modelling, and ultimately, mitigate climate vulnerability. Ultimately, digitalization seeks to foster increased efficiency and systems transparency within the agricultural sector.

<sup>&</sup>lt;sup>29</sup> Ibid.

<sup>30</sup> GSMA. Mobile Connectivity Index

<sup>31</sup> ITU. Honduras Data Hub

<sup>&</sup>lt;sup>32</sup> USAID, 2022. <u>Honduras Digital Agriculture Assessment</u>.

### Climate change and vulnerability

Climate change represents major challenges to agriculture across Honduras, especially among smallholders under hillside agriculture systems. As detailed by the latest Climate Change Vulnerability Index for 2022, Honduras is classified among the countries with the highest risks to climate change implications.<sup>33</sup> Scientific investigations highlight that smallholder and hillside farmers are particularly susceptible to the adverse effects of climate variability and change due to their limited capacity to adapt.<sup>34</sup> In Honduras, hillside agriculture comprises a significant proportion of the country's arable land, making an understanding of climate risks in this context crucial for ensuring food security and sustainable agriculture.

Climate change projections for Honduras predict an increase in the frequency and intensity of extreme weather events, such as heavy precipitation, prolonged drought and tropical cyclones.<sup>35</sup> By 2050, projected changes in precipitation range between -10 percent and +10 percent with greater increases in the center and south of the country and deficits in the Caribbean Coast. Precipitation deficits ranging between -8 and -15 percent in the summer (June - August) in the southwest of the country, which has been the traditional planting period for rainfed basic crops.<sup>36</sup> These patterns are having, and will continue to have, significant implications for crop productivity and livelihoods for all agricultural producers, particularly smallholders engaged in hillside farming.

Recent evidence of these trends was palpable with the impact of Hurricanes Eta and lota in late 2020 that affected 72 percent of agricultural areas, leaving farming communities increasingly more vulnerable and from which Honduras is still trying to recover.<sup>37</sup> Storm-driven flooding and landslides exposed the fragility of smallholder farmers, especially on hillsides, leading to extensive losses in harvest and livestock. Moreover, the damage to infrastructure imposed additional operational difficulties for smallholders and the agricultural sector at large. In the aftermath of these disasters, these communities face equally intimidating challenges such as soil degradation, rising temperatures that affect cropping ecosystems. incidence of disease, on top of increased food prices.<sup>38</sup>

Acknowledging the mounting threat posed by climate variability and change is fundamental to safeguarding the future of agriculture in Honduras. Through their Nationally Determined Contributions, the GOH has pledged to reduce GHG emissions by 16 percent by 2030, of which five percent would come from changes in the agricultural sector principally in sub-sectors of livestock, rice, coffee, and fertilizers. This will require the need for coherent climate-smart policy frameworks, intensified research focus, and practical adaptive measures—such as promoting resilient crop varieties and improved farming practices to ensure sustainable agriculture productivity and resilient livelihoods for Honduran smallholder farmers, particularly among women and more vulnerable groups.

<sup>&</sup>lt;sup>33</sup> Verisk Maplecroft, 2023. Risk indices: climate change vulnerability.

<sup>34</sup> Adina Chain-Guadarrama, MR Martinez-Rodriguez, J. Cardenas, S. Vichez-Mendoza, CA Harvey, 2018. "Ecosystem-based adaptation by smallholder basic grain farms in Guatemala and Honduras." Agronomía Mesoamericana, 29(3), 571–583.

<sup>&</sup>lt;sup>35</sup> IPCC, 2021. The Sixth Assessment Report of the United Nations Intergovernmental Panel on Climate Change.

<sup>&</sup>lt;sup>36</sup> UNEP, 2023. Climate change-Honduras.

<sup>&</sup>lt;sup>37</sup> FAO, 2023. State of Food Security and Nutrition in the World, 2023.

<sup>&</sup>lt;sup>38</sup> WFP, 2022. WFP annual country report.

### Water security

Honduras faces challenges related to water scarcity, excess, and uneven distribution. This is primarily due to seasonal variations in rainfall patterns, with some areas experiencing droughts while others are prone to flooding during the rainy season. Water deficit and excess, changes in rainfall patterns, increased temperatures, and pest and disease incidence are the main climate impacts across agricultural systems. With the majority of smallholder farmers (96 percent) relying on rainfed agriculture, the resilience of agricultural systems is limited given smallholder capacity to adopt and scale innovative farming practices—in effect limiting the potential for increased productivity. Staple grain cropping systems are the least resilient across the region as they face high impacts from current climate variability, water deficits and excess, and less capacity to identify and implement resiliency building actions, particularly those with small hillside holdings, with reduced off-farm labor opportunities, and without secure tenure of their lands. Inadequate infrastructure and access to clean water for agricultural purposes hinder sustainability. Agroforestry coffee-based systems are key to help mitigate water stress and temperature variations but could face reductions in suitable growing areas in the coming decades due to rising temperatures.<sup>39</sup>

Deforestation, soil erosion, and unsustainable land practices have contributed to declining soil fertility and water availability, thereby undermining the potential of agricultural productivity. The main drivers of deforestation in exacerbating water shortages and drought have been agricultural expansion (coffee, as well as livestock/pastures and palm oil along the north coast), illegal logging, urban expansion, and forest fires. Facing such constraints, smallholder farmers face increased poverty and limited access to essential resources, including water. For example, in the Dry Corridor insufficient water availability creates a vicious cycle, as constrained agricultural productivity contributes to increased poverty among the rural population, exacerbating their vulnerability to natural disasters and climate change. This is true among the most vulnerable and women where water scarcity has direct impacts across a myriad of aspects such as increased time and labor burdens, health and safety, etc. Increasing on-farm productivity per hectare can help reduce deforestation and improve water security, such as with coffee cropping systems. Wellmanaged multi-tiered coffee systems in higher altitudes enhance overall ecosystem diversity; however, there is also a need to develop new varieties that produce good quality coffee at lower altitudes that help mitigate the need to shift to forested areas for agriculture. Foundational, effective natural resources governance is crucial for ensuring adequate access to water resources, promoting food security, and fostering sustainable agriculture development.

To achieve climate smart, sustainable agriculture, the following water use strategies for agricultural production have been implemented by the donor community and the GOH, yet need further layering and scaling: i) efficient irrigation systems that accelerate the adoption of modern drip and precision sprinkler technologies to mitigate the negative impacts of water scarcity; ii) fostering integrated land management practices (soil, water, etc.) to restore and conserve agro-ecosystems; iii) water storage and harvesting systems for critical water availability during dry seasons; iv) dissemination of information and advisory services on water-efficient, climate smart agriculture, and addressing critical links between deforestation and water availability; and, v) water governance at multiple levels, which has proven fundamental to water (and food) security.

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<sup>&</sup>lt;sup>39</sup> USDA-CATIE, 2023 (March). Project report: "Assessment of agricultural resilience under climate change and its relation to food insecurity and migration in the Northern Triangle of Central America."

### Government and donor landscape

To contribute to inclusive, evidence-based policy formulation and implementation moving forward, a refreshed, co-created GFSS policy matrix is needed to better target agricultural policy issues and institutionality that could increase the efficiency and effectiveness of existing policies to shape broader food system objectives, in addition to unlocking and increasing the scale of public and private sector investment in agriculture-led growth. To date, aligned policies with the Ministry of Agriculture have produced targeted dividends, such as around agricultural trade and capacity, soil fertility, and agricultural digitalization toward enhancing food and nutrition security.

The GOH has finalized their new 20-year agricultural sector policy that aligns with the 2030 Sustainable Development Goals and will guide the development of national agrifood systems to improve food security, reduce poverty, and increase smallholder incomes. The policy is premised on fostering equitable livelihoods, as well as building resilience to mitigate against shocks and stresses. The policy is built on several key pillars: i) strengthening research, innovation, and technology transfer; ii) aligning public and private sector technical service delivery; iii) harmonizing public sector norms and regulations to achieve gains in food systems; and, iv) assisting in promoting innovative financing mechanisms and competitive market access to reach smallholders. Current SAG programs focus on improving agricultural productivity and food security principally through its relationship with Banadesa, the National Bank for Agricultural Development. These subsidy programs invest directly and provide access to capital for smallholder farmers around key staple crops in agricultural value chains, as well as rainwater harvesting structures to allow supplemental irrigation to extend the growing season and to mitigate dry spells during the rainy season. Thus, further US Government (USG) investment in food systems calls for strengthening bilateral relationships with SAG regarding the overlay of joint priorities, investments, and monitoring processes around the inclusion of smaller-scale agricultural producers and vulnerable communities in increasing income generation and growth.

The GOH's targeted food security process is also the foundation for donor and policy dialogue within food systems coordination. While Honduras has a formal, high-level donor coordination mechanism known as the G-16, gains within the agriculture sector have been more tangible at the technical, donor working group level. Multiple donors (Canada, IDB, IICA, EU, FAO, World Bank, etc.) are investing in food systems, rural competitiveness, and climate smart agriculture programs. USAID is coordinating with FAO and SAG around soil mapping to increase soil fertility and productivity. To optimize coordination, USAID/Honduras has re-established and is leading the G-16 Sustainable Agriculture and Agroforestry "mesa" or donor technical working group. This mesa was suspended due to the pandemic and was the principal coordination mechanism for the Alliance for the Dry Corridor that aligned donor and GOH investment to jointly reduce poverty and undernutrition in western Honduras. The resurgence of the current mesa, which is more broadly focused geographically, is helping synergize efforts in food security, climate-smart agriculture, as well as water and resource management. Overall, the reduction in poverty in Honduras requires a comprehensive approach that goes beyond access to food, markets, and improved agricultural practices and technologies within a siloed agricultural sector. It requires using a multi-sectoral approach, leveraging resources across the public, private, and donor continuum toward increasing quality education (particularly in rural areas), improving health and other related services, increased investments in infrastructure, innovative financing, and a stronger oversight of national and local resources allocated to rural Honduras.

