SUSTAINED POVERTY REDUCTION VIA INCLUSIVE AGRICULTURAL AND RURAL DEVELOPMENT: LAYING THE FOUNDATION FOR A CALL TO ACTION

A White Paper

by

David D. Bathrick
Retired Senior Foreign Service Officer, Minister Counselor
United States Agency for International Development

and

The Sector Revitalization Support Group (SRSG) as described in this paper's
Preface and Acknowledgements

Dr. Kerry J. Byrnes
Dr. Cornelia Flora
Dr. Earl Kellogg
Dr. Jaime Malaga
Dr. Douglas Southgate

June 2, 2021

Final Version

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FOREWORD

In response to the radically changed world that Globalization has wrought and in response to President-elect Biden's clarion call, "America's Back," and with a promise to "Build Back Better," this paper presents an agenda for "Inclusive Agricultural and Rural Development" (IARD) was prepared. The purpose of the paper is to lay out a rationale and vision, with a program framework, for a new era initiative to alleviate rising levels of poverty in predominantly agrarian-based, low- and middle-income countries. This proposed initiative should be communicated to the Biden Transition team and new administration officials, members of Congress and their staff, and key stakeholders.

For too long in our increasingly interconnected world, inter-generational poverty in the low- and medium-income economies (LMIEs) has been increasing. Disturbingly, the World Bank reports that the coronavirus disease 2019 (COVID-19) will cause extreme poverty, largely among agricultural producers and rural residents, to increase faster than in any period since the Bank began tracking poverty.

Evolving from the mid-1980s, just as Globalization's challenges and opportunities were dawning, appropriate attention and support to agricultural and rural development by the multilateral development banks, donors such as the United States Agency for International Development (USAID), and LMIE governments precipitously declined. During the ensuing decades, internal strife and mounting desperation increasingly have affected the United States (U.S.) domestic agenda, including in terms of national security, illegal immigration, myriad social maladies, growing political discord, and other ways.

This paper provides key officials and professionals involved in policy formulation and program planning the new-era rationale and suggested response framework. It provides committed countries and collaborating partners (*e.g.*, donors, development assistance organizations, and the private sector) the necessary framework to design agricultural and rural development assistance programs that will be more effective in sustainably reducing rural-based poverty in the LMIE countries.

The IARD response framework presented herein responds to mounting systemic poverty detected by extensive, evidence-based investigation during numerous, country-level economic growth strategic planning assignments. The findings of these investigations generated subsequent targeted reports vetted by various well-regarded institutions, development professionals, and agricultural and social scientists which subsequently, stimulated a wide-ranging, support base.

The proposed IARD Agenda focuses on accelerating: 1) larger numbers of small and medium-scale agricultural producers to diversify their farm enterprises from low-value food crops to more profitable product lines; and 2) the growth of a much higher number of small and medium enterprises (SMEs) engaged in agro-processing, agro-transport, agro-financing and marketing, and diverse other services.

This intra-agricultural sector growth diversification process facilitates much higher levels of land and labor profits and incomes. Such growth, combined with links with industrial and service sector activities, will in turn strengthen and accelerate job and wage growth. Over time, these growing forces will stimulate the formation of more powerful economic drivers to accelerate sustained local and national economic growth and rural-based poverty reduction, while also enhancing global wellbeing.

PREFACE

This paper is the product of an extensive, ever broadening, and interactive process that began about 25 years ago. It evolved from diverse economic growth strategies conducted in 20 countries for various clients, including USAID missions, Millennium Challenge Account, Texas A&M University, various consulting firms, and, on a global level, the International Food Policy Research Institute (IFPRI). These assignments occurred in the face of Globalization, and radically different economic challenges and opportunities as the agricultural sectors of LMIE countries became increasingly poorly positioned to achieve much needed, broad-based growth and poverty alleviation. These strategies concluded that the then existing system of national and donor support to agriculture had become woefully inadequate. That conclusion continues to hold to this day, especially as economic, social, and political consequences have worsened.

Accordingly, beginning six years ago and on a pro bono basis, I accepted a variety of invitations from key U.S. and international institutions dealing with economic development issues. Over time, the findings of those diverse reviews garnered supportive comments that were shared with an ever-growing list of leaders from academic, development, donor, and think tank organizations. Despite the positive comments from this expansive, informal vetting process (see Attachment I, "Summary of Comments Received from Reviewers of Earlier Education/Advocacy/Outreach Efforts"), serious discussions on the requisite, new-era reform structures advanced slowly.

Earlier this year, my parish priest became interested in my efforts and put me in touch with the U.S. Conference of Catholic Bishops (USCCB). To assist in their efforts to broaden U.S. political support for addressing core country-level problems related to illegal migration and social justice issues, I prepared a comprehensive analysis pointing to the origins of agricultural sector-based poverty leading to multiple economic structural problems that have fostered intergenerational poverty, increased economic inequities, and exacerbated societal maladies leading to growing desperation. For the United States, this has created an ever-problematic U.S. domestic agenda. Those exchanges evolved into this draft white paper.

From responses by the USCCB and many others, I shared that draft with an informal and diverse group of leaders and institutions who were associated with my earlier efforts. I invited them to review and provide comments with the objective of stimulating circulation to the Transition Team of the winning Presidential candidate, and related development assistance policymakers, independent think tanks, and leaders in the donor community and the agricultural sector. These parties responded to my suggestion to form a high-level, multi-disciplinary academic/development review panel, the Sector Revitalization Support Group (SRSG). The panel's charge was to review the evolving draft for the sake of moving toward a final white paper. Aware fully of the limited opportunities to make the most compelling case for action in the 21st century, the SRSG undertook deliberations that culminated in this final paper, that the group stands behind.

ACKNOWLEDGEMENTS

The SRSG truly has provided an indispensable service. Based on the numerous nominations received as to who should form this group's membership, a multi-disciplinary team was fielded composed of senior academic and development leaders with considerable related publications and diverse international experiences in agricultural and rural development. The SRSG carefully assessed the report's relevance, content, and completeness .

The team members are: 1) Dr. Kerry J. Byrnes, Retired USAID Agricultural Development Officer and recipient of USAID's "Outstanding Career Achievement Award;" 2) Dr. Cornelia Flora, Distinguished Professor Emerita of Rural Sociology, Iowa State University; 3) Dr. Earl Kellogg, Professor Emeritus in Agricultural and Consumer Economics and former Associate Vice Chancellor, University of Illinois; 4) Dr. Jaime Malaga, Professor of Agricultural Economics, Texas Tech University; and 5) Dr. Douglas Southgate, Professor Emeritus of Agricultural Economics, Ohio State University. After an initial draft and subsequent revisions benefiting from the feedback from SRSG members and others, I employed the editing services of Ms. Michelle Ghiselli, MPA, Harvard Kennedy School.

GLOSSARY

ARD	Agriculture and Rural Development
CAFTA-DR	Central America-Dominican Republic Free Trade Agreement
CBI	Caribbean Basin Initiative
COVID-19	Coronavirus Disease 2019
CSIS	Center for Strategic and International Studies
EST	Economic Structural Transformation
FAO	Food and Agriculture Organization of the United Nations
FTF	Feed the Future
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HICD	Human and Institutional Capacity Development
IARD	Inclusive Agricultural and Rural Development
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
LMIE	Low- and medium-income economy
MS-13	*Mara Salvatrucha*[1] criminal gang
NGO	Non-Governmental Organization
NSC	National Security Council
PBS	Public Broadcasting System
PEPFAR	President's Emergency Plan for AIDS Relief
R&D	Research and Development
RTA	Regional Trade Agreement
SAL	Structural Adjustment Lending
SMEs	Small and Medium-Sized Enterprises
SRSG	Sector Revitalization Support Group
T-LAD	USAID study, *Optimizing the Economic Growth and Poverty Reduction Benefits of CAFTA-DR: Accelerating Trade-Led Agricultural Diversification (T-LAD*)
U.S.	United States
USAID	United States Agency for International Development
USCCB	United States Conference of Catholic Bishops
USDA	United States Department of Agriculture
WTO	World Trade Organization

[1] *Mara Salvatrucha* (MS-13) is an international criminal gang that originated in Los Angeles, CA in the 1970s to protect Salvadoran immigrants and is now common in Central America and other major U.S. cities.

EXECUTIVE SUMMARY

This paper builds directly from a quarter century of country-level, agricultural and rural economic growth-related strategic planning activities in 20 African, Asian, and Latin American and Caribbean countries. Five overarching elements guided these consultancies:

1. The distressing realities of agricultural sectors that are large (in terms of gross domestic product [GDP], trade, and employment) yet poorly positioned to stimulate broad-based growth formsthe fundamental explanation for 80 percent of the extreml poor residing in the rural sector;
2. The "Washington Consensus" dating to the 1980s, that linked International Monetary Fund (IMF) and World Bank macro-economic and fiscal and budgetary reforms to Structural Adjustment Lending (SAL), which assumed that "all boats would rise" in the wake of their market-based policy reforms;
3. The Uruguay Round of the General Agreement on Tariffs and Trade (GATT) launched globalization's challenges and opportunities for the agrarian-based, low- and medium-income economies (LMIEs) in the tropics via the reduction of tariffs of their previously protected food staples sub-sector while the lowering of tariffs of their fresh and processed, tropical sub-sector products (fruits, forest, livestock, tree, and marine products) in the developed country markets;
4. Developing countries greatly underperformed on exporting tropical agricultural products to temperate-based countries in spite of the 43 percent tariff reduction; and
5. Most LMIE countries were unable to undertake the requisite sector re-engineering due in part to the complex nature of the new era's "learning curve,"[2] the multiplicity of weak public and private institutional structures, and the budgetary constraints responsive to the Washington Consensus, to which, currently, no responsive policy reforms to the evolving situation are in sight.

During the transition between the mid-1980s and mid-2000s from the previously "closed" (import substitution) era to the "open" (trade-led) structures that formed globalization's core, donor support for agriculture declined from $10 billion to $6 billion per annum. The decline at the United States Agency for International Development (USAID) was even sharper. Its budget for agriculture, which had been larger than any other sector in the Agency's investment portfolio, dropped from 26 percent to 2 percent of the agency's total budget.

Most alarmingly, all these country-level reviews and other available data pointed to a reversal of Economic Structural Transformation (EST), the standard measure of economic development. Over an extended period, the proportion of GDP for Agriculture[3] actually increased, while the more remunerative industrial and service sectors stagnated or grew sluggishly. These dynamics

[2] As subsequently revealed, this crucial juncture of new era trade and economic structural dynamics was seldom seriously internalized by the LMIEs, particularly with regards to their agricultural sectors.