### Food security and irregular migration

Food security and irregular migration are inextricably linked as migration intersects virtually every stage of the risk environment for most small-scale, vulnerable agricultural families in Honduras. Pivotal

determinants across multiple sectors continue to exacerbate and incentivize irregular migration. In the context of the new Honduras GFSS Country Plan, high levels of migration (with an increasing propensity of family units migrating) have fundamental development implications that include the entrenching of poverty, whereby the element of food insecurity is both a cause and a consequence of migration. While accompanied by other motivating factors, the lack of economic opportunities is cited as a principal motivation by 90 percent of returned Honduran migrants. 40 Youth population growth, ages 15-2441, has somewhat leveled off, while the current youth unemployment rate is nearly 14 percent. As many youth are employed rurally, limited job prospects outside of agriculture will continue to drive irregular migration. Yet while the high levels of poverty in the country are critical to the country's context, it should be noted that the economic link to migration is more closely related to unemployment, underemployment, and a pervasive lack of opportunities than poverty itself. Moreover, irregular migration directly affects critical value chains as outward migration fuels labor shortages—an issue particularly pronounced within the coffee sector. Aggregated together, other factors such as climate change, political instability and volatility, as well as conflict and violence, all help to undermine the country's competitiveness and economic diversification, incentivize irregular migration, and hamper progress toward raising incomes, reducing poverty, and tackling exclusion.<sup>42</sup> While remittances can help offset financial distress and lost labor to varying degrees, irregular migration overall has led to negative impacts and high levels of food insecurity for Hondurans, and thus remains a critical country priority.<sup>43</sup>

Underpinning USAID/Honduras' Country Development and Cooperation Strategy (CDCS) 2020-2025 is an intentional focus on the interconnectedness of drivers of irregular migration, to which food security and economic development are fundamental. The *U.S. Strategy for Addressing the Root Causes of Migration in Central America*, directed by the President in Executive Order 14010, is one key framework for food security objectives and approach, in particular under Pillar I, Strategy 4, through the building of resilience to address food insecurity and climate change leading to better food availability, affordability, and utilization (via improved diets) and contributing to greater food security.<sup>44</sup> The alignment between the CDCS and Honduras' new GFSS County Plan is essential to enable GFSS, under Feed the Future (FTF) programming, to learn and foster system change approaches that seek a reduction in poverty and hunger. As one of the principal delivery vehicles under the Development Objective I (DOI) Socioeconomic Opportunities Improved (IRs I.2 and I.3) within the CDCS, USAID/Honduras FTF anticipates an end-state of strengthened food security inclusion and resilience through increased productivity, competitiveness, incomes and job creation for economic growth.

<sup>&</sup>lt;sup>40</sup> USAID/Honduras Country Development Cooperation Strategy, 2020-2025.

<sup>&</sup>lt;sup>41</sup> Note: <u>UN World Population Prospects</u> uses slightly different youth age group aggregates.

<sup>&</sup>lt;sup>42</sup> World Bank, 2023. Country climate and development report: Honduras.

<sup>&</sup>lt;sup>43</sup> Sanjeev Kumar, Nicholas Kristakis, Rafael Perez Escamilla, 2021. "Household food insecurity and health in a high migration area in rural Honduras." SSM-Population Health Vol 15 (September).

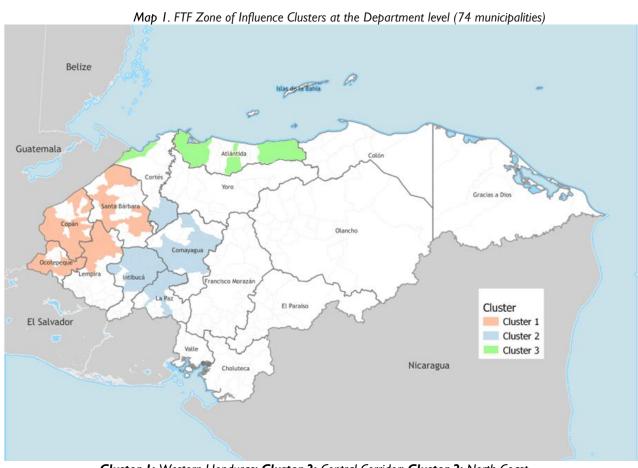
<sup>&</sup>lt;sup>44</sup> National Security Council, 2021. U.S. Strategy for Addressing the Root Causes of Migration in Central America.

## B. Targeting

Aligned with the USG priorities defined in the USAID/Honduras 2020-2025 CDCS, the FTF Phase III Zone of Influence (ZOI) has evolved to cover three non-contiguous clusters (Map I, below). The new ZOI is sized to provide continuity in key areas of the previous ZOI in western Honduras for continued presence, while incorporating new areas in Central and the Northern Coast that have critical potential for increased impact through new FTF investments via the private sector as key catalysts for systemic change.

Under the Mission CDCS, the Phase III FTF ZOI retains 35 municipalities from the original ZOI in western Honduras and added an additional 39 municipalities from high propensity migration clusters (under the Mission CDCS), for a total of 74 municipalities in the new FTF ZOI and that represents 10 departments.

### **B.I Map of the Honduras Feed the Future Zone of Influence**



Cluster 1: Western Honduras; Cluster 2: Central Corridor; Cluster 3: North Coast

### **B.2** Description of Zone of Influence

The 74 municipalities of the Phase III GFSS ZOI have a total approximate population of 2,334,019.45 In most of these municipalities the main drivers of migration are primarily lack of economic opportunities, violence, as well as climate shocks. Improved management practices, technologies, and innovations can build and increase Hondurans' climate resilience and potentially make these populations less likely to irregularly migrate, principally to the United States. New GFSS interventions will seek to build adaptive and mitigating capacity, and improve access to markets and increase sales, thereby addressing the economic drivers of irregular migration.

The previous FTF ZOI covered 18 percent of the territory and 16 percent of the population of Honduras, which represented a challenge due to both the dispersion of interventions to achieve impact and less densely populated areas. The 74 municipalities selected for the new ZOI addressed this issue by concentrating the reach to 16 percent of the territory, while covering 24 percent of the population of Honduras. As such, these areas were selected and sized to provide continuity in Western and Northwestern areas of the previous ZOI, while incorporating new areas in Central and the Northern Coast, providing continuity to previous FTF work and alignment with other existing USG food security programming. Guided in part by the migration clusters, the FTF ZOI was re-defined in three noncontiguous clustered areas, and these clusters represent a reduction in land area covered to more densely populated areas. The new ZOI represents a refinement of targeting with a concentration on municipal boundaries versus the previous approach of defining the ZOI at the department level.

### Background: Geo-based migration clusters development

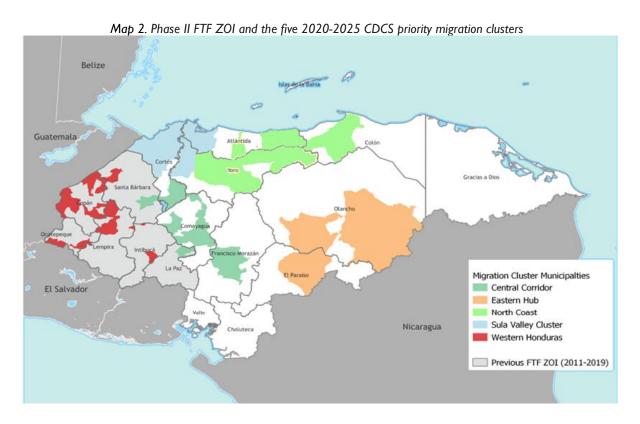
During Feed the Future (FTF) Phase I (2010-2016), USAID/Honduras activities were focused on 131 municipalities within the six western departments of La Paz, Intibuca, Santa Barbara, Lempira, Copan, and Ocotepeque. Phase I geography was exclusive to the Dry Corridor, a region represented by higher levels of poverty and malnutrition, and characterized by frequent droughts and climate change vulnerability. However, given the geography, in some cases certain municipalities only included the presence of one community, limiting FTF scale and impact.

Under Phase II of FTF (2017-2021), with the migration crisis in 2019 (mostly unaccompanied children), USG priorities and programming for Honduras shifted to directly address the root causes of irregular migration, including food insecurity.

Given this, USAID/Honduras undertook analyses over seven years (2013-2019) using GOH & DHS data, among others, on irregular migration; through a regression analysis, the Mission developed a placedbased geographic targeting approach<sup>46</sup> to guide activities under its 2020-2025 CDCS. Analysis revealed that 60 percent of irregular migration from Honduras originates from 40 municipalities out of the country's 298 municipalities. Using this "60-40" goal, USAID/Honduras' 2020-2025 place-based approach addresses drivers of irregular migration and prioritizes the critical overlay of USG investments within these 40 municipalities, which correspond with five priority migration clusters: (1) Sula Valley, (2) North Coast, (3) Central Corridor, (4) Western Honduras, and (5) the Eastern Hub in South Honduras (below, Map 2). Analyses identified 14 municipalities in the CDCS migration clusters that did not have potential for FTF interventions, accounting for only 21 percent of the total of those identified municipalities.

<sup>&</sup>lt;sup>45</sup> INE, 2023.

<sup>&</sup>lt;sup>46</sup> USAID, 2020. <u>USAID Honduras' Place-based Geo-targeting Approach</u>.



### FTF Alignment with CDCS: Strategic analysis and cluster overlay

To achieve broad, sustainable change in critical areas like food insecurity and malnutrition, Honduras FTF needed a new calculus to influence systems themselves which produce these states for change. Now in Phase III, the new GFSS focuses on identifying municipalities that both meet criteria for FTF (poverty, hunger, and malnutrition) but also provide opportunities to address scalability and the drivers of migration, while fostering collaboration, coordination, and integration with other funding streams. Phase III approach and geographical targeting also addresses a challenge with the previous ZOI being too sparsely populated in many areas to have impact. The new ZOI addresses this issue by reducing the coverage of territory by 2 percent and increasing the population reach by 8 percent. New geographies allow for increased opportunities that can catalyze local systems-led development (such as via the private sector) to help achieve sustainable outcomes with FTF investments, as well as facilitating change that is aligned to the CDCS requirements around irregular migration (figure 1).<sup>47</sup>

As the Mission's CDCS defined the five migration clusters to focus USAID interventions, these became the starting point for the definition of the ZOI for FTF Phase III. Under the CDCS, by selecting 40 target municipalities that composed these clusters, 258 of the 298 municipalities of Honduras were excluded (representing 70 percent of the area of Honduras). FTF conducted an analysis of these targeted CDCS municipalities to identify the overlap with these municipalities that would meet GFSS primary criteria. Due to 23 of the CDCD cluster municipalities being either in urban areas or an absence of key

<sup>&</sup>lt;sup>47</sup> The CDCS defines this systemic change approach as "the use of a collection of approaches and principles to achieve long-term, sustainable change through development programming, which realizes fundamental changes in how interdependent parts of a system—roles, rules, relationships, resources and results across sectors, actors, populations, and geographies, are configured and interact."

determinants for scaling, level of need, private sector presence, population density, and potential for agriculture and sustainable impact, they were dropped. Through analysis refinement, the Phase III ZOI now includes municipalities with geographic proximity to the migration clusters, which allows FTF interventions to achieve both the Mission's migration objectives and better reflect FTF pivotal agricultural investment opportunities. This totals to 39 municipalities. In unison, 35 municipalities were retained from the original Phase I ZOI in the Dry Corridor as they, too, demonstrate the great return on agricultural investment and presence of the private sector to catalyze growth. Finally, under Phase III FTF programming, specifically within the western and central clusters (1 and 2), 47 percent of the expected FTF participants are below the national poverty line, propensities for undernutrition, and that have been shown to have a high propensity to migrate.

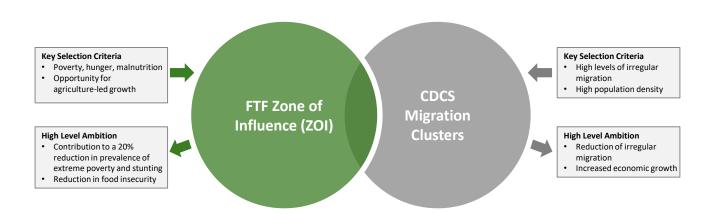


Figure 1: Feed the Future ZOI and migration cluster overlay

Anticipating the shift associated with the update of the GFSS Country Plan, the new strategic focus is aimed at reducing food insecurity and fostering inclusive systems, which entails reaching a critical number of vulnerable rural populations in target areas for whom agriculture and employment are the most viable economic opportunities to sustainably reduce poverty and undernutrition.

The analysis to define the Phase III FTF ZOI was conducted using GIS tools for geospatial analysis integrating USG irregular migration and FTF objectives. To this end, the Mission defined a FTF index that incorporated key characteristics such as poverty, malnutrition, potential for agriculture, agribusiness environment, water resources and other socioeconomic characteristics that included youth, women, indigenous populations, education, and employment. These criteria were also defined based on the following lessons learned from FTF implementation:

- Efficiency and impact of investments are more optimal in areas with higher agriculture potential, and ability to tailor the ZOI to those projected resources
- Exclusion of areas where agricultural development has limited viability solution and where population density is low
- Ability to incorporate larger range of private sector actors under an inclusive market system approach

### **FTF ZOI Cluster Administrative Units**

Of the five Mission Clusters, FTF has identified Three Clusters of operation and programming, laid out in *Table 1* below, and are represented as the following:

### Cluster I: Western Honduras

Cluster I comprises 42 municipalities within northwestern Honduras. These are set within the six western departments of Honduras that formed the previous ZOI (La Paz, Intibuca, Lempira, Copan, and Santa Barbara), lie within the Dry Corridor, and are representative of small-scale, hillside/highland agriculture systems. These systems often lack economies of scale, and producers face continual climatic shocks. USAID/Honduras has implemented FTF interventions in this cluster since Phase I; thus, FTF has maintained selected municipalities where analysis has indicated an overlay of level of need but with scalability, i.e., key private sector presence and investment to move targeted smallholders toward a commercialized mindset. As such, FTF will continue to focus this cluster on supporting system investments on specialized coffee, vegetables and fruit crops (per higher incidences of poverty), increasing nutritional status/dietary diversity (undernutrition rates), and facilitating development of off-farm incomes.

### Cluster 2: Central

The Central Corridor cluster encompasses the contiguous department of Comayagua, and comprises 27 municipalities in central Honduras. USAID/Honduras has worked in the departments of La Paz and Intibuca since 2011 and will continue to support rural highland households in expansion of high value horticulture and fruit crops, as well as focusing on improving productivity and resilience of coffee production. The Valley of Comayagua is one of the most developed valleys for agriculture production in the country and provides pivotal opportunities for development under a market systems private sector facilitated approach. This cluster also presents opportunities for specialized coffee, vegetables, and fruit crops (per higher incidences of poverty), increasing nutritional status/dietary diversity (undernutrition rates), and facilitating development of off-farm incomes. In addition, FTF has targeted this as a key cluster within the ZOI given presence of key agricultural horticultural processors and a range of other private sector actors (such as hub input suppliers) who can provide pull incentives for smallholders within both Clusters I & 2.

An estimated 75 percent of investment will be focused on Clusters I and 2. Both Clusters represent interventions that will provide continuity, layering and scaling of a facilitative systems approach to reinforce gains from previous FTF interventions. Furthermore, these clusters constitute continued Dry Corridor investments, critical to ensure inclusive food security and increase resilience through agricultural productivity and competitiveness. In addition, nutrition investments are core to these clusters, particularly in Cluster I. By advancing nutrition efforts and supporting local nutrition-focused organizations, there is an opportunity to better incorporate nutrition-sensitive aspects into targeted activities that focus on food processing and fresh produce producers.

### Cluster 3: North Coast

The Atlántida North Coast (that includes one additional municipality in Cortes) cluster, comprising of five municipalities, provides new opportunities and investment toward FTF programming. Running along the northern coast of Honduras, this cluster has very fertile lands and unique agro-ecological conditions derived from its topography. This lends itself to more diversified cropping systems, expansion of high value horticulture crops, exotic fruits, dairy and potential national, regional, and export markets. This expansion cluster was also selected as it is a priority region for the USAID/Honduras environment

investment portfolio, particularly for the expansion of fruit trees and agroforestry systems that create economic opportunities while restoring the landscape, water resources and biodiversity. Therefore, FTF will optimize joint funding synergies in achieving greater programmatic integration and inclusion of vulnerable households. Mitigating the impact of deforestation for unsustainable production of palm oil and cattle, will help address increased resilience, livelihoods and food security, and climate change adaptation.

### Outside the ZOI

The boundaries of the new ZOI are not an absolute limit on where FTF will work. This GFSS country plan calls for increased work with companies and other actors outside the ZOI that can impact poverty, stunting, and increasing diversity of women's diets within the ZOI (for instance agricultural processors in Tegucigalpa, Comayagua, or San Pedro Sula that purchase their raw material from other parts of Honduras). In the same way, natural resource management interventions will occasionally stretch outside of the ZOI, as watershed boundaries do not align precisely with departmental boundaries. In both cases the focus remains on targeted constituents within the ZOI, but with an understanding that sometimes the interventions best placed to improve lives within the ZOI can occur outside of the ZOI and pull factors. Such efforts will assist in spillover, sustainability, and scalability of investments.

Table 1: Honduras Feed the Future ZOI Municipalities

Municipalities	Area (km2)	Pobulation	Poverty rate	Municipalities	Area (km2)	Pobulation	Poverty rate
CLUSTER I - WESTERN HONDURAS				CLUSTER 2 - CENTRA			
Department of Copan				Department of Comay	agua		
Santa Rosa de Copan	306.3	74,821	37.6%	Comayagua	834.2	184,696	42.7%
Nueva Arcadia	147.6	47,845	41.7%	Siguatepeque	392.2	117,468	41.7%
Copan Ruinas	360.7	45,310	50.2%	El Rosario	297.6	35,383	49.1%
Santa Rita	314.1	33,595	50.2%	La Libertad	320.6	32,156	49.1%
Florida	342	30,877	49.1%	San Jeronimo	227.7	24,702	47.0%
Corquin	138.6	20,386	43.8%	Esquias	389. I	22,993	48.1%
Cucuyagua	136.1	19,427	44.9%	Las Lajas	95.I	16,839	50.2%
La Union	218.3	17,415	44.9%	San Luis	123	12,661	48.1%
Cabañas	128	17,291	51.3%	Department of Cortes			
Concepcion	73	9,847	53.4%	Santa Cruz de Yojoa	735.7	97,849	43.8%
San Pedro	60. I	8,079	42.7%	San Francisco de Yojoa	98.7	26,038	42.7%
Trinidad de Copan	74.4	7,819	45.9%	Department of Intibuc			
Dolores	47.6	7,651	49.1%	Intibuca	531.3	70,095	48.1%
Dulce Nombre	28.4	7,241	42.7%	Jesus de Otoro	419.1	34,052	48.1%
Veracruz	33.8	3,727	48.1%	Yamaranguila	298.1	24,088	54.5%
Department of Lempira				Masaguara	252.7	18,109	53.4%
Gracias	449.I	61,423	48.1%	La Esperanza	156.4	16,252	38.6%
Lepaera	310.2	42,186	51.3%	San Juan	179.3	15,938	50.2%
La Iguala	349	32,602	54.5%	San Francisco de Opalaca	289.3	14,173	54.5%
San Manuel Colohete	182.9	16,708	57.6%	San Isidro	79.4	5,500	52.3%
Talgua	82.9	11,996	50.2%	Department of La Paz			
Las Flores	80.8	11,140	48.1%	La Paz	232.3	55,778	41.7%
Department of Santa Barbara				Marcala	218.3	34,964	45.9%
Quimistan	740.9	65,726	45.9%	Santiago de Puringla	140.7	18,030	52.3%
Santa Barbara	301	49,745	40.7%	Santa Maria	104.3	12,378	51.3%
Macuelizo	402.9	39,719	44.9%	San Jose	65.8	9,318	51.3%
Las Vegas	123	27,832	42.7%	Chinacla	63.I	9,137	54.5%
San Luis	396.I	25,830	48.1%	Opatoro	241.3	8,328	53.4%
Atima	195.6	21,372	49.1%	San Pedro de Tutule	47.5	8,287	50.2%
San Nicolas	101.6	16,771	47.0%	Cane	46.8	5,091	38.6%
Ilama	174.7	9,283	45.9%	Subtotal Cluster 2	6,879.60	930,303.00	