[3] Agriculture is defined here exclusively as production-level contributions and not the value-added contributions when its products are combined with inputs from the industrial and service sectors.

thwarted more remunerative job growth while ensnaring the rural and national wage structures within a prolonged poverty trap.[4]

Due to the limited strategic alternatives and the huge percentage of the work force employed in low wage/income production agriculture, as national wage growth generally stagnated, inter-generational poverty ensued and economic inequalities widened. These findings explain why, in the context of the World Bank's 2019 Annual Report, *Ending Poverty, Investing in Opportunity*, poverty *"remains high and is even increasing"* among 500 million small farmers worldwide.[5]

Increasingly, these country-level strategies linked the grind of stagnating or reduced income flows to increased levels of personal and family desperation and hopelessness, fomenting a plethora of worsening country-level maladies that also impact the United States. This is most directly observed in terms of increased illegal immigration, drug and human trafficking, broadening security issues, and heightened domestic tensions that trigger adverse political responses. Further, my consultancies in Africa reached similar conclusions, including increasing migration to the United States and Europe.

To respond to this long festering, increasingly disturbing, and, in some cases, horrific problem, a long-term initiative aimed at "Inclusive Agricultural and Rural Development" (IARD) is proposed with commensurate levels and tactical support frameworks outlined for committed country and donor supporters. The thorough extensive vetting of these strategies revealed that the IARD response structure presents the only viable framework to accelerate structural transformation via: 1) much larger numbers of small and medium-scale agricultural producers diversifying their farm enterprises from low value food crops to more profitable product lines; and 2) the growth of a much higher level of complementary small and medium-sized enterprises (SMEs) engaged in fresh and processed product handling and manufacturing forming a growing agro-industrial sub-sector, and agro-financing, marketing, transport, *etc*. for their agro-service sub-sector.

In short, this more holistic IARD process facilitates much higher and more profitable levels of intra-and inter-economic sector growth in ways that are more inclusive. This will increase income and wage opportunities for the rural poor—from small-scale farmers (including many women) to small-scale enterprises—to participate in and directly benefit from this diversification-led economic growth process, and also, to the particularly large, rural work force lacking land access. From the exhaustive review of national account tables, no other strategic option appeared, in the context of the rising challenges to generate job and wage growth at the higher levels required.[6]

This ever-broadening process will stimulate sustainable EST and the formation of the much needed, more powerful economic drivers for beginning to advance sustained local, regional, and national economic growth, which accelerates rural poverty reduction and enhances wage growth nationally, thus enhancing global wellbeing.

Initially, as the drafts of this white paper evolved, the target audience was always the Transition Team of the victor in the November 3, 2020 U.S. Presidential election. With the election completed, it is directed to sharing the IARD Agenda (and its merits) with President Biden's

[4] Poverty trap: the evolving economic structure caused by the accumulation of multiple factors herein presented that perpetuate poverty.

[5] *Ending Poverty, Investing in Opportunity*, 2019, World Bank, Washington, D.C.

[6] Lucas A Garibaldi, Nestor Perez Nunez, "Positive outcomes between crop diversification and agricultural employment worls wide," *Ecolological Econmics,* July 2019, Elsevier, Amsterdam, Holland.

Transition Team and the leadership of the new Administration. Further, given the prolonged period of inappropriate responses to sustainably reduce still significant poverty levels in the LMIEs and the topic's different learning curve, this paper also targets key Congesspeople and their staffs, and related policymakers, public policy think tanks, lead donor agencies, and development stakeholder which already had demonstrated considerable interest in IARD.

I. INTRODUCTION

Since the start of the millennium, over one billion people have overcome poverty: a hugely historical accomplishment. Yet for too long, under the new era economic construct wrought by globalization, most of the world's 137 smaller, agrarian-based, low- and medium-income economies (LMIEs) have struggled mightily. This struggle rarely attracts the focused attention it requires. In part, this is because these nations and their donor partners have for too long, systematically neglected agriculture, while unfortunately ignoring that: 1) historically it is the fundamental economic development platform; which 2) at the same time is LMIEs' most poorly positioned sector to take advantage of the the benefits globalization offers. As herein presented, insufficiently understood and deep-rooted, systemic-based problems impact most of the world's 500 million small- and medium-scale farmers, rural-based small-scale enterprises, and large, landless work force explains why 80 percent of the extreme poor are in the rural sector. In our increasingly interconnected world, their worsening situation also impacts us and the residents of other richer countries in increasianlgy alarming forms.

During the "old era," import substitution economic structure from the 1960s to the late 1980s, the United States Agency for International Development (USAID), land grant universities, non-governmental organizations (NGOs), private sector, other donors, the international crop-specific research centers under CGIAR, and the Food and Agriculture Organization of the United Nations (FAO) provided historic agricultural development support assistance. Their sustained efforts resulted in the Green Revolution, practically achieving the elimination of global famine.

Subsequently however, during the last 25 years and with the rigorous sea change realities globalization and liberalized trade reforms have brought, radically different, under-attended dynamics accumulated and sector-based issues and problems emerged, leading to formidable, systemic challenges. These stimulated ever-severe, economic-related structural problems. Increasingly, within many LMIE countries, rising levels of inter-generational poverty and economic inequalities kindle increased levels of societal desperation. For many reasons, while globalization's unchartered course advanced, many developing country officials, business leaders, and donor and development professionals were slow to internalize and respond to these complex, growing, and ever-alarming trends. Today, globally, this fuels and incites more severe outcomes. This white paper presents the consequences of this underreported phemonenon and the increasingly disturbing societal problems, which also impact our political and national security agendas. Notably, the same dynamcis are occurring in our Organization for Economic Cooperation and Development (OECD) partners.

Since my retirement from USAID as its headquarters' Agriculture Office Director 30 years ago, I have engaged in a variety of sector-related strategic planning consultancies and program management services in 20 counties of Africa, Asia, and Latin America and the Caribbean. Resulting from the worsening sector, economic, trade, and poverty trends I reported, extensive and serious discussions were requested by my donor clients and related governmental and business leaders to explore, propose, and identify the radically different strategic, policy, programmatic, and operational interventions now required.

As covered in the Preface, beginning five years ago, based on a series of invitations and queries from a variety of United States (U.S.) and international sector lead and policy institutions[7] and the comments presented, I shared my reports with a growing list of interested leaders and lead institutions. Many of them responded enourageningly. (See Attachment I, "Summary of Comments Received from Reviewers of Education, Advocacy, and Outreach Efforts").

For many reasons, these informational and educational efforts did not generate the policy and strategic impacts originally intended. President Biden's above-mentioned "Build Back Better," slogan presents a significant opportunity. This paper presents the key elements and issues development strategists, policymakers, leaders, and Congressional staffers should be aware of to begin to confront the new era realities of the hundreds of millions increasingly impacted by the slow grind of further economic decline faced by individuals and families and their tier communities and nations.

This report presents: 1)an overview of agriculture's economic predominance and the overarching introduction of historic exogenous developments—the Washington Consensus and Globalization—and rarely expressed past themes required to address new era support requirements; 2) the consequences of decades of inappropriate attention and support to agriculture, globally and as illustrated in the detailed Guatemala case study summarized herein; and 3) the new era strategic and programmatic framework offered for committed countries, and interested donor support to which, the United States Government (USG) should have a much more robust, strategic, and comprehensive support role as offered under "Inclusive Agricultural and Rural Development" (IARD).

The long-prevailing strategic and operational aspects of our post-Cold War foreign assistance program, particularly as it relates to languishing attention to LMIE-level poverty dynamics, requires a high-level systemic review of the altered core economic structures and ensuing poverty dynamcis impacting most LMIEs. With the relentless spread of the coronavirus disease 2019 (COVID-19), mounting structural problems further exacerbate the public health and sanitation challenges faced by the rural poor which if further ignored, augment the perilous situation.

Further, Climate Change will have an IARD a special support window. Due to small farmers' lesser economic position and increased climatic shifts wherein they lack emergency or reserve resources, advancing national farm diversification under IARD is even more necessary due to the increased risk levels of unpredictable disruptions caused by related yield losses, pest outbreaks, harvest losses, and price uncertainties. Increased climate variation/extremes impact traditional producers of cereals and other crops such as coffee, not to mention major crops appropriate for enterprise diversification. Responsive to radically changed climatic realities and diversification's newness and risks, increased levels of market-driven technology development and adoption form a core requirement.

In undertaking this complex and seldom adequately addressed topic, I take note of the timely arrival of Robert Gates' recent book, *Exercise of Power*. It calls for a major development assistance

[7] USAID's Bureau for Food Security (now Bureau for Resilience and Food Security) invited me to present my analysis of the changed global economic construct in the context of the historic sector reset program opportunity under USAID's Feed the Future (FTF) program provided. This led to invitations or reports from the Board for International Food and Agricultural Development; the Brookings Institution; the Kenya-based *African Journal for Food, Agriculture, Nutrition, and Development;* the Center for Global Development; and the Center for Strategic and International Studies (CSIS).

restructuring from the post-Cold War period to also include focusing on core causes of the intertwined internal violence and strife and illegal immigration, drug trafficking, and border security issues which impact the United States both indirectly and directly, and in increasingly debilitating ways. In addition, and as mentioned below and documented since the late 1980s, LMIE-country growth, particularly in the new era context applied here, ensuing national growth results in increased purchase of U.S. goods and services.

II. UNDERAPPRECIATED CONSIDERATIONS IMPACTING POVERTY REDUCTION

A. Essentiality of a Dynamic Agricultural Sector

Historically, agriculture's growth in most countries has served as the cost-effective catalyst for stimulating decentralized, broad-based economic growth and development.[8] A dynamic agriculture generates considerable cost-effective employment, incomes, and growth in both urban and rural areas through farm-related and non-farm economic multipliers.[9] Increasingly, the incorporation of this core strategic principle has waned, and particularly so by the largest large donors.[10]

Considerations Impacting Poverty Reduction

While globalization advanced in agrarian-based LMIEs, increasingly pervasive structural and institutional challenges constrained the anticipated benefits.