Municipalities	Area (km2)	Population	Poverty rate	Municipalities	Area (km2)	Population	Poverty rate
Ceguaca	51.7	5,965	45.9%	<b>CLUSTER 3 - NORTH</b>	COAST		
Concepcion del Sur	64.7	5,482	48.1%	Department of Atlántida			
Department of Ocotepeque			La Ceiba	1,156.50	232,694	37.6%	
Ocotepeque	174.8	27,441	38.6%	Tela	532.4	110,256	43.8%
San Marcos	169.2	23,750	42.7%	Jutiapa	393.7	39,325	47.0%
Belen Gualcho	156.4	18,304	54.5%	La Masica	532.4	33,521	42.7%
Sensenti	119.1	12,461	45.9%	Department of Cortes			
Sinuapa	125.7	11,088	42.7%	Omoa	468.4	58,171	43.8%
San Francisco del Valle	106.7	10,634	44.9%	Subtotal Cluster 3	3,083.40	473,967	
San Fernando	53	7,499	45.9%	TOTAL FTF ZOI	17,565	2,334,019	
Concepcion	116.4	6,026	53.4%				
La Encarnacion	36.7	5,936	42.7%				
San Jorge	59	5,801	49.1%				
Santa Fe	68.8	5,693	42.7%				
Subtotal Cluster I	7,602	929,745					

### **Summary ZOI Data Sources and Criteria used for selection**

Under current FTF programming, specifically within clusters I and 2, 47 percent of the targeted constituents are below the poverty line and that have been shown to have a high propensity to migrate.

Each cluster and/or municipalities have their own socioeconomic, natural and agroecological conditions. As such, the Mission complemented this analysis with the identification of territories where FTF intervention had the highest potential for sustainable impact in addressing irregular migration, food insecurity, poverty, undernutrition, and generating economic growth. The level of need within the ZOI used the following complementary variables and indices:

- Poverty probability index (MESCLA, 2019 based on Population Census 2013)
- Population without access to electricity (and per rural and indigenous population, age, sex, rural youth, women) (Population Census 2013)
- Women's Empowerment in Agriculture index (IFPRI-WEAI)
- Undernutrition (at the Department level) (DHS country data, 2019)
- FAO's Agricultural Stress Index (FAO ASI 2013-2021)
- Agriculture potential index (agricultural land, agricultural crop production and productivity, formal agribusinesses, previous FTF interventions (Mapa Forestal 2018. Instituto de Conservación Forestal- ICF)
- Education index (population without access to education, school enrollment, school coverage) (Secretaria de Educación, SEDUC/ UNISEH 2020- 2021)
- Municipal development index (level of capacity of the municipal government and municipal development) (Informe de Categorización Municipal - Secretaria de Gobernación, Justicia y Decentralization, 2015).
- Economic and employment index (type and size of businesses, unemployment rate) (Directorio de Establecimientos Económicos, Instituto Nacional de Estadística 2016).
- Other USAID/Honduras non-agricultural investments

### **Agricultural Opportunity within the ZOI**

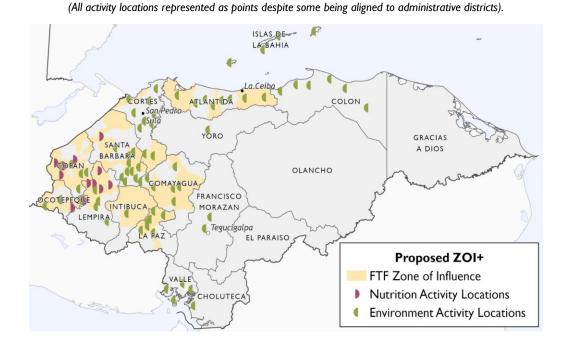
According to USAID/Honduras stocktaking analysis (2022), stakeholder consultations, and results from prior FTF funding, new GFSS Country Plan investments will continue to focus on coffee and horticulture (fruits and vegetables) and will include elements of dairy production and processing. In addition, it will diversify farmer incomes through small-scale animal production, agroforestry, agricultural processing, and related off-farm enterprises. Coffee is the backbone of the economy particularly in the western

highlands and central Honduras. A significant portion of the USAID/Honduras FTF budget is directed toward supporting the coffee value chain, from markets to productivity, as it is one of the most important sources of income for farmers, short-term labor, and local and export markets in the Priority I Clusters. In the selected municipalities (and often layered with coffee systems), FTF will continue to focus on systemic change within several high-value horticulture value chains, that have significant market potential, highest return for the use of crop land, critical private sector investment, and demand for labor—which applies to all three focus clusters.

Given that food systems are a complex web of interconnected systems and processes, within both spatial and temporal scales, it requires a more innovative, inclusive view in terms of the modalities of interventions and targeting focus. As such, existing and potential agricultural interventions in the ZOI were premised on the ability to sequence and layer opportunities (with the flexibility to nuance approaches). Across Clusters I and 2, multiple investments have been strategically designed to layer interventions at multiple levels and across a spectrum of private sector stakeholders. Based on targeting selection criteria and representative agricultural interventions, both seek to catalyze new opportunities that will require new *processes* (e.g., co-creation with local partners, mutual accountability, etc.) and innovative *procurement systems* (such as co-funded or partnership funds), and new *approaches* (e.g., inclusiveness via joint planning and coordination) to achieve both CDCS and GFSS priorities that will deepen relationships and partnerships with national, municipal, and community/private sector entities.

### **REFS Equities**

FTF will optimize and integrate other REFS equities to reach results within the ZOI. Complementary Nutrition (EG.3.3 funded) and Environment (Adaptation Direct funded; constituting six of seven Environment Activities within EGO) investments will help achieve these goals (below, Map 3). It should be noted that the Mission does not receive Agency Water, Sanitation and Hygiene (HL.8) funding.



Map 3. FTF Zone of Influence and REFS Equities

## SECTION 2 (C & D)

### C. Results Framework

### C.I Results Framework

The Honduras GFSS country plan Results Framework closely follows the revised CDCS DO I: "Socio-economic opportunities improved that reduce poverty, hunger and irregular migration". The three Intermediate Results (IRs) in the CDCS under DO I focus on youth and children with better access to education and economic opportunities, food security through inclusive market systems, and resilience, respectively. DOI reflects lessons learned on better integrating USG resources, fostering collaboration and the sequencing and layering of investments across a broader contingency, and alignment with food security, nutrition, and climate change adaptation efforts. Like DO I in the CDCS, the programmatic impact pathways within this Results Framework address two of the most salient drivers of irregular migration: climate change, and principally the lack of economic opportunities—a motivation for migrating cited by more than 90 percent of returned Honduran migrants.<sup>48</sup>

This framework posits that: If the USG strengthens Honduran capacity, particularly with the private sector and local organizations, to advance economic growth, employment opportunities, resilience, and nutrition at the household, systems, and policy level with the government, while collaborating with other

<sup>&</sup>lt;sup>48</sup> National Information Center for Social Sector (Centro Nacional de Información del Sector Social CENISS). Microdata from January 2016 through December 2019.

donor actors to learn and adapt to dynamic, changing realities, *then* hunger, malnutrition, and poverty will be sustainably reduced in Honduras.

Stimulating transformation<sup>49</sup> and holistically tackling poverty at scale. A challenge to USAID/Honduras' GFSS programming is the potential to influence change and leverage USG investment at sufficient scale to stimulate transformation that can reduce poverty in the ZOI or trends in poverty across the country as a whole. At the core of facilitating transformation is putting the breadth of local actors front and center in FTF's development efforts that catalyze inclusive partnerships, change in behavior, and seek market systems resilience and sustainability. USAID/Honduras' FTF investments have shown the ability to meet project targets that can improve the economic and social circumstances of individuals and households (USAID/Honduras FTF activities are part of a FTF pilot study to assess leverage and impact of prior and current investments on reducing the incidence or depth of poverty or contributing to economic transformation). Change will require efforts beyond a five-year timeframe given the degree and persistence of poverty in the FTF zone of influence. Programming will build on key FTF implementation lessons learned, derived from Activity past performance evaluations and internal analyses within FTF investments on results and impact:

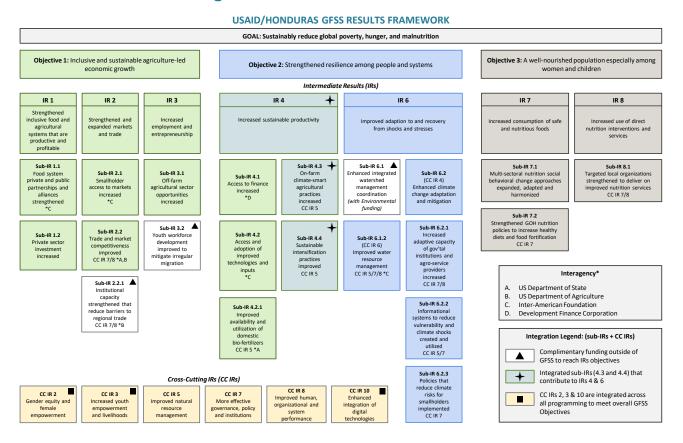
- A focus on profitability and a commercialized mind-set of the agricultural operation and via the use of climate-smart practices.
- Limited ability to scale within the Dry Corridor; hence, the movement away from staple grains.
   Through a FTF robust assessment of Phase I Dry Corridor programming, evidence pointed to that while investments around staples were able to double incomes of targeted smallholders, this growth was not significant in a movement out of subsistence agriculture and poverty. Thus, new FTF programming will expand the ZOI, with a focus toward higher-income horticultural crops.
- Coffee will remain a major value chain investment, but FTF will need to employ new approaches and modalities of programming to affect change and profitability.
- A wealth of global evidence across USAID programming indicates the private sector as
  facilitators, market drivers, and investment levers to achieve development outcomes. Honduras
  FTF will continue to leverage and scale linkages and capacities of agro-processors, lead firms,
  and suppliers/input providers to better drive markets, technical assistance, service provision, and
  financial inclusion. These investments need to be catalytic across identified value chains—ones
  that are intentional in the inclusion of women and youth.