B. Agriculture's Immenseness But Poor Positioning Constrains Poverty Reduction

In the world's 137 LMIEs, over 500 million small and medium producers form the largest economic sector. This is revealed in terms of: 1) **gross domestic product (GDP)** (comprised mainly of lower value food crops with limited levels of value-added activities); 2) **trade** (comprised generally of bulk products with limited value-added handling and processing, generating limited employment multipliers); and 3) the **labor work force**. For example, 65 percent of the total work force is in Agriculture production in the 19 LMIE countries served by the USG's Feed the Future (FTF) flagship initiative, managed by USAID, yet this sector generates the lowest incomes and wages.

Comparing the United States to the LMIEs (an interesting but inexact comparison due to the obvious systemic differences), in the United States, the employed work force in agriculture dropped from 43 percent in 1860 to 1 percent in 2015. The U.S. Economic Sector Transformation (EST) was facilitated by sustained comprehensive sector support efforts, growing agro-industrial and service sectors from war economies and an expansive peacetime economy, earlier support to an expanded labor union movement, and, more recently, increased growth in the service sector. As presented in more detail below, there is no advancement on any of these fronts and for the justification presented, IARD provides the only meanas to alter their poverty trajectory.

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[8] Johnston, B.F. and J.W. Mellor, 1961. The Role of Agriculture in Economic Development, *American Economic Review, vol. 51*, no 4. Also, J. W. Mellor, J.W. 1984, *The Economics of Agricultural Development*, 1966. Ithaca, New York. Cornell University Press.

[9] Pinstrup-Andersen, P., and R. Pandya-Lorch. 1995. *Agricultural Growth is the Key to Poverty Alleviation in low-Income Developing Countries.* 2020 Vison Brief 15. Washington, D.C. International Food Policy Research.

[10] Donors such as the World Bank, Asian Development Bank, African Development Bank, USAID, *etc.*

C. Disclosure of Systemic Exogenous Factors

Until the mid 1980s, the LMIEs maintained a long-installed, "closed" import substitution economic model, within which a production-driven agricultural system formed their most protected economic sector. Also, agriculture was structured principally for supplying cheaper priced food for domestic market needs. Subsequently, however, two historic but almost unfactored exogenous themes were introduced:

1. *The Washington Consensus:* This seminal policy regime, beginning in the 1980s and broadened over a considerable period, linked International Monetary Fund (IMF) and World Bank macro-economic and fiscal and budgetary reforms to their "Structural Adjustment Lending" (SAL) program.[11] This was based on the working premise: from market-based policy reforms "all boats would rise." Broad economic gains would occur such that "sector-specific" support by governments and donors would not be required.
2. *Globalization:* Beginning in the late 1980s under the pioneer General Agreement on Tariffs and Trade (GATT) and subsequent conversion into the World Trade Organization (WTO) in 1995, in 1994 the "Uruguay Round on Global Trade" launched unprecedented opportunities and challenges for the LMIEs. However, resulting from the extensive structural legacies stimulating a heavily protected domestic market for the bulk of their agriculture sectors, the historic, new market product openings provided by the high 43 percent tariff reduction for their higher-value tropical-based fresh and processed agricultural, forest, and beverage tree crops and marine productsm was limited. Underappreciated challenges became apparent. Further complications arose as many of their food staples would not likely be competitive.

This historic development sparked a large expansion of regional, sub-regional, and bilateral agreements under the GATT/WTO. By 2019, 302 Regional Trade Agreements (RTAs) were in force. In the countries reviewed, all were participating in several RTAs. Many, however, continue to struggle to comply with treaty regulatory requirements and obligations, and particularly with the formidable issues associated with internal, product competitiveness realities as well as adjusting to take advantage of expanding, but always competitive, market opportunities.

Most LMIEs have continued to be very slow to advance more productively, competitively, and dynamically. Small and medium producers with notably reduced capital assets are ever-wary of the associated risk factors to diversify their current enterprises into higher-value fresh and processed tropical agricultural crops and products that enhance value-added ties. They must also gain access to increasingly sophisticated commerce, finance, and trade elements requiring higher levels of data and information access and analutical skills.

To cost effectively compete, the LMIEs must also acquire local, organizational structures to address the economy-of-scale needs scattered or isolated producers mus confront to acquire core essential services. Special attention must also be focused on strengthening the necessary investment enabling environment, including the internal public policy, regulatory, and legislative reforms, private/public-public/private institutional reengineering of key services across many fronts, and the public and private sector investments. A further priority relates to the systematic

[11] These institutions began this new role by providing policy-based program lending via mandated macroeconomic policy changes that obligated recipient countries to liberalize their trade and investment policies.

analysis of international capital flow and the need for a keen awareness of the new transportation and communication systems and technologies.

D. Sectoral Support Withdrawn by USAID and Donor Community

At this historic juncture, one of the unintended consequences of the Washington Consensus requirements was that donors—such as USAID, who for decades had been the largest sector donor—abruptly reduced funding for agricultural and rural development. From the mid 1980s to 2006, total donor sector support to agriculture declined from $10 billion to $6 billion. USAID's budget was disproportionately cut from 26 percent of the Agency's total budget to 2 percent.

On the staffing front, by 2005, USAID's highly regarded sector technical and program management staff, once USAID's largest technical cadre, had less than 2 percent of the Agency's total staff. Although Agriculture-related staffing rebounded slightly in 2010, due to increased funding for agriculture under the Feed the Future Initiative, albeit to a small number of countries (19 countries, worldwide), this younger cadre lacked awareness and/or adequate understanding of the altered strategic and institutional environments and how best to more appropriately position USAID to respond to the new era challenges and opportunities Globalization presented.

From the mid 1960s to the mid 1980s, USAID's Agriculture and Rural Development (ARD) program supported productive links with world class faculty in the U.S. land grant university system[12] as well as cooperative, strategically-focused financial support links with the multilateral development banks, scientific links with scientists working in the network of CGIAR-funded international agricultural research centers, and a multiplicity of profit and non-profit NGOs. During that period, USAID's investments in ARD provided essential support to host country ministries of agriculture and producer and ago-business groups (*e.g.*, from agricultural cooperatives to trade promotion and development associations). These investments strengthened essential national and regional support bases with policy, strategic, and related analytical skills, radically improving research and development (R&D) technology development and outreach systems and diversifying academic and farmer outreach skills across essential agronomic and post-harvest topics, including farm and business management, vocational skills, *etc.* This comprehensive effort culminated with the historically significant Green Revolution and a fledgling base structure to at least initiate Globalization's system.

However, while LMIE and donor partners attempted to substantively and strategically advance responses to the new era's paradigmatic shifts and market-based precepts and fiscal obligations, these were rarely fully grasped or seldom sustained. Over the ensuing decades and resulting from declining support, the core human and institutional capacities declined as earlier-trained professionals increasingly approached retirement and new professional skills were rarely provided, and certainly not at the skill levels required. The lack of donor (and country-level) support resulted in a failure to sustain and grow the increasingly sophisticated "supply chain" required across numerous analytical, managerial, and technical skill areas. The earlier established USAID-funded, U.S. university-specialized centers of international expertise (*e.g.*, land tenure, rural finances, seed development, *etc.*) have closed. The new era expertise and capacities to help analyze, and more strategically facilitate, the small and medium farmers and small and medium-

[12] These state-level universities were established under the Morrill Acts of 1862 and 1869 for higher learning in agriculture, military tactics, mechanical arts, and the classics.

sized enterprises (SMEs) with the increasingly demanding industrial and service sector services has insufficiently advanced in policy and institutional terms, thus seriously constraining IARD.

On the U.S. political advocacy front, support to ARD has become increasingly marginalized, fragmented, and politically weakened. At the same time, important global health sector support has evolved to become USAID's largest support sector and support to other important sectors also increased, *e.g.*, humanitarian services, disaster relief, governance and democracy, and environment.

E. Other Factors Contributing to Sector Support Withdrawn

For the perspectives of this paper's objectives to convince policy makes and help guide development strategists to alter prevailing status quo approaches, other less revealed factors, must also be considered. Three seldom factored explanations are offered:

1. *Long Period of Communist and Post-Cold War Fears Culminating with the Berlin Wall's Collapse*: During this extended period of intense global political competition and fear, considerable U.S. diplomatic/development assistance attention was to advance country-level economic progress. The merits of a democratic capitalism model were extensively promoted. Poverty alleviation issues were addressed throughout the world under various forms. Viable strategic approaches to contradict the Marxist doctrines were promulgated extensively, by, for example, economist Walter Rostow's[13] *Classic Stages of Economic Growth: A Non-Communist Manifesto.* This book became that period's standard development economics text. Peter Beinart's *The Icarus Syndrome* reports that *"in economics and political science departments across the United States, modernization theorists began studying how to export capitalist to the poor worlds so that the masses would see that Marxism was not the true path to posterity."*[14]

   In the spirit of this report, the Public Broadcasting System's (PBS) show on Noble Peace Prize Laureate Noman Borlaug's exceptional life advancing the Green Revolution,[15] along with the impetus of the historic famine prevention work in India was the policy imperative to avoid possible Communist Party influence. However, with the fall of the Soviet Empire and the Berlin Wall collapse in 1989, these intense fears dissipated rapidly, which also llinks with the collapse of USAID funding for ARD.

2. *Partially Deceived by Globalization's Early Successes:* Early economic-related evaluations of the progress under the free trade agreements negotiated by LMIEs after the WTO's formation in 1994 revealed strong gains. High hopes were raised for a robust future under the Washington Consensus. For example, my earlier cited-report for IFPRI documented very positive initial sector responses to the SAL reform emphasis. This was usually due to the immediate advantages derived from the proverbial "low hanging fruit" many countries had available.

   However, as was also revealed decades ago, unless the requisite sector reforms were advanced, grave problems would arise.[16] While many of the market-led economists of the

[13] Walter Rostow later was President Kennedy's Deputy National Security Advisor.
[14] Beinart, Peter, 2010*, The Icarus Syndrome*, New York, NY, Harper.
[15] https://www.pbs.org/wgbh/americanexperience/features/man-who-tried-to-feed-the-world-norman-borlaug/
[16] Bathrick, D.D., 1998*, Fostering Global Wellbeing: A New Paradigm to Revitalize Agricultural and Rural Development,* 2020 Vision 26. Washington, D.C., International Food Policy Research Institute.