These lessons have demonstrated that greater impact and sustainability can be achieved by addressing the specific issues and constraints of the different actors of the agri-food system, in an integrated, interconnected manner.

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<sup>&</sup>lt;sup>49</sup> Defined here as the ability to fundamentally "transform" norms, behaviors, relations and structures for systemic change.

### **C.I Results Framework Figure**



### **C.2 Results Framework Summary**

The USAID/Honduras Country Plan Results Framework depicts alignment and rationale with all three Global GFSS Objectives and Results and existing Mission CDCS DO I Intermediate Results (IRs). This framework places equal focus on both the seven key GFSS IRs, and corresponding contextual sub-IRs that lead to the three USG GFSS higher level objectives of inclusive agricultural growth, strengthened resilience, and advancing gains in nutrition. However, funding levels will differ between the IRs and sub-IRs, in part because progress is more costly and long-term to achieve results within certain components, and in part because available funding is higher for certain program elements. In particular, funding complementarity will be necessary under Program Component 3 (below, see D.4), and given that the FTF nutrition activity only encompasses 15 of the 74 municipalities within the ZOI, pathways for key nutrition sensitive interventions will aim to leverage support from other FTF activities, while an array of advocacy and capacity building is hoped to be leveraged through interagency, GOH, and targeted donors.

The above Results Framework (RF) represents fundamental pathways for achieving Global GFSS IR results through improving food security and nutrition, as well as increasing the resilience at multiple levels, particularly in the face of climatic shocks and stresses, and developing employment opportunities. As such, IRs I through 8 are pivotal if FTF is to be successful in addressing the entrenched determinants of poverty, food insecurity, and underlying factors that drive migration in

Honduras. The Country Plan RF represents seven of the nine Global IRs. IR 5 (Improved proactive risk reduction, mitigation, and management) and IR 9 (More hygienic household and community environments) have been removed principally because they are two IRs in which Honduras/FTF is not measuring or has catalytic investments to create necessary systemic change.

Prior FTF investments and evaluations have demonstrated that to catalyze competitive, inclusive, and resilient market systems then sub-IR impact pathways under IRs I-3 are critical in achieving desired results. More emphasis is being placed on localization that will create the enabling environments for growth and job creation—particularly for women and youth—through a wider swath of increased private sector partnerships, alliances, and investment. FTF will work concertedly with both environment and education portfolios that enhance youth workforce development through off-farm employment. Increasing competitiveness in domestic, regional, and export trade has become increasingly important to build and sustain a more resilient market system. Additional leverage from USDA funding on trade capacity and regional harmonization, and technical support to SAG will augment Country Plan results. Thus, capitalizing on regional trade funding will augment bilateral efforts, as represented in sub-IR 2.2.1. Pivotal sub-IRs around increased private sector investment (sub-IR 1.2), access to markets (sub-IR 2.1) and finance (sub-IR 4.1) are highlighted as they are fundamental, integrative determinants under the Country Plan to meet results of all three GFSS objectives. As well, integrated FTF funding with Basic Education and Environment funds will foster youth employment investments under sub-IR 3.2.

IR 4, improving productivity, is essential for food security. It is an IR that straddles both agricultural-led growth and strengthening resilience objectives. As such, agricultural growth sub-IRs reflect needed access to capital and improved inputs, and highlight the level of investment and focus on soil fertility. This will be achieved through scaling biofertilizer availability and use, and in the development of a national soil fertility mapping digital tool, *Suelos de Honduras*—both through cohesive efforts with a wide range of public and private sector partners. However, IR 4 is only as successful in its ability to influence and change production models. Thus, significant emphasis will be placed on crop diversification, and in improving climate-smart agricultural and sustainable intensification practices to build improved resilience and adaptation under IR 6.

To strengthen the resilience of individuals, households, communities, and the capacity of systems to mitigate and adapt to shocks and stresses, IR 6 places a key emphasis on the metrics for improving adaptation, and on the integration of programming co-funded with environment resources. FTF leadership has made the decision that two Cross-cutting IRs (Enhanced climate change adaptation/CC IR 4; and, Improved water resource management/CC IR 6) are better placed as sub-IRs. Improving water resource management (sub-IR 6.1.2) is a key adaptation programmatic investment of FTF (below, see D.3, component 2). Critical water management efforts will build the governance capacity of municipal and mancomunidad water managers to improve services and restoration of key water catchment areas, promote drip-irrigation systems, and strengthen information systems to improve decision-making in water allocation. Much of the improved resource decision making stems from the USG-funded national water resources management digital platform, Agua de Honduras. Enhanced climate change adaptation (6.2) is critical for the achievement of the lower-level adaptation sub-IRs (6.2.2-4), while meeting the IR resiliency and adaptation needs.

Reducing vulnerability for Hondurans will also be achieved through multi-sectoral nutritional investments in 15 municipalities, specifically for pregnant women and children under five by increasing the consumption of safe, nutritious foods (IR 7) during the first 1,000-day window. Through income generation and layering and scaling other nutrition-sensitive efforts, investments have a goal of

increasing women's overall dietary diversity—a top line FTF-funded Population-Based Survey indicator. Efforts will be made to advocate for increased GOH political will toward nutritional policy coherence and budgeting that strengthens their ability to leverage their decentralized integrated children's health program, as well as to support the network of community health volunteers. Through a localized approach, FTF will strengthen the capacity of targeted local organizations for sustained delivery at the municipal association and community levels (IR 8), transitioning these organizations in their ability to source external funding, and in training other departmental nutrition entities, to better scale FTF objectives.

The five Cross-cutting IRs (CC IRs) are key tenets for success in achieving the sub-IRs, and resulting IRs. Three of the Global GFSS CC IRs (2, 3, and 10) are embedded across all programming to achieve the desired results under this Country Plan. USAID/Honduras' FTF activities will not be successful if gender equity and the pathways that increase the empowerment of women and youth are not addressed to their fullest (ensuring inclusion of indigenous women and youth in Clusters I and 3). FTF activities will actively seek women and youth as principal constituents to achieve nutrition, climate change adaptation, and increased income and employment outcomes—to lead, influence, and act as change agents to promote inclusive and equitable management within the food system. Investments seek to increase the purchasing power of women and youth through access to financing that allows for market access, localized efforts that explicitly engage women and youth will help construct more inclusive governance and resilient institutions, and are target populations for public-private sector actors that help drive new innovations and advocate for policy change.

The use of digital tools across IRs (CC IR 10) facilitates transparency and increases efficiency, communication and transactions, builds competitiveness through e-commerce platforms, strengthens monitoring and synthetization of production and resource management progresses, and helps to generate needed evidence and results under each IR for food systems change. These tools will help to strengthen business associations and women's organizations that contribute to advancing women's empowerment and gender equality through increased digital literacy and technical assistance for businesses and workforce development programs.

The other three CC IRs (improved natural resource management/CC IR 5; more effective governance and institutions/CC IR 7; and, improving performance/ CC IR 8) have been incorporated into sub-IRs, not as CC IRs under this Results Framework.

### **Risks and Assumptions**

### Risks

- I. Variability in international prices for certain goods, such as coffee, etc., which drive the propensity for Hondurans to migrate within the agricultural sector;
- 2. Acute and exponential climate and weather-related shocks threaten economic development and present risks for programs to achieve their desired results; and
- Key GOH policy constraints thwart inclusive private sector investment, limiting growth and trade.

### **Assumptions**

- I. Honduran private sector is committed to partnering with USAID/Honduras to achieve shared objectives; and
- 2. Droughts, floods, hurricanes, and other climatic shocks and stresses continue to occur regularly.

Budget assumptions to this plan reflect the prior President's FY 2022 budget and the pending FY 2023 request. The FY 2024 appropriation may include a further ten percent reduction in global Development Assistance funding; however, country-level and agriculture funding levels are yet to be determined. Thus, future out-year budgets are subject to the availability of funds, based on future President's Budgets.

## D. Program Components

### **D.I Programmatic Approach**

There is an interest on behalf of the GOH in assuming more responsibility for social safety nets programs, decentralized provision of nutrition services, school feeding, improvement of rural infrastructure, and in the uptake, integration, and coordination of food security interventions. This should be accompanied by increasing levels of own-source financing for programs such that the stable donor contributions represent a smaller and smaller share of total program budgets. However, the reality is a continued dependence on foreign donors and development banks to fund many of these programs. For USAID/Honduras FTF, this implies that the nature of investment support and relationships must fundamentally change.

Since Phase I of its initiation in Honduras in 2010, FTF programming has evolved and transitioned. While the prior GFSS Country Plan shifted investments toward a newer approach with targeted private sector actors, agricultural programming was still largely dependent on USG funding of the direct provision of technical services through a combination of contracts and smaller mechanisms to deliver on FTF outcomes. While working across different levels, these approaches were not able to provide enough scale to have catalytic, systemic impact, nor were they the optimal approach to promote long-term sustainability of Honduran solutions to food insecurity. This new GFSS Country Plan programmatic approach builds on the positive-sum gains in the prior five-year food systems strategy and lessons learned, and focuses on working through a greater diversity of local private sector actors—as core implementers—that foster ownership, co-investment, and sustainability, and that are attentive to multiple objectives and pathways in achieving food security results.

This Honduras GFSS Country Plan will continue to work at multiple levels to address the three GFSS Objectives: (i) the *household level* where market systems alone leave certain needs unmet; (ii) the *systems level* to implement the facilitative approach with market system actors, local government, civil society, and decentralized service providers to better advance economic growth, resilience, and nutrition in the ZOI; and, (iii) the *national policy level* to enhance GOH commitment to food security and nutrition.

Utilizing the REFS food systems conceptual framework, this USAID/Honduras GFSS will employ a facilitative, systems change approach to catalyze food systems development. Investments will focus on pathways to reducing poverty, hunger, and malnutrition through activities that aim to expand agricultural-led growth opportunities where sustainable outcomes are to be achieved. Partnerships with larger lead firms and processors help reduce poverty, hunger, and malnutrition through income generation, job creation, etc., while other activities work toward mitigating risk across multiple levels and systems to address vulnerability, climate adaptation, as well as integrating livelihoods programming with nutrition gains (i.e., linking income and consumption-linked pathways to nutrition).

Localization and its accompanying tenets are foundational to this Country Plan and the Honduran Mission writ large. This calls for context-driven selection of value chains aimed at driving systemic change and are aligned with the needs and aspirations of local actors, communities, agri-businesses, and investors, as well as the resources of the local context. Key strategies link to national and international level value chains, while other markets may be more localized. Thus, to ensure that localization and transformation leads to *inclusive* agriculture-led growth, attention must focus on the root causes of

persistent poverty and the drivers of irregular migration in different contexts. Key impetus will be on innovative private sector and investment facilitative strategies, as well as women's empowerment to ensure inclusivity and gender equity for agricultural-led growth and transformation. For **sustainable** agriculture-led growth, attention must focus on, and scale, inclusive job creation and income generation through private sector engagement and localization efforts that must have an intentional link that succinctly strengthens resilience by addressing climate change and social vulnerability.

Strengthening the resilience of people and systems across all USAID Honduras' FTF investments remains a key objective and must incorporate stronger measures to combat the systemic effects of underemployment and poverty. Programming will intentionally build adaptive capacity for climate change effects that increasingly lead to recurrent shocks and stresses. In addition, FTF will explore the potentiality of agricultural insurance programs as a risk mitigation and adaptive tool. Strategies must also leverage the interconnections of the food system—food, environmental, health, market, financial, social/cultural, and political to effectively build overall resilience and performance capacities that reduce poverty and malnutrition over time. Governance, effective policy, innovative financing, and the broader private sector enabling environment for market and other systems are key to sustainable reductions in poverty. Again, deliberate and consistent strategies are needed to address root causes of irregular migration and key development challenges that better strengthen the private sector, and enable municipalities and GOH institutions to mitigate weaknesses and catalyze gains.

Programmatically, FTF does not have target value chains, rather targeted investments that can provide greater return on investment and scale, and effect change. Given lessons learned from prior investments under FTF 1.0 and 2.0, current funding does not focus on staple grain production of corn and beans per say; however, investments in scaling bio-inputs and fertilizers will reach staples producers as target smallholders. New FTF resources are focusing support on the coffee sector, as it is the major crop for most hillside smallholders in the ZOI, as well as a range of higher-income horticultural and key fruit crops (bananas, plantains, rambutan, and cacao) that require additional support for export quality, market access, value-added and agro-processor linkages. FTF resources are also dedicated to improving small scale dairy management and marketing. Under this Country Plan, investments will only be made in value chains that are adapted to their specific agro-ecological zones, have market linkages, and will ensure that programming is not just opportunistic and that livelihood options are not promoted without a sustainability lens.

Non-GFSS funding will be leveraged across the Mission in its technical office efforts, such as under the Environment team, and Democracy and Governance, and Education Offices to carry out cross-sectoral work on climate change, local governance, workforce development, and market systems to improve the business enabling environment (BEE), as well as to develop value-added and off-farm options for those most at-risk. These synergies are happening across the ZOI's three cluster areas. This is in response to the increasing realization that agriculture is just one part of the income and employment story. By moving into off-farm livelihoods in the agricultural sector with lower or less direct exposure to climate risks, households can significantly reduce their livelihood risk.

Finally, USAID/Honduras recognizes its role beyond simply its funding envelope. A consistent request stemming from local stakeholder input was that USAID better leverage its convening power to help facilitate change. This pertains to partnership development between the private and public sectors to cocreate socio-economic opportunities, strengthen the business enabling environment, influence policy, and expand relationships and networks for economic growth and trade, nutrition, and its overlay with critical natural resource management.

### **D.2** [Program Component I]

[Component I contributes directly to IRs I-4 and their corresponding sub-IRs; and, elements of IR 6 through sub-IRs 6.2.I and 6.2.3. This component also cuts across all three integrated CC IRs (2, 3 and 10), and toward achieving sub-IR 5, thus in meeting higher level GFSS objectives]

# Private Sector as pivotal, localized actors that better enable and ensure increased food security, productivity, and foster economic growth.

Building on both the Agency's competitive advantage and the rich private sector partnerships the Mission has developed under FTF phases I and II, this Country Plan will employ a localized, private sector-facilitated approach to strengthening select value chains and market systems development. While civil society partners and the GOH are important stakeholders in the process, the myriad of private sector actors (producers, cooperatives, lead firms, women-owned SMEs, agro-processors, financial institutions, etc.) are essential to help drive change at scale, pivotal for strengthening livelihoods and generating greater employment and income diversification, and needed for overall transparency within the sector. For example, in FY 2023 USAID/Honduras's Economic Growth portfolio had more than 220 active alliances with the private sector, leveraging over \$39 million, and generated over \$201 million in new sales that have created nearly 35,000 new job opportunities (half of those for women). Continued efforts will strengthen the capacity of local institutions and market system actors across coffee, horticulture (and fruit) sectors to provide technical assistance and services to smallholder constituents, such as access to markets, inputs, and capital, etc. The aim is also to catalyze a mindset toward commercialization of higher-value crops to capture markets and increase incomes. Private sector firms act as pull factors that provide upstream incentives, drive innovation, and are better able to support more vulnerable smallholders within the ZOI. FTF will promote inclusivity by addressing vulnerable groups (women, youth, and Indigenous people) as key market actors, promoting their employment and income generating opportunities on and off farm under this Country Plan. Sex and age disaggregation will allow FTF to track metrics around gender inclusivity and allow for any needed adaptations in programming to reach sustained impact among these groups.

Access to working capital is fundamental for agricultural development in Honduras. Whether helping smallholders, particularly women, adopt improved technologies, varieties, and post-harvest practices, or through business incubation and co-investments that link to novel and gender-sensitive financial tools, access to capital allows greater space for experimentation and innovation across agricultural systems. FTF funding will provide a range of financial products and services to smallholders and food enterprises, such as loans and on-lending, exploring agricultural insurance options, and triangulated schemes with agro-processors, buyers, and suppliers, etc. One proven initiative under FTF programming is between lead firm INALMA, an added value processor of banana and other horticulture crops, and LAFISE bank, which now lends to smallholders producing and receiving services under INALMA— overcoming the paradigm that banks are largely risk-averse to lending to smallholders even when an enabling environment has been established. Moreover, LAFISE has expanded its lending to smallholders, facilitating over \$27 million in agricultural financing to over 600 clients. Other potential triangulated

schemes would be linking (markets and finance) FTF participant smallholders with FICOHSA bank and La Colonia grocery chain, one of the largest in the country, across a spectrum of horticulture value chains. FTF will continue developing a pipeline of potential deals for direct consideration by the Development Finance Corporation (DFC) and other financial institutions. In addition, efforts will advance the successful rural community savings and loan platform *cajas rurales* to promote resilience not only by pooling community resources for finance and weathering economic shocks, but also for its women-orientation and social capital to women they represent. This credit entity serves as a natural organizing unit across multiple value chains for assembling produce, collective marketing, receiving technical assistance, and even for working out disputes and solutions to shared problems.

USAID/Honduras will also scale investments within the digital finance environment (and e-commerce for trade), and help facilitate domestic and foreign agricultural investment through the DFC by providing critical market intelligence to identify potential private sector partners, as well as loan guarantees to provide greater access to credit. Finally, GFSS resources will further trade facilitation to expand market access and business opportunities. Agricultural trade capacity building will support more transparent and efficient application of trade rules, the digitization of trade processes, and modernizing sanitary and phytosanitary requirements and risk inspection protocols that build the capacity of border management institutions for inter-regional trade.

Off-farm employment is key for increasing income and diversifying livelihood risk for women and youth in the ZOI. The USG will support the development of micro-, small, and medium enterprises (MSMEs) that add value or provide services to rural agriculture communities and help the sector move a step beyond primary agriculture production.

The three non-contiguous clusters within the ZOI target nodes of private sector facilitation and investment, recognizing each cluster's specific operating environment and context. This will be particularly important for optimizing private sector-embedded technical assistance and service provision, and in the integration and leverage of other aspects of the FTF-funded portfolio and external initiatives. Moreover, a justification for adjusting the current ZOI was to reflect the need for private sector presence to facilitate market access and growth; thus, the 35 additional municipalities (outside the CDCS migration clusters) continue from the prior ZOI geography given this private sector presence and potential for agricultural growth. Again, partnerships with local, private sector, and national level actors will directly support results for market inclusion and overall investment and sales; increased resilience through incomes, employment opportunities, access to finance, and on-farm diversification and agroforestry practices contributing to climate change adaptation (Objective 2, IRs 4 and 6). We will seek to leverage the private sector via existing associations (such as apex entities and chambers of commerce) to influence national policy that enhances inclusive economic growth.