SAL period become stronger SAL advocates, it became apparent that new era Agriculture, in the situation now presented, requires a formidable, jump start mechanism and a sustained supportive/facilitating presence. Bountiful, but languishing, land and labor comparative advantages must be improved to become more productive, competitive, and dynamic by specific areas such as farm and rural infrastructure, modern technology adoption, market research, entrepreneurship, *etc.*

3. *Unanticipated Events:* During the 1980s there was a prolonged U.S. farm crisis as prices fell worldwide and exports dropped, leading to growing farm foreclosures, which were particularly severe in the mid 1980s. In growing desperation, blame was cast by all parties, to include a case of limited USAID support in facilitating soybean plant breeding work in Brazil. However, the matter was carefully studied and the complaint unsubstantiated. Interestingly, USAID and the United States Department of Agriculture (USDA) documented the huge returns to U.S. agriculture commodity sales derived from LMIE-level improved economic growth which if more appropriately assisted by the United States, would have far greater domestic impacts.

These formidable but seldom joined developments resulted in the slow abandonment of Essconomic Development 101's core precepts and stimulated the growth of inter-generational poverty. The consequences, as presented in Section III, indicate that radically different political, strategic, institutional, and operational efforts must quickly begin to be seriousy discussed, studied, and advanced, over a sustained period.

F. Enter Feed the Future

The world response to the Global Food Crisis of 2007–2008, caused by notable price hikes to which many LMIEs were unable to address the major political disturbances (*e.g.*, food riots), provided a unique, but unfulfilled, sector reset opportunity. The U.S. and World Bank leadership were instrumental in helping organize a major reversal of agriculture sector support decline, and with the G8 and G20, unprecedented commitments totaling almost $4 billion were pledged. In 2010, the USG's lead response was provided under FTF. Although by then knowledge of the LMIEs' realities of globalization's challenges and some knowledge of new era structural realites were available, a notably narrow program scope was developed around finite projects in the 19 FTF countries (15 percent of the total LMIEs). FTF focused generally on a limited number of short-term, food crop value chain projects in geographically delimited target areas (so-called "Zones of Influence"). Almost no serious consideration was directed to help committed governments at the regional and national levels to strategically gear up for the transformative, long-term sector retooling needed to substantively advance farm and SME investments and reduce implicit enterprise risks at the levels now required. Subsequently, for this paper, senior USAID officials and USAID contract implementors and host country officials confided about the limited, sustained poverty reduction accomplishments FTF was accruing. The below-mentioned Center for Strategic and International Studies (CSIS) evaluation of FTF in Guatemala targets the initiative's strategic limitations.

III. SUMMARY OF GLOBAL EXPERIENCES BUTTRESSED BY GUATEMALA CASE STUDY

A. Introduction

> ***Summary of Global Experiences***
>
> *Decades of inadequate attention as agriculture lost ground in essential productivity, competitiveness, and intersectoral linkages, terms yielding ever-problematic and alarming outcomes.*

From the 20 counties in which I have worked during the earlier two decades, plus five earlier, long-term USAID county-level assignments (of which two were in some of USAID's largest sector programs), I observed strong commonalities. While today, my files are not sufficiently comprehensive to tabulate systematically, to more simplistically assess the wide-range, interconnected construct, I chose Guatemala as a profile case country. To generalize, and of course in varying degrees, much of the broad strategic conclusions in Guatemala definitely apply to El Salvador and Honduras (all within the regionally highlighted "Northern Tier" region), but also apply or can be extracted sufficiently from my related consulting jobs in Africa, Asia, and other Latin American countries.

The Guatemala case study was selected since it was part of the six country-level, extensively vetted report titled: *Optimizing the Economic Growth and Poverty Reduction Benefits of CAFTA-DR: Accelerating Trade-Led Agricultural Diversification (T-LAD*).[17] Guatemala was also selected due to the richness of the country-level databases that evolved from: 1) the pioneer-like experiences of the earlier Caribbean Basin Initiative (CBI) and extensive multi-donor studies completed to strategize and negotiate the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR); and 2) my response to the request from a former USAID colleague to review the Gates Foundation-funded study by CSIS, *Tracking Promises: Analysis of the Impacts of Impacts of USAID's Feed the Future in Guatemala.* (See Attachment II "Complementary Observations to Help USAID's Feed the Future Program Advance Sustainable Poverty Reduction in Guatemala").

B. The Guatemala Case – An Economic/Poverty Overview

Specifically, for the strategic consulting assignments for T-LAD, I reviewed the evolving macro, inter-sectoral, intra-agricultural sector, and trade economic dynamics and poverty-related data over time. Seldom-joined macro, trade, and sector trends increasingly became linked to stagnating or worsening rural poverty—the prime factor driving increased food insecurity (insufficient purchasing power to procure the food that is available). Startingly, these nuanced dynamics contributed to the reversal of EST, the standard economic development metric. Over an extended period, the proportion of GDP for Agriculture[18] actually increased. Alarmingly, growth in the more remunerative industrial and service sectors stagnated or grew sluggishly.

Over 25 years, while sector transformation trends gradually reversed, thwarting more profitable job growth, the aggregated, farm-related incomes and wage structure became an "anchor-like magnet," ensnaring the national wage structure in ever-perverse ways. Disturbingly, due to declining wage and job prospects and out of growing desperation, agricultural employment

[17] Bathrick, D.D., 2008, *Optimizing the Economic Growth and Poverty Reduction Benefits of CAFTA:DR: Accelerating Trade-Led Agricultural Diversification*, Washington, DC, USAID.

[18] Agriculture is defined here exclusively as production-level contributions and not the value-added opportunities when incorporated in the industrial and service sector linkages.

increased, thereby further exacerbating ever-hopeful, donor-promoted/country-level poverty elimination goals.

C. Probing Deeper Into Increasingly Onerous Sector-Driven Poverty Issues

Guatemala replicates the fundamental LMIE-level systemic economic problem: too many people working in an ever-debilitated agricultural sector producing insufficient levels of more profitable product diversification and dynamism to stimulate sustainable, intra-sectoral links, particularly with its stagnating industrial sector. In Guatemala's case, low value maize and beans are the principal sources of income, food, and employment for the rural sector, and form 71 percent of the total of sector-based product value. Except for the food price spikes during the Global Food Crisis, farm-gate prices for these crops remained generally low compared with other agricultural sub-sectors, while also generating low, value-added wage growth opportunities, compared with other sub-sectors (fruits and vegetables, livestock and dairy, tree and beverage crops—cacao, coffee, *etc.*).

According to the World Bank, sector growth rates consistently exceeding 3 percent in developing countries are required over time to reduce their poverty rates. In Guatemala from 1990 to 2006, Agriculture sector growth rate averaged 2.8 percent and only three times exceeded 3.5 percent. Further, the other key yield growth metric for these core commodities' crop productivity stayed the same, or declined, while, worldwide, during the last decade average cereal crop yields worldwide improved 1.5 percent annually. Over subsequent years, these trends changed little.

Returning to the fundamental issue of reversing Guatemalan and broader EST, LMIE-level economic transformation results from: 1) the decline in agriculture's share of GDP as measured only in primary production economic contributions; 2) increasing productivity in land units and labor; 3) faster growth from the industrial and service sectors driving demand for higher valued agricultural products; and 4) employment levels in basic agricultural production (not including value-added activities such as high-value fresh fruits and vegetables processing) falling over time. For example, throughout six CAFTA-DR countries (except Costa Rica[19]), over the 25-year span covered for the respective strategic recommendation thus tracking the old era and new paradigm glboalizaion provided, EST advanced very slowly. EST in Guatemala was almost flat, going down 1 percent (from 22 percent to 21 percent). Further, during this ever-worsening period, almost no growth in Guatemala's industrial sector occurred and only 4 percent from services, thus stimulating limited job "pull" out of agriculture to these more remunerative sectors. Resulting from increasingly embedded and prolonged sector-driven structural issues, reversals from the rising rural poverty trends will not occur unless formidable policy and institutional reforms are introduced to assist the agricultural sector's transformation, over a sustained period. The plethora of issues in Guatemala's rural area, where 72 percent of the total population (4.6 million) live, are similar to economic trends in the other "Northern Tier" countries (El Salvador and Honduras) and, for that matter, the other countries I reviewed during this extended period.

[19] Costa Rica had for some time prioritized a pre-IARD concept with basic public good investments in agricultural research and extension, rural education, stimulating investments in dairy producs, specialty coffee, and tropical fruits. It is now global leader in fresh pineapple, agro-tourism, and national parks—all converging to facilitate EST.

D. Acuteness of the Depth of Sector-Based, Structural Problems Constraining Poverty Reduction

Most revealing, from the 1990s and resulting from the other sector's inabilities to grow jobs and sustainably absorb the growing rural population, shockingly, **agriculture experienced the highest job growth rates: the antithesis of what should occur under EST**. This alarming anomaly contributes to further depressed wage and job growth stimulating greater poverty, more food insecurity, and perilous and mounting societal hopelessness as observed in record levels of illegal immigration, homicides and gang extortions/violence, record levels of local, regional, and inter-regional drug production and trafficking, and the plethora of related, ever-mounting, societal maladies revealed regularly in the press and, increasingly, systematically analyzed.

E. Essentiality of a More Inclusive Sector Via Increased Diversification and Intersectoral Linkages

From my extensive review of country-level national accounts, the only viable, economic-related bridge to the future for beginning to reverse these heart wrenching trends will be from: 1) a more dynamic and robust agro-industrial sub-sector (encompassing growing food and beverage, product processing/industrialization/transformation product lines); and 2) an important but probably lesser level agro-services sub-sector impacting related business, financial, and transportation functions. These underlying forces form Guatemala's most dynamic economic sub-sectors and frame the inclusive framework of IARD's vision. However, while demonstrating great potential, as currently positioned, to contribute and compete more substantively in ways that begin to make the economic dent required to reverse stagnating job and wage growth, these sub-sectors are too nascent, fragile, and insufficiently equipped. Further, in the context now presented, service sector growth will also occur, but, currently, the prospects seem weaker.

F. Globalization and Trade-Driven Experiences Under the CBI and CAFTA-DR

During this period of unchartered, new era economic structural conversion process, policy analysts and strategists have been very slow to focus on the daunting internal adjustments required across many fronts. National governments, with many limited analytical and technical capacities across their private and public sectors, have failed to seriously study and make the hard strategic choices or stake out and force the sustained political will for increasing national commitments, public investments, improved enabling policy environment, and the core private/public services in the key areas essential for longer-term, sustained poverty reduction.

In Guatemala, great promise was noted from USAID's earlier introduction of fresh and processed fruit and vegetable product lines in the 1980s for national, regional, and international markets. Because of the new era's complexities, the rapid and long period of sector support decline and the nascent structure of their product base, and the increased regional and global competition, for example, provided by Mexico, over time many producers became less competitive. While impressive progress was noted initially, between 2000-2006, 21 of Guatemala's and other Central American "star" fruit and vegetable product lines had lost percentage shares from their earlier U.S. market share. This was in part due to competition from other developing country suppliers. However, and more importantly, it was largely due to the failure of government's policies and key public good expenses, private sector hesitation and uncertainties, and donor investment reductions; they failed to develop the critical new era "first" generation infrastructure, technological, human resource, and institutional capacities vital to incentivize much needed

investments related to the much higher risk factors. The requirements by committed countries and donor partners are of such magnitude, a complementary/cooperative strategic assistance approach over a sustained period must begin to be considered.

G. Advancing a Guatemalan National Support Structure

The CSIS evaluation of USAID/Guatemala's FTF and my complementary, deeper probes made possible from USAID's T-LAD report and the extensive, USAID-arranged highly participatory review process presents an unescapable conclusion:[20] It is clear that effectively addressing Guatemala's poverty reduction becomes contingent on mobilizing a serious, high-level nationally-supported commitment around a market-based, inclusive agricultural and rural development structure (to be elaborated later). Current trends and dynamics demonstrate that preconditions cast on a clear understanding regarding long-term, national political will and commitments transcending current ministerial shifts and political groupings, and changing political platforms can hopefully be mobilized to advance the substantive, long overdue policy and institutional reform agenda.

H. Ever-Worsening Global and Guatemalan Poverty Trends

As earlier reported, due to the important economic achievements reached by China, India, and some African countries, since the turn of the millennium, more than a billion people have overcome poverty. However, from the deteriorating, ever-worsening economic situations and because of COVID-19, for most LMIEs, poverty and, particularly, extreme poverty rate reduction have stalled and are now increasing. The World Bank's most recent study alarmingly concludes that currently, poverty levels are *"stubbornly high"* and in some LMIEs, actually *"increasing."*[21]

According to Bill Gates, current projections are that the number of people in extreme poverty will stagnate at over 500 million.[22] From the T-LAD study in Central America, the oldest of the referenced studies noted, *"Progress in poverty reduction, particularly in the rural sector has been limited by the region's relatively weak economic growth since the late 1990s"*[23] Similarly, the CSIS evaluation of FTF conducted in Guatemala done in 2018 speaks pointedly to *"increased, inter-generational poverty,"* to which the FTF impacts little. And the more recent global assessment of the poverty situation also done for CSIS, speaks to *"record levels of hunger,"* usually the result of long periods of limited purchasing power.[24]

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[20] The USAID internal review process of T-LAD generated, an extensive series of presentations, including: World Bank, Millennium Challenge Corporation (MCC) (and also a two regional-level conferences), Inter-American Development Bank (IDB), USDA, State, United States International Trade Commission, as well as various think tanks and development leaders such as Woodrow Wilson Center, USAID's Agricultural Sector Council, American Association for Public and Land Grant Universities, the Presidential Board for International Food and Agricultural Development (BIFAD), Bread for the World, Central American Bank of Economic Integration (BICEI), United Nations Economic Commission for Latin America and the Caribbean (UN/ECLAC) (and also a special regional conference) in Guatemala, Inter-American Institute for Cooperation on Agriculture (IICA) (at headquarters in Cosa Rica and to its quarterly reviews convened for Central American ministers of agriculture. The Nicaraguan Ministry of Agriculture chaired this session where a favorable reaction and endorsement was provided.

[21] Op. cit., The World Bank.

[22] Gates, Bill and Melinda, 2020. "Our Precarious Progress on Poverty." New York, NY, *Wall Street Journal*.

[23] Op.cit, Bathrick.

[24] Hamel, Reid. 2017. Tracking Promises: Analysis of the Impacts of USAID's Feed the Future in Guatemala. Washington, D.C.; Center for Strategic and international Studies.

I. In Our Increasingly Interconnected World, Mounting Desperation Is Manifested in Progressively Perverse and Direct Forms

Via various media in our progressively intertwined world, we have slowly become aware that due to increased LMIE-level poverty, economic frustrations, and societal hopelessness, LMIEs' increasingly deepened maladies spread. These are measured in record levels of: 1) illegal immigration on U.S. borders from Central America and beyond, to include, the United States' European allies receiving unprecedented levels from Africa; 2) national and international terrorism be it via *Mara Salvatrucha* (MS-13) in Northern Virginia or mounting Jihadist recruitment occurring across Africa; and 3) illegal drug production and trafficking, human trafficking, police and judicial corruption, and rising levels of governmental or inter-regional dysfunctionality; and 4) increasing poverty and lack of reasonable opportunies to improve one's life, domestic and social conflicts grow and these cause increasingly difficult matters for international and bilateral institutions to more effectively engage.

More directly, regarding the Guatemala case study and the most common press-related topic, illegal immigration, in late 2018 *The Washington Post* reported that with the border arrests exceeding 2,000 per day, Guatemala replaced Mexico as the top source of migrants crossing the border illegally, for the first time on record.[25] Two years later, *The Washington Post* reported that in Fiscal Year 2019, Guatemala was the largest source of migrants detained at the U.S. border, at more than 264,000.[26] Most revealing, the notably detailed field survey work done in 2019 in the Northern Tier countries by Creative Associates International reported that, *"Economic factors are the most salient in influencing migration and are cited far more often as the primary motivator for migration than victimization factors."*[27] In September 2020, in vivid desperation, huge numbers of Hondurans violently stormed their border, crossing into Guatemala and the subsequent worsening situation.

IV. THE NEW ERA'S STRATEGIC RESPONSES TO POVERTY'S ROOT CAUSES

A. The Prophet of Our Times, Concluding Assessment

As referenced earlier, the extraordinarily productive life of agriculture's only Nobel Laureate, Dr. Norman Borlaug, the leader most responsible for the Green Revolution, was shown in a PBS documentary. In 2010, just prior to his passing, he profoundly reflected, *"Today we do not have a food problem. We confront a poverty problem!"* From this all-inclusive, evidence-based presentation, too little respect was paid to his insightful contemplation.

B. Substantively Responding to Dr. Borlaug's Prophesy Will Not Be Easy

The earlier referenced CSIS evaluation of the FTF component for Guatemala of the Regional, multi-faceted $2 billion "Strategy for Enhancement in the Central American Northern Tier" revealed the inappropriateness of the FTF's budget size and strategic and programmatic focus. The evaluation revealed an *"unclear theory of how a basket of project activities directly reaching 385,000 people would drive double-digit impacts on the prevalence of poverty."* It further noted, *"the reality on the ground begs an honest discussion of whether given the contextual challenges, the*

[25] Miroff, N. 2018. "On remote border, a flood of migrants." Washington, DC, *The Washington Post.*
[26] Sieff, K. 2020. "Where are we? What are we supposed to do now?" Washington, DC *The Washington Post.*
[27] Creative Associates International, *Why Immigrants Risk it All?* 2019, Washington, DC.

achievement of very ambitious poverty and stunting reductions goals among 1.6 million people with an annual budget of $12 to 18 million was ever a realistic objective."[28] In the context of the current situation in Guatemala and the Northern Tier, then Presidential candidate Biden announced a $4 billion regional assistance program.

C. Country-Level Reactions and Political and Governance Realities

Radically different approaches are required. Interestingly, my earlier consultancies required intense interaction with senior-level public, business, and elected officials. A merging consensus from national leaders was that future wellbeing is contingent upon a well-conceived and appropriately supported national-level, sector transformation process. **The leadership was aware or became aware of the severity of their national situation and concurred with the suggested IARD national support structures embracing: 1) policy reform and economic and sector analysis; 2) technology development and transfer (including extension, outreach and Information Communication Technology); 3) multi-faceted human and institutional capacity building (HICD) across numerous fronts; 4) rural productive infrastructure; 5) finance and marketing support; 6) plant and animal health and food safety systems; and 7) appropriate safety net interventions**. The conventional reliance by too many on more palliative, short-term campaigns announced by donors, presidents, and/or ministers of agriculture, or short-termed, narrow-gauged "silver-bullet" interventions, must be seriously questioned.

At the same time, there is the seldom disclosed reality of LMIE-level "governance" issues that constrain economic transformation. These include:

1. Fragile democracies with limited installed economic and political institutional support starting from the related analytical and technical capacities required to make the sustained policy and public investment commitments now deemed essential;
2. The specific time/tenure period constraints country constitutions allot for elected leaders and the implicit, associated political risks. This underlying force constrains elected officials from undertaking the requisite, long-term national commitments and related sensitive adjustments;
3. Given the ever-implicit producer-level risk factors sector diversification generates, the persistent limited confidence levels producers possess regarding the current national capacities, forms a pall that constrains investments and progress; and
4. Prevailing political/economy issues and differences that stall advancing the notably different legislative and enabling and regulatory reform agendas.

D. Proposed U.S. Government Support Structure for IARD

The stagnating LMIE-level situation impacts the United States domestically in mounting ways. The comprehensive country-level reviews focusing on inter-generationla poverty issue evolving from diverse economic structural and political/governance-related topics, frame the new era sector facilitating role the USG must begin to seriously understand and respond to.

Earlier in the Agriculture sector's "golden era," sector support was essential to productively reacting to distant, but ever alarming and sometimes frightful, foreign policy needs and issues

[28] Op. cit., Hamel, R.

brought by Communism's spread and related political and security threats. Today, similar sector-sed issues prevail but in ever-worsenign, complex, and also, dramatic ways. These are under an entirely different and complex economic structure with increasingly fragile democracies which if not addressed, exacerbate our growing border and internal security-related issues across domestic socio/economic/political fronts. **In today's far more interconnected world, better livelihoods stimulate mutual gains and benefits**. Helping committed countries commence and sustain the above-listed support structure in IARD's 10 to 15-year sector transformation process requires a radically different USG assistance program and operational structure, outlined herein.

1. *Help establish a national sector ownership process and program*. In the dire, increasingly high stakes situation, LMIE countries must begin to seriously internalize their national destiny around IARD. They have no options! The era of short-lived "donor-led" projects and short-term political responses generated mounting dangers. To advance IARD, there is an urgent need to address many complex and daunting internal constraints and issues which, even with strong national commitments, will likely not advance. This will require that unprecedented levels of financial, political, and human and institutional support to help leverage/targeted policy reform and expanded public good, private sector, and donor facilitator commitments over an estimated 10-year period, minimum. These range from a modernized sector R&D service to career professional public sector personnel reforms to incentives for rural infrastructure investments, to improved plant and animal health services, *etc*. Under the more appropriate IARD structure, a much stronger donor-coordinated mechanism would form an essential more robust facilitator force. Based on specific donors and their institutional comparative advantages (particularly drawing from earlier era sector support experiences), the suggested USG IARD support role would also help committed countries to better coordinate and leverage country-level and donor assistance programs.