For example, continued investment within the coffee sector is critical. This sector represents the largest FTF investment and works across multiple strategic partners and entry points within Priority I & 2 of the ZOI clusters. Ninety-five percent of the roughly 120,000 coffee producers in Honduras are smallholders that farm on less than five acres. Co-investments by private sector coffee firms help support the implementation of nine FTF activities, with the target of reaching nearly one-half of the total coffee producers in the country. Evidence from the Mission's CDCS points to the correlation between periods of low coffee prices and upticks in irregular migration. As such, along with additional support from small grants by the Inter-American Foundation and USAID's Farmer-to-Farmer activities that also work with small scale cooperatives, capacity building and requisite on-farm improvements for sustainability and growth will be key to keep at-risk coffee producers from backsliding. Through partnerships with lead exporters and coffee processors, this co-investment is helping increase trust

along the value chain, and mitigate the risk of price volatility through profit and efficiency gains of producers (diversification practices, improved varieties, and access to specialized markets), and lowering input and transaction costs, as well as eliminating opportunistic farmgate middlemen. Moreover, as FTF seeks to align its coffee sector approaches and investments within partner private sector business models, one key lesson learned has been how firms, cooperatives, and institutions have begun to use FTF indicators as core business metrics necessary for achieving increased competitiveness, inclusivity, and scale that ensure product quality and quantity.

### **D.3** [Program Component 2]

[Component 2 contributes to IR 4 and its sub-IRs 4.3 and 4.4, and specifically to IR 6 around improved adaptation, and all its corresponding sub-IRs, thus achieving the Objective of strengthened resilience. This component compliments CC IRs 5, 7, and 8 efforts per designated sub-IR, as indicated in the RF]

### Enhancing climate change adaptation.

USAID defines climate change adaptation as the "process of adjusting to the actual or expected climate and its effects in order to moderate harm or exploit beneficial opportunities." Honduras is prone to a myriad of climatic shocks that have direct implications on irregular migration. Thus, as a critical IR outcome, core FTF investments will strengthen resilience through climate adaptation measures to both protect ecosystem services and safeguard productive assets.

USAID/Honduras will place a priority on improving integrated watershed management. Strategic collaboration and joint funding with the Economic Growth Office's environmental programming will allow for continued collaboration toward inclusive, and equitable local governance structures for protecting and sustainably managing micro-watersheds (empowering water and irrigation boards, municipal environmental authorities, compensation for environmental services, facilitating microwatershed management plans and budgets, etc.). Moreover, we will expand our support for governance and natural resources management beyond the local level of micro-watersheds to better achieve a sustainable landscape approach. These approaches will also help meet key objectives under the USG Global Water Strategy (2022-2027), such as Objective 1: Prioritizing and strengthening local governance and institutions, and Objective 3: Improving Climate-Resilient Conservation and Management of Freshwater Resources and Associated Ecosystems. Joint agricultural and environmental partnerships and co-investments will cover biologically sensitive ecosystems and private nature reserves within the ZOI to reduce threats to biodiversity and increase ecological integrity, while enhancing economic returns for selected agroforestry crops. Restoring degraded lands and water resources due to deforestation, particularly those in upper watersheds, as well as promoting sustainable land-use, and climate-smart agricultural management practices that can increase productivity and strengthen resilience in face of climate change and extreme weather events.

Priority ZOI clusters I & 2 support climate-smart hillside agriculture across a range of agroenvironments and crops. With climate change adaptation, key investments in coffee will center around coffee agroforestry systems to increase hectares under improved and diversified native wood/shade species that maintain moisture, fertility, and requisite organic matter, as well as other on-farm measures to increase productivity and curb erosion. These adaptations have an economic incentive for coffee growers: Given that 60 percent of all Honduran coffee is exported to the Europe Union (EU); the EU will be implementing new regulations and traceability for all imported coffee. Exporters will need to clearly demonstrate that their producers (coffee bean source) have not deforested land over a designated period of time. As such, FTF will foster smallholders' compliance and adaptation though

transparent traceability structures. This is also pivotal in the protection of water recharge areas and sources. Through diversification and climate-smart agriculture, FTF's aim is to promote sustainable intensification models to thwart any land-use expansion for production, which is the major contributing factor for upper watershed deforestation. This is especially important within the Dry Corridor where water access is often at a premium. Within the priority clusters, FTF will also expand the area under irrigation, particularly among identified horticulture and fruit value chain productivity approaches that optimize water-use efficiency.

One of the key climate change investments will be around enhancing soil fertility, that will be strategically coupled with water resource management. Soil health management is being championed through the partnership triad of research institutions, private sector, and SAG. Under the Country Plan, FTF is addressing the continued high fertilizer prices due to the Ukraine war and associated food insecurity risks in Honduras through the creation of a national level, web-based digital mapping tool that delivers precise soil fertility information. This is being designed by the International Center for Tropical Agriculture (CIAT) and FAO under the direction of SAG, who will become the owners of the platform. Given this, key technical personnel will be trained within the Ministry to ensure its continuance. Developed through evidence-based soil insights and co-creation with key stakeholders the tool will optimize fertilizer recommendations and tailored formulas to ensure that the market provides diverse fertilizer options (such as organic and biofertilizer amendments) suitable for specific nutrient needs across different fertility regions, and lead to more efficient and climate-smart agricultural production. This soil fertility initiative increases the availability and affordability of biofertilizers through strengthening alliances with private sector fertilizer businesses and compliments the GOH's Bono Tecnológico transfer program to better meet diverse fertilizer needs. To date, biofertilizer investments have reached over 70,000 farmers.

Priority ZOI cluster 3 investments on the North Coast represent new integrated programming for climate change adaptation, which will address up-and downstream impacts on coastal conservation through interventions focused on land-use and overall watershed basin management—from coastal areas to the upper watershed. New lines of investment and local and municipal partnerships will align local economic needs to help ensure the protection of natural resources. Upper watershed activities will target rambutan and cacao value chains by seeking to: i) mitigate climate stresses by improving these agroforestry systems that replace degraded, deforested land-use by overgrazing; and, ii) increasing productivity and income opportunities within these crops. Efforts in the lower watershed are aimed at facilitating market-based, sustainable intensive horticulture using climate-smart practices, as well as small-scale, sustainable dairy management systems and efficiency—both with an intentional focus on women and Indigenous communities. FTF resources will augment existing and create new alliances across the basin to harmonize climate adaptation approaches and elevate the importance of soil fertility given the widespread overuse of chemical fertilizers which is degrading coastal reefs.<sup>50</sup>

### **D.4** [Program Component 3]

[Component 3 highlights the importance of Cross Cutting IRs 2 and 3 across the entire portfolio, and while they contribute to RF IRs 1 - 8, they hold particular importance within IRs 1, 3, 6, 7 and 8.

<sup>&</sup>lt;sup>50</sup> Berger, Madeline, Canty, Steven, Tuholske, Cascade, and Halpern, Benjamin. 2022. "Sources and discharge of nitrogen pollution from agriculture and wastewater in the Mesoamerican Reef region." Ocean and Coastal Management, Vol 227 <a href="https://doi.org/10.1016/j.ocecoaman.2022.106269">https://doi.org/10.1016/j.ocecoaman.2022.106269</a>.

Women and youth are critical target constituents under the majority of sub-IR investments to meet higher level IR and GFSS objectives. Furthermore, this component will be integrated with CC IR 10]

### Facilitating gender equality and women's and youth empowerment.

Both CDCS DOI and the Country Plan recognize the importance of gender equity and the overall empowerment of women and youth within Honduras. While women and youth empowerment are CC IRs under this Results Framework (CCIR 3 and CCIR 4, respectively), their pivotal role in the food systems development process necessitates the designation of a dedicated Program Component focused on them so as not to lose or dilute strategic programmatic focus.

As a base, USAID/Honduras will enact gender-transformative policies and programs to help change unequal gender dynamics and power structures and encourage positive gender roles. Efforts will promote gender equality by critically examining the broad context and deploying an intersectional lens to address how gendered power disparities contribute to the vulnerability, risk, and impunity of different groups. This is especially true regarding embedding GBV programming. Strategic gender analyses will contribute to combating GBV across all populations, which i) strengthen positive gender roles, support equality, discourage and prevent GBV; ii) inclusion of men as key participants; and, iii) help transform policies and broadly held social norms that perpetuate gender inequalities. FTF will deliver effective anti-GBV messaging throughout its programming and link communities to services for GBV survivors, receiving support from the Mission's existing CARE GBV activity.

Furthermore, it is important to understand the intersection between youth and violence. This results from, among other factors, lack of economic opportunities, and youth, themselves, are also victimized by violence at very high rates.<sup>51</sup> Thus to empower youth, FTF investments will focus on youth livelihoods, partnering with the private sector to sequence and layer onto existing USAID/Honduras Education Office programming for youth workforce development, and Democracy and Governance activities enabling youth leadership for civic engagement. The larger focus on inclusive market systems development will allow the USG to ensure strategic intervention points for better integrating youth (and women) all along value chains. As such, it will be key to ensure upstream investments produce internship and employment opportunities—as unemployment affects youth more than other groups.

In Honduras, women continue to have less access to productive assets and training. FTF strives to reverse the exclusion of women by ensuring inclusive approaches. A significant emphasis will be put toward promoting women's leadership within association and cooperative structures, targeting equal access to finance proportional to their male counterparts, securing upstream agricultural employment for women (such as through lead firms and agro-processors), and increased support of women-owned MSMEs within the food system through business advisory services, lending, and use of digital technology.

In building off private sector programming, lending to women-owned SMEs is critical. Recognizing the systemic barriers women face in accessing finance due to traditional norms and banking processes, FTF facilitated a \$7 million guarantee from the DFC via the "PYME-Mujer partnership" targeting women-owned SMEs. LAFISE Bank piloted more gender-responsive financial services and facilitated institutional changes within their systems, including establishing a gender equality committee and comprehensive gender training for staff. LAFISE Bank disbursed 203 loans totaling over \$13 million to 139 women clients in FY 2023, and while women's earnings were similar to men's, disparities existed across

<sup>&</sup>lt;sup>51</sup> Williams, Rebecca. 2020. "Youth perceptions of violence in Western Honduras." Third World Quarterly, Vol 41 (3), pgs.397-414.

economic activities. Notably, female business owners tended to earn half of their male counterparts; thus, presenting a challenge they continue to face in growing their businesses. In addition, per the FTF higher level target of value of financing accessed by female FTF participants per \$1 of financing accessed by male FTF participants, with FTF investments, women still are only able to access roughly 70 percent to the one-dollar correlation to males. More concerted efforts need to be placed to ensure equality.