2. *Introduce a program versus project support focus*. In the context presented, traditional project-level approaches will seldom lead to the magnitude of response now required. Given the breadth of the issues needed to establish much higher levels of producer and investor and national confidence levels, a more substantive and risk reduction/confidence generating IARD program support base is required. This is also needed to be able to more appropriately and aggressively advance and leverage the national sector reform processes and donor resources to achieve much needed, broad-based economic impacts.

3. *Strengthen policy analysis and strategic planning*. LMIE countries are currently confronting one of the most complex times as their most important sector—Agriculture—has become their most beleaguered. The increasingly rapid shift to trade-led growth requires the gradual introduction of a much more sophisticated analytically supported and market-oriented national structure. It should embrace macro, trade, fiscal, and sector policies plus poverty-related dynamics to help chart, steer, incentivize, and prepare for a more strengthened response to the ever-changing realities of our more competitive world.

4. *Strengthen technology development.*This applies directly to the special attention that needs to be placed on more institutional development of stakeholders that are currently weak in terms of mission, staffing, organization, and funding. The radically changed and more complicated and competitive world and broader needs that IARD encapsulates require

the introduction of more productive, market-responsive, climate-friendly, risk-reducing, and efficient technology generation and outreach services. The notably deficient services now in place are inadequate to address growing, long-festering poverty and internal sector and structural problems.

5. *Strengthen human and institutional capacities (HICD).* This applies directly to special attention to priority public/private-private/public institutional development at key levels to ensure IARD's sustained advancement. To advance IARD where beleaguered LMIE country-level land and labor comparative advantages have become shockingly weakened and increasingly non-responsive to economy-of-scale needs and requirements, a plethora of market-based skills and knowledge bases must be mounted across numerous fronts and institutional bases. These will require considerably strengthened human resources and much more creative and dynamic organizational and institutional capacities. Much could be learned from a sampling of the most effective currently functioning private and donor-funded services.

V. CONCLUSION AND A POSSIBLE NEW ERA IARD PROGRAM TO REDUCE POVERTY

It has become clear that Dr. Borlaug's prophetic vision a decade ago of Agriculture's changed scenario was correct—the challenge is now getting small- and medium-scale farmers to diversify and establish SME-level and larger, inter-sector linkages to sustainably increase rural incomes. If, in our increasingly interconnected and problematic world, the challenging structural problems are to begin to be addressed, IARD must be present and heard at the policy table! Radically different, new era approaches must be reviewed and strategic restructuring undertaken in ways that positively impact long-festering, systemic problems. This strategic conclusion and IARD's corresponding learning curve require a comprehensive, evidence-bsed primer and a focused, highly-interactive process to review and advance.

Countries are increasingly strife-ridden, resulting in record levels of: 1) border-related problems and immigration from Central America and beyond, to include the United States' European allies receiving unprecedented levels of immigrants displaced from Africa and the Middle East; 2) internal violence, crime, corruption, and extortion creating increase instability in LMIE countries; 3) national and international crimes, be it via MS-13 in Northern Virginia or mounting Jihadist recruitment occurring across Africa and the Middle East; and 4) illegal drug production and trafficking, human trafficking, police and judicial corruption, and rising levels of local, national, or inter-regional dysfunctionality. Our rapidly changing and growingly complex and stressful domestic agenda requires that notably different levels of mutually beneficial approaches begin to be facilitated. This can ony commence from a much better understanding and more responsive approaches to pressing developing country realities.

While worldwide a truly historic reduction in poverty did occur and was appropriately heralded, unless radical LMIE-focused changes are robustly discussed and strategically introduced, the increasingly frustrated livelihood of the 500 million rural-based agricultural producers and the areas and countries they impact, only increases. These dynamics require that the notably scattered, narrow, and increasingly inappropriate poverty reduction approaches be seriously reviewed and discussed at higher USG levels to include the National Security Council (NSC) and, as interests and confidences develop, introductory sessions with interested LMIEs and the broader donor community.

At an April 2018 luncheon sponsored by the USAID Alumni Association, Dr. John W. Mellor, former USAID Chief Economist and one of the most acclaimed, development-focused agricultural economists presented his latest book, *Agricultural Development and Economic Transformation: Promoting Growth with Poverty Reduction.* At that luncheon, he soberly concluded, *"our current approaches to ameliorate rural poverty are at best short run and palliative."*

This complex topic, far too long below the radar, converges with the surprise global reentry declaration from President Biden. These realities provide a potential historic juncture for stimulating country-level economic transformation. The adequacy of the current model and methodologies require serious review and reformulation. Hopefully, this comprehensive report sufficiently whets the interests of the new Administration's leaders via the Transition Team, incoming Administration Team, and Cogressional leaders and a critical mass of key stakeholder organizations, seasoned development professionals, rural growth strategists, and Congressional staffers to study and begin to advance a national need interest. From this review and the extensive vetting this long process has received, the IARD Agenda may provide the spearhead framework for beginning to prioritize and frame the new era structures, policies, strategies, and programs aimed at sustainable poverty reduction.

Former Secretary of Defense Robert Gates's book, *Exercise of Power,* also addresses today's requirements. His assessment of post-Cold War development needs addresses the current more complicated and nuanced conditions and needs. In this context, our existing diplomatic and development assistance institutions are woefully inadequate. From the perspective of this prescient example, Mr. Gates speaks to USAID's essentiality, but also, to its *"checkered history."* During the 1990s, he notes, USAID had its basic *"capacities gutted"* and the Agency since that time has *"been allowed to atrophy."*[29]

Also, as an example of a different development sector models that adapted so notably to changed situations, Gates targets the health sector. To an early need during President George W. Bush's administration, Gates describes President Bush's bold and creative response to the human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) crisis in Africa under his President's Emergency Plan for AIDS Relief (PEPFAR). To the increasingly alarming needs plaguing Africa, the administration created entirely new management and delivery structures within the U.S. Department of State, in effect bypassing the Foreign Assistance Act. Gates recognizes PEPFAR as the United States' most *"consequential program since the mid -1990s."*

To the rarely highlighted specific poverty reduction obectives needs this paper identified and today's fear-packed realities of our most pressing concern, COVID-19, IARD should also be specifically brought forward. COVID-19's realities and its spread to the increasingly vulnerable environment poverty's increases fosters, wherein the rural poor reside as the virus thrives and worsens and the the prospects of a "Pandemic Depression" increases. Unless addressed now, the ever-alarming poverty trajectory will worsen to Hobbesian levels. Also, given IARD's related requirements and the huge political push regarding Climate Change, greater attention must also be given to research on traditional cereal crops and much greater attention provided to the basic and unaddressed realm of higher risk, more diverse, tropical zone product lines.

From the rationale presented and the suggested response framework, pursuant to extensive initial deliberations, there is a definite need to discuss more appropriate operational and

[29] Gates, Robert M., 2020, *Exercise of Power*, New York, NY, Alfred A. Knopf.

institutional approaches to shape the proposed IARD Agenda. A select number of economists, agriculturalists, business, trade, governance, rural sociology, and public administration experts, among others, could be invited—possibly including representatives from local embassies as well. Over a prudent period, we must begin to frame and sketch out the suggested, radically different program architecture, policies, and operational structure. Perhaps, once framed, an appropriate planning grant mechanism could form the initial vehicle to best advance structural, institutional, and operational elements.

Given the Agriculture sector's weakened political posture and the topic's learning curve, to help advance the new era's advocacy, you are encouraged to share this "public good" white paper for the use of others more broadly and to hold discussion groups and explore upward channels. Also, given the invaluable substantive services provided by the paper's SRSG, I am certain that you would benefit from further conversations with them. If additional subject-related information or clarifications are desired regarding IARD, please contact any of the SRSG members directly or me at davidbathrick@gmail.com or 703-619-6064.

ATTACHMENTS

Attachment I

SUMMARY OF COMMENTS RECEIVED FROM REVIEWERS OF EARLIER EDUCATON/ADVOCACY/OUTREACH EFFORTS

Former university president and head of Presidentially-appointed sector advisory unit: *"Thanks for sharing these papers and thoughts. Very encouraging…and powerfully done! I will follow up on several fronts but find your analysis very interesting and challenging. I do want to share with colleagues broadly...Your recommendations are intriguing and very encouraging and looking forward to an opportunity for expanded dialogue….You are a very good economist. I do value all you have done and wish we could spend more time discussing the critical issues of development assistance."*

To a recent package he noted: *"Your words are always keenly targeted, and your analysis challenges the current USAID approaches by looking at the fundamentals of agricultural transformation, as I see it. Keep up your advocacy work and it will stimulate all of us to do more. The COVID-19 conditions require a different mindset for technology of communications and future expectations. We will be reexamining a lot of things."*

Senior university agricultural economist and major program director: *"Thanks for your report…I'm deeply sympathetic to your agenda. As you know we have a large group of faculties…with keen interests in these topics. We would certainly be interested in learning more about your work how we might be able to assist. In the meantime, we can continue to push on these topics with those with whom we interact."*

Professor at prominent center for western hemispheric defense studies: *"While I don't closely follow the issues you focus on, I found myself receiving a much-needed education on the approaches you discussed in the paper and on the issue of working through/with the agricultural sector as one key element to achieve certain desired ends.*

I'll note that I was, unfortunately, disappointed again…not so much at the complexity and many tentacles of the issues we (collectively) must grapple with, but at the lack of properly-placed strategic thinker-leaders who can take the advantage of the work you and others are doing and craft the new integrated and holistic approaches. It's difficult at the national level and becomes nearly impossible to provide this leadership and follow-through at the international level.

Thank you again and thanks for the permission to share with the others in the Perry Center for whom this issue swill have relance."

Lead agricultural economist at a major Multi-lateral Development Bank: *"Your package is on the spot and this crisis can clearly be an opportunity to realigning the incentives for agriculture towards not only economic, but also nutrition and environmental goals."*

One of Guatemala's most respected experts on agriculture and rural development and a lead faculty member at its most prestigious university: *"I regard your comments as totally pertinent. They have importance for any proposal to advance poverty reduction in the medium-term, 'Inclusive Agriculture and Rural Development' is indispensable for reducing national levels of violence and immigration. This is of utmost importance for the immediate future."*

Two African agricultural economist faculty members at a prominent U.S. university conducted their review of my article requested by editor of the *African Journal for Food Agriculture, Nutrition, and Development*: *"We applaud Bathrick's commentary on Obama's speech and the much needed focus on Inclusive Agriculture and Rural Development. Africa is undergoing a transformation resulting from domestic, regional and global forces. Population growth, rapid urbanization and climate change bring heightened urgency to a subject that has always garnered top priority. Now is a unique window to reexamine Africa's agricultural and rural development policy and Bathrick's commentary could not be more timely…Bathrick's rich experience with small and medium countries around the world working with leading agricultural development organizations and think tanks for more than two decades is clearly evident in his command of the subject."*

Program leader for a major public policy think tank: *"Many thanks for your insightful and thought-provoking feedback on Feed the Future and—assessment of it. We're watching the legislative space closely, but it looks like the next big movement may come from the Administration/USAID as they seek to expand the remit and location of FTF. It would be great to stay engaged as the initiative progresses as we all seem to be pushing toward a more effective, sustainable model of donor involvement in 'food security.'"*

Retired senior economist for USAID: *"I admire your indomitable spirit and energy to continue the fight for more rational economic development and poverty reduction, which has indeed suddenly become even more difficult than before. The world is a dangerous place and often rears up to bite us. You are very articulate about what needs to be done.*

My own contributions were summarized in the attached 'Inclusive Growth Diagnostic Analytic Guide for Productive Employment,' which I completed (after a lengthy peer review process) and left for USAID to use shortly before retiring in 2014, after a 40-year career with the Agency as an FSO, contractor and Dept. of Agriculture PASA."

An agricultural trade economist professor with numerous country-level consultancy jobs: *"Thanks for your report…I'm deeply sympathetic to your agenda. As you know we have a large group of faculty…with keen interests in these topics. We would certainly be interested in learning more about your work how we might be able to assist. In the meantime, we can continue to push on these topics with those with whom we interact."*

One of our most prominent internationally focused agricultural economists: *"Nice effort - keep up the good work - I hope you get some positive responses for this special effort."*

Senior executive to major higher education trade organization: *"Thank you David for all the work you are doing on these issues. I am right in the middle of all these issues/problems as higher education tries to open up, deal with huge financial losses, etc. Let's stay in touch."*

The former senior policy leader for USAID and current president of professional association: *"I am much impressed by the depth of detail and knowledge you have packed into these documents. As you note, it is irrefutable that the answer to the immigration problems we have here lies in reducing the push from Guatemala, El Salvador and so on, and to achieve that a key component must be to increase attention to agriculture in the fashion that you describe. I wonder if the key members of Congress are prepared to focus on these points with sufficient interest to press the Administration to turn its focus in that direction...Anyway, I appreciate your sending me these papers, and I look forward to learning if you shave some success in reaching people who can actually act on your ideas. Good luck."*

A former Director of USAID's Office of Agriculture: *"I enjoyed reading your response to Michael Gerson. It reminded me of the challenges and strategic periods of development in my career, starting with structural adjustment and the decline of ag sector funding. The agriculture sector and all of the technical and policy experts who have worked in this sector over the years owe you a heap of gratitude for keeping the importance of agriculture development front and center. Thanks for encouraging more journalists and contributors to the Post to advance additional arguments for rural development and IARD.*

Your examples and experiences from observing the results of various development strategies helped me recall how successful USAID's investments in long-term training and institutional development had been. If only USAID had continued its support of developing country agriculture university capacity building (research and training) that was started in the 70s and continued through the mid 1980s. One of USAID most effective programs during that period was long-term training. When I was in Morocco and the USG was negotiating a free trade agreement with the Government of Morocco, all of the the Moroccan agriculture sector negotiators were graduates of U.S. Land Grant Universities. That really helped advance negotiations on both sides. Thanks for mentioning the role of the FAO. It has been a major player in helping fight the source of pandemics on farms."

Former USAID senior-executive directing economic, agricultural, and trade development and affiliated with key associations and public policy efforts: *"No chance of you 'putting this to bed,' David, so take a deep breath and keep going! The demographics and job needs of the next 30 years are going to continue to drive change and the food and agriculture sector are going to be in the thick of the action. Doing what you are doing, reconsidering (and reminding others of) the lessons of past experience while adjusting analysis of potential to the changed environment, is going to be an ongoing challenge for all of us. The biggest problem in my view with initiatives like Feed the Future or the renaissance of attention to food and agriculture in general is that of time. There is no instant fix—too many moving parts, too many differently-skilled people out there, too many areas where investments in research and technology development have lagged, and…infrastructure that does not support efficient operation of food and agriculture systems…Keep looking for those spaces where your own experience can keep the discussion going—and keep them honest!"*

A rural sociology professor emeritus steeped in developing country poverty issues: *"Thanks for keeping me in the loop on your important scholarship. Congratulations again on your excellent and important work!"…"These are such important documents, as what the U.S. is aiding and abetting in Guatemala gets worse and worse. I am attaching our 2019 annual letter, which includes our visit to Guatemala with the Washington Office on Latin America. Are you in touch with the Biden foreign policy team, in case we do have a change of administration?"*

ATTACHMENT II

COMPLEMENTARY OBSERVATIONS TO HELP USAID'S FEED THE FUTURE PROGRAM ADVANCE SUSTAINABLE POVERTY REDUCTION IN GUATEMALA

by

David Bathrick
Retired Foreign Service Officer, Minister Counselor
U.S. Agency for International Development

June 26, 2017

This response to the Center for Strategic and International Studies' (CSIS) Global Food Security Project's (CGFSP) report *Tracking Promises: Analysis of the Impacts s of USAID's Feed the Future in Guatemala* is prompted by: 1) CSIS' eminence in influencing global policy challenges; 2) the seldom-addressed but ever-alarming concerns and conclusions presented; 3) the rapidly mounting illegal immigration/gang violence/poverty conundrum in Central America, most recently reported in the Washington Post's May 23 and June 18 articles; and 4) my extensive work in 25 agrarian-based, small and medium countries (SMCs). Even with favorable macro-economic policies and GDP growth trends, Guatemala's economy has become one of the world's most unequal. Its largest work force is employed as small and medium producers of mainly low remunerative crops "supported" by an inadequate, private and public agricultural sector support system required to accelerate more remunerative, market-based crop diversification. This stark reality foments the already high poverty level currently "creeping upward." Due to mounting desperation and declining licit opportunities also occurring in El Salvador and Honduras, the "Northern Tier" comprise "the world's deadliest, non-declared war zone."

PREFACE

The CGFSP's multi-faceted analysis provides an important overview of FTF's multi-faceted activities (the major economic development activity of the broader "Strategy for Engagement in Central America" Program), major project-level successes and strategic short comings and offers precise recommendations. Its focus evolves from FTF's launching worldwide in 2010 within "globalization's" radically different and increasingly complex economic, political, and societal milieu.

The review's startling poverty-related findings arrive at an important juncture. Increasingly, these form the core drivers of President Trump's domestic agenda affecting illegal immigration and border security matters. These findings could assist Secretary of State Tillerson's handling of proposed budgetary cuts and his program review for the formation of our "Post-Cold War" diplomatic agendas and new USAID Administrator, Ambassador Green's need to stimulate more optimal support levels and focus more commensurate with mounting, horrific dynamics absorbed in our increasingly interconnected world. For the first time in many decades, domestic immigration and border security interests are intertwined with development assistance.

In the context of Guatemala's extraordinarily complex challenges and FTF's multiple components, the CGFSP flagged two inter-related strategic short comings: 1) *"A clear theory of how a basket of activities directly reaching 385,000 people would drive double-digit impacts on the prevalence of poverty and stunting among a population of over 1.6 million was never sufficiently detailed;"* and 2) "*The reality*

on the ground begs an honest discussion of whether given the contextual challenges, the achievement of very ambitious poverty and stunting reductions goals among 1.6 million people with an annual budget of $12 to 18 million was ever a realistic objective."

To best respond to CGFSP's invitation and possibly help Guatemalan and U.S. policymakers and strategists, general trends data from a broader economic framework over time are presented. This is followed by Guatemalan and USAID-related perspectives, from which, suggested strategic conclusions and suggested USAID programmatic responses are offered.

BACKGROUND

After a quarter century decline in donor and country-level government support to agriculture, once USAID's premier development sector, the 2008 Global Food Crisis sparked a sudden and vigorous international intervention, embodied in the United States via FTF. During the earlier prolonged hiatus in sector support while worldwide, radically different commerce, finance, and trade elements ensued from the previously "protected" economic and trade structures, fewer public policy institutions and academicians analyzed agricultural development dynamics under "globalization" in the agrarian-based low and medium income economies (LMIEs).

From this overview and respectful of the report's broad scope and possible similarities evolving from the two other countries now completed under the *Tracking Promises* country evaluations funded by the Bill & Melinda Gates Foundation, to better comprehend the changed macro-economic and agricultural sector dynamics, I employed my country-by-country review for USAID, *Optimizing the Economic Growth and Poverty Reduction Benefits of CAFTA-DR: Accelerating Trade-Led Agricultural Diversification.*

Historically, a dynamic agricultural sector formed the fundamental engine for advancing sustainable, broad-based growth. For several decades, targeted sector assistance formed USAID's highly acclaimed pillar portfolio. Later developments in the 1990s, however, severely distracted attention from agriculture. In the wake of the "Washington Consensus" (the IMF's macro-economic and budgetary reform processes which purported to "raise all boats" but didn't) and related Structural Adjustment Lending (SAL), sector-specific support by governments and donors was determined to be unimportant. For example, from the mid-1980s to 2007, USAID's agricultural development budget eroded from 26 percent to 2 percent of total assistance, while at the same time, its once largest and lead agriculture staff decreased, to 2 percent of total.

Ironically, during the same period, globalization emerged and for the LMIEs, its related opportunities and challenges were impacted. Their bountiful but poorly equipped land and labor comparative advantage of their large agricultural sector were becoming poorly positioned to compete and gain in ways that stimulate sustainable, broad-based growth. However, beginning in 2009, FTF formed for USAID an historic but not fully understood—nor optimally designed—sector reset effort.

From my country-level strategizing effort which Guatemala replicates in many ways, production agriculture forms the LMIEs largest economic sector in terms of GDP, trade, and employment (averaging in FTF countries 65 percent of the work force). Unfortunately, however, this sector also generates the lowest wages.

Seldom-joined macro, trade, and sector trends became linked to stagnating or worsening rural poverty—the energizer for increased food insecurity. This condition was caused due to years of declining sector productivity, competitiveness, and dynamism. Startingly, these nuanced dynamics

contributed to the *"reversal"* of Economic Structural Transformation (EST), the standard economic development metric. Over an extended period, the proportion of GDP for "agricultures" (defined exclusively at production-level contributions and not the value-added opportunities when incorporated in the industrial and service sector links), actually increased.

Alarmingly, growth in the more remunerative industrial and service sectors stagnated or grew sluggishly. **Over a quarter century, while sector transformation trends gradually reversed thwarting more remunerative job growth, the aggregated farm-related incomes and wage structure became an "anchor-like magnet," ensnaring the national wage structure in ever-perverse ways**. Disturbingly, due to declining prospects and out of growing desperation, agricultural employment increased; thereby further exacerbating SMC-level poverty elimination goals.

For Guatemala, the wealthiest of FTF countries but with one of the most unequal economic wealth distributions in the world, possesses formidable, under-attended sector-driven structural constraints which impede the reversal from its already rising poverty levels. To stimulate national leaders and policymakers and donor leaders to more substantively and strategically begin to address their sector-related structural base, a much broader and deeper analysis across numerous, economic-related fronts is offered.

The Guatemala Overview Across Multiple Fronts

To more directly help respond to this reality and CGFSP's pointed concerns, my USAID report and related works are examined along the following themes: 1) evolving macro, inter-sectoral, intra-agricultural sector, and trade economic dynamics and poverty related data; 2) the realities gleaned from globalization as earlier encapsulated under the Caribbean Basin Initiative (CBI) and CAFTA-DR; 3) Guatemala's unfavorable political and governance environment and related structures and policies and public and private support structures; and 4) USAID and other donor approaches and operations.

Increasingly Onerous Economic Trends: As identified by the CGFSP and now more deeply probed, Guatemala replicates these fundamental LMIE-level structural problems resulting from too many people working in an ever-debilitated agricultural sector producing limited diversification and dynamism. In Guatemala's case, low value maize and beans are the principal sources of income, food, and employment for the rural sector, and form 71 percent of the farm enterprises product line. Except for the food price spike during the Global Food Crisis and recent extreme drought periods, farm-gate prices for these crops remained generally low compared with other farm pursuits while also, generating low value-added wage growth linkages ties via its limited linkages to industrial and service sectors.

According to the World Bank, sector growth rates consistently exceeding 3 percent in the developing countries are required to produce declines in their poverty rates. In Guatemala from 1990 to 2006, its sector growth rate averaged 2.8 percent and only three times exceeded 3.5 percent. Further, the other key yield growth metric for these core commodities stayed the same, or declined, while worldwide, during the last decade average cereal crop yields worldwide improved 1.5 percent annually.

Returning to the core question reversing economic sectoral transformation (EST), LMIE-level transformation results from: 1) the decline in agriculture's share of GDP as measured only in primary production economic contributions; 2) increasing yields in land units and labor; 3) faster

growth from the industrial and service sectors; and 4) employment levels in basic agricultural production (not including value-added activities) falling over time. Over the 25-year period I reviewed throughout the CAFTA-DR countries, EST advanced very slowly. On the average, agriculture's share of GDP declined only from 25 percent to 15 percent, while EST in Guatemala was almost flat, going down 1 percent (from 22 percent to 21 percent). Further, during this ever-worsening period, almost no growth in its industrial sector occurred and only 4 percent from services, thus stimulating limited job "pull" out of agriculture to these more remunerative sectors. Resulting from increasingly embedded and prolonged sector-driven structural issues, **reversals from the rising rural poverty trends will not occur unless formidable policy and institutional reforms are introduced and advanced over a sustained period. The plethora of issues in the rural area, where 72 percent of this total (4.6 million) reside from which much of our current domestic discussion evolves, requires radically different efforts in Guatemala, its Northern Tier neighbors, USAID and other donors**.

In the interim, and most vexing, during the 1990s and resulting from the other sector's inabilities to grow jobs and sustainably absorb the growing rural population, **shockingly, agriculture experienced the highest job growth rates: the antithesis of what is to occur under EST**. This anomaly contributed to further depressed wage and job growth, greater poverty, more food insecurity, and perilous and mounting desperation as observed in record levels of legal and illegal immigration, homicides and gang violence, and the plethora of horrific societal maladies the CGFSP reports.

At this perilous juncture, the only viable economic-related "bridge to the future" for beginning to reverse this disheartening trend for the large and growing affected population will be from a more dynamic and robust agro-industrial sub sector (encompassing growing food and beverage, product processing and transformation lines and related business, financial, transportation, *etc.* services). This became Guatemala's most dynamic economic sub-sector. However, as currently positioned, these sub-sectors are too nascent, fragile, and insufficiently prepared to compete and contribute to increasing job and wage growth.

Globalization and Trade-Driven Experiences Under the CBI and CAFTA-DR: All LMIEs inadequately confronted the sea change global shift from their previous, long-installed *protected model*—wherein all imports were reduced, with agriculture being the most protected economic sector (structured principally for supplying food for the domestic market)—to the *trade-led model.* Seismic order adjustments for the new era's opportunities and challenges became essential but were not introduced at the level required. During this unchartered, new era economic conversion process, policy analysts and strategists were slow to focus on the required internal adjustments for LMIE-level land and labor comparative advantages to become more productive, competitive, and dynamic in ways that would begin to sustainability reduce poverty.

In 1984, at the GATT-sponsored "Uruguay Round of Global Trade," for the first-time special tariff incentives were negotiated to bring an average cut of 43 percent on all tropical products. This development sparked a large expansion of regional, sub-regional, and bilateral agreements under the GATT/WTO. By 2006, 367 Regional Trade Agreements had been signed. Also that same year and more specifically for Guatemala, the CBI pioneer regional enabling legislation was enacted, granting to the 24 countries in the Caribbean Basin region duty free access to the U.S. market for many products. Respectful of the established *protected model's* legacy, particularly

affecting agriculture, the bold lowering of tariffs excluded many "sensitive," *i.e.*, non-competitive, previously protected U.S. commodities and products such as maize, poultry, meat, rice, sugar, and dairy products. But the CBI provided a large new experience for the manufacturing of *maquila* products, principally clothing which later declined.

Great promise was noted in USAID's introduction of fresh and processed fruit and vegetable product lines for national, regional, and international markets. But due to the rapid sector support decline, many country-level producers quickly found themselves in a weakened situation such that between 2000-2006, 21 of Guatemala's and other Central American "star" fruit and vegetable product lines had lost their earlier U.S. market shares, this due, in part, to competition from other developing country supplies. And more importantly, the result of the failure of donors, governments, and the private sector to invest in developing human resource, organizational, and institutional capacities vital to begin to reform their outmoded production and support structures now essential to sustaining rural-based economic growth and poverty reduction. From globalization's first major experience, the "development community" was slow to become aware of, recognize and understand, internalize, and appropriately respond to the lessons that emerged from LMIE-related experiences. Guatemala provides the LMIE world an important microcosm to be avoided within this under-studied global happening.

Launched January 2004, CAFTA-DR differs significantly from the time-limited CBI agreement. For the increasingly important, but limitedly prepared agricultural sector, country-specific, annually-based tariff phase out schedules were negotiated for sensitive products and commodities (beef, pork, poultry, dairy products, yellow maize, beans, potatoes, and rice), with tariff rates scheduled to phase down to zero (for some products) over a 20-year period or less. This "grace period" was instituted so that the country signatories (and pledged initially but never materialized close to the scale required), would systematically undertake the formidable sector retooling implicitly required as the bulk of the sector's GDP would likely not be competitive and productive abruption to the other sectors was notably limited, as currently cast.

In Guatemala, since 2006, agriculture and related industry sectors (coffee, banana, sugar, cardamom, cotton, natural rubber, fresh and processed fruits and vegetables and products, flowers and plants, shrimp, fish, and fish products) combined to generate more than one third of Guatemala's $6 billion total goods exported. Most importantly, growth in non-traditional agricultural export products more than doubled, though with some similar problems for their above-grouped "star" products. By their nature these product lines engage considerably more value-added activities and services than do traditional, bulk-shipped agricultural exports and became a priority base for CAFTA-DR promotion. According to related studies, over 25 promising, labor intensives but value-added product lines and organic products, offered promising prospects. Unfortunately, substantive national and donor attention commensurate with upward poverty trends and CAFTA-DR's sector re-engineering/tariff reduction requirements has been largely limited.

Sketching the Guatemalan National Support Structure: From CGFSP's findings and this complementary analysis, effectively addressing poverty reduction in Guatemala's rural and agriculture-based sector is contingent on mobilizing a serious, high-level nationally supported commitment around a market-based in inclusive agricultural and rural development structure (to be discussed later). National political wills and commitments transcending current political

groupings and platforms can hopefully be motivated for a sustained period that engages commensurate governance, policy reform, and public good financial support agendas.

To help national leaders grasp the breadth and depth of the required support components, from this related country and regional vetting processes conducted for the USAID study, the basic, new era sector vitalization program should embody serious efforts embracing: 1) policy reform and economic and sector analysis; 2) technology development and extension/outreach; 3) multi-faceted human and institutional capacity building (HICD); 4) rural productive infrastructure; 5) finance and marketing support; 6) plant, animal health, and food safety inspection; and 7) appropriate safety net programs.

Rightfully, the CGFSP questions the national political structure's ability to forge the medium and long-term requisite strategic vision and political commitments and related support elements. Supportively, the FAO's Director General, Jose Graziano da Silva, pointedly observed, *"We need to change the traditional response strategy and tackle the structural causes of poverty and food insecurity in Central America's Dry Corridor…."* As the CGFSP astutely concludes, this vital and uncommon thrust will require a dramatically more serious and sustained national commitment to which in the context of the immigration and border security debate, dramatically different approach by the USG.

For the USAID study, many of those interviewed spoke pointedly to the comprehensive national reform effort required to dissuade implicit, high levels of producer risks associated with farm diversification, while also, stimulating investments from producers and investors. In the face of the severe structural impediments, the prevailing constitutionally mandated and relatively short-tenure requirements, and the implicit topical complexities, most opined