While land tenure is a constraining factor for women, FTF does not work specifically in the land tenure domain. Existing efforts will leverage donor and GOH interventions for increasing land titling for women. Other models to be explored are around optimizing gender-based climate financing to help reduce climate vulnerability. Finally, women's empowerment is not only a way to foster agriculture-led economic growth, but also represents a pathway to improved nutrition, to which women play the pivotal role within the household to change positive nutritional behaviors. All of these efforts require status-quo mindset shifts, ones that need to place women and youth as protagonists for food systems change.

## E. Stakeholder Engagement

USAID/Honduras has engaged a breadth of stakeholders, across various levels, in the development of this Country Plan. Building upon this process, FTF will continue to engage these key stakeholders throughout the life of the Country Plan via the following engagement platforms and processes.

<u>USAID/Bureau</u> for Humanitarian Assistance (BHA): BHA implements a breadth of emergency programming in Honduras to reach the most at-risk and marginalized. They have a presence in selected departments and municipalities within the FTF ZOI on food security activities; thus, potential sequencing and layering will be explored between BHA and FTF investments whereby HA supported households via emergency programming are able to graduate into DA funded FTF market structures that build resilience and increased income opportunities, particularly within the Dry Corridor of western Honduras.

<u>U.S. Embassy Tegucigalpa Interagency</u>: USAID/Honduras' FTF team will work together with the full Embassy Tegucigalpa country team to fully develop and implement this strategy. In addition, the Mission will coordinate with the USAID Bureau for Resilience, Environment and Food Security and the State Department's Office of Global Food Security (GFS) in Washington around soil fertility mapping. This national level initiative, Soil-Fert, is being carried out by UN-FAO, in concert with SAG, and integrated into the Mission's bilateral complementary soil fertility digital mapping platform funded with Ukraine Supplemental 2 funding.

USAID/Honduras' key interagency agricultural technical collaborator is the U.S. Department of Agriculture (USDA). This interagency partnership is carried out through joint investments and coordination around agricultural trade capacity, nationally with SAG-National Plant, Animal Health, and Food Safety Service (SENASA), and regionally under USDA's leadership under their \$30 million Agricultural Trade and Climate Smart Innovations activity. To help augment FTF programming, USDA's Food for Progress investments (principally through the Sustainable Agriculture Improvement and Maximizing Opportunities in Coffee and Cacao in the Americas projects), also implements food security efforts around beans, coffee, and cacao that complement food security in the Dry Corridor that target at-risk households engaged in staple grains as a livelihood. USDA's prospective tranche of the McGovern-Dole school feeding program funds will continue to support the GOH's nationwide school feeding strategy by providing meals and academic support to children. Core elements are creating

groups of parents trained in improved nutritional practices, who become responsible for preparation of school meals, and in the purchase of local produce by school feeding programs, as a way of diversifying diet for school-age children and creating new market opportunities for motivated producers. FTF has previously leveraged funding to support nutrition centers and remodeling of school kitchens. Efforts will be made to continue this partnership, along with the GOH for sustainability.

Intra/Inter-agency coordination. USAID/Honduras will begin targeted and thematic food security meetings and build on trade coordination across the Embassy Tegucigalpa country team for sharing of information, interagency updates, funding/convening, and joint messaging (e.g., agriculture policy, trade, investment, etc.) and Washington audiences.

<u>Development Finance Corporation (DFC)</u>: USAID/Honduras is partnering with DFC on guaranty to provide loans to MSMEs in the agricultural sector, with a focus on women borrowers to help them remain in the workforce, succeed as entrepreneurs, and increase their economic empowerment. The alignment seeks to expand financing within DFC's current (\$7 million) and potential (\$15-20 million) agriculture loan portfolios. This will increase investment in climate-smart practices by banking clients including renewable energy and production technologies, and in post-harvest infrastructure and supporting services for agribusinesses.

Inter-American Foundation (IAF): IAF's grants in Honduras assist in creating economic opportunities that increase incomes, employment, and civic engagement with the expressed goal of reducing both food insecurity and vulnerability to extreme weather in marginalized communities. IAF's community level food security and environment grants are located in all three clusters as well as outside the ZOI and represent a variety of value chains. Grantee partners aim to improve crop production and diversification, access to markets, dietary diversity, water availability, and environmental resilience. Moreover, those communities and organizations supported through IAF grant-making have the potential to layer and sequence with FTF interventions for cooperative and civil society support, market inclusion and to coalesce around joint learning regarding optimal inclusion efforts for food security, particularly among marginalized populations.

Ministry and donor level: The USAID/Honduras new GFSS Country Plan has aligned its programming to the pending GOH Ministry of Agriculture's 20-year (2023-2043) policy and strategy on food security<sup>52</sup>. As such, it is envisioned that the FTF Coordinator will orchestrate regular USAID/Honduras FTF briefings with SAG on progress toward results, as well as develop a process for joint monitoring of FTF investments. This, in part, will help reinforce the Mission's private sector approach toward food systems work, and an indication that FTF investments have had an impact in its aid effectiveness in Honduras. For example, the GOH will be implementing a three-year \$45 million food security project *Pro-Occidente* in western Honduras, within the Dry Corridor. This project will scale best practices from previous USAID funded efforts, targeted exclusively at the small-scale producer and community levels, which, in turn, will sequence FTF private sector complementarity for economic growth, lending itself to joint FTF-SAG coordination.

USAID/Honduras is also a participant within the donor working group "mesa agroalimentaria y cambio climático." This well-functioning G16 donor technical platform, previously chaired by USAID, is essential for continued awareness and feedback on food security and climate smart agriculture to ensure alignment and coordination of programming, and to optimize leverage when presenting needed policy

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<sup>&</sup>lt;sup>52</sup> Honduran Ministry of Agriculture: Política de Estado del Sector Agroalimentario de Honduras (PESAH), 2023-2043.

recommendations to the SAG. These targeted donors and multilateral banks are also making agricultural investments that could have a compounding effect on GFSS investments in the ZOI. Currently, the Working Group has mapped out respective activities and investments, and has planned out coordinated efforts for geographic coverage, and targeted implementation complementaries. Global Affairs Canada has taken the role of chair for the calendar year 2024.

Localized and FTF implementing partner engagement: FTF activities will institute (facilitated through the Mission's M&E platform contractor) sequenced forums in the three ZOI clusters for continued stakeholder participation, including pause and reflect sessions for gauging monitoring of programmatic results. As a first step, we will follow-up with key civil society, private sector, and municipality actors in the central and western ZOI clusters who were engaged in prior Country Plan roundtables. This process will be key to gauging progress around multi-sectoral nutrition, gender inclusion, and coffee sectoral efforts. Secondly, we will engage stakeholders in the North Coast (Atlántida), including newer constituents, such as environmental and gender-focused groups, Indigenous populations, and localized private sector entities. As a new cluster, the North Coast will be pivotal to have salient focus group discussions at the watershed level on economic-based programming and adaptation strategies and monitoring. Overall, FTF will hold regular, adaptive pause and reflect forums with funded partners to ensure coordination (where needed) that best sequences, layers, and integrates programmatic efforts and avoids duplicity.

### F. Annex

#### **Stakeholders**

- 1. FTF Cluster local stakeholder roundtables. FTF carried out two large roundtables of targeted stakeholders (64 from a range of local organizations, cooperatives, and private sector firms) representing Clusters I and 2, western and central, respectively. Consultation revolved around addressing identified determinants, challenges, and opportunities around the three overarching GFSS Objectives of i) Agriculture-led growth; ii) strengthening resilience; and, iii) achieving nutrition gains through well-nourished populations. These roundtables provided key input pieces into Country Plan component development and draft production. <sup>53</sup>
- 2. Donor Cooperation Community. The draft Honduras GFSS Country Plan, proposed Results Framework, core market systems private sector facilitated approach, requisite programmatic components and high-level performance targets, were shared to the G-16 donor technical working group in late 2023. Consultative feedback focused on programmatic ideas, innovations, and possible complementarity, and provided necessary validation to the draft.

Current G-16 technical members include:

- Global Affairs Canada
- Central American Bank for Economic Integration
- European Union
- Food and Agriculture Organization-UN
- German Cooperation GIZ
- Inter-American Development Bank
- Inter-American Institute for Cooperation on Agriculture
- International Fund for Agricultural Development
- Japan International Cooperation Agency
- Spanish Agency for International Development Cooperation
- Swiss Development Cooperation
- US Department of Agriculture
- World Bank
- World Food Programme
- 3. Government of Honduras Ministry of Agriculture (SAG)
  In early 2024, the Minister of Agriculture socialized their newly approved 20-year Agricultural
  Policy and Strategy: *Política de Estado del Sector Agroalimentaria de Honduras, 2023-2043*; first to
  the high-level G-16 members, then in late February to the G-16 technical working group. While

<sup>&</sup>lt;sup>53</sup> USAID MESCLA 2.0, 2023. GFSS-Honduras Product Document: "Strategy alignment to agri-food sectoral policy based on workshops, interviews and document review", September, 25, 2023.

aspects of the GFSS have been shared informally with the Ministry, with the approval of the new GOH Policy will allow FTF Honduras to formally socialize, roll-out, and integrate GFSS Country Plan for optimal alignment (as discussed in Stakeholder Engagement process, p. 38).

### G. Notes and References

### **Notes**

<sup>4</sup> The Dry Corridor is an area classified as tropical dry forest or tropics, extending between Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala. More than 10 million people live in the Dry Corridor, where most are dedicated to agriculture and small-scale production of basic grains. In Honduras this constitutes western and parts of the central region of the country. This area is highly vulnerable to extreme climate events, with long periods of drought and shorter periods of heavy rains that strongly impact the livelihoods and food and nutritional security of local populations (FAO).

<sup>47</sup> The CDCS defines this systemic change approach as "the use of a collection of approaches and principles to achieve long-term, sustainable change through development programming, which realizes fundamental changes in how interdependent parts of a system—roles, rules, relationships, resources and results across sectors, actors, populations, and geographies, are configured and interact."

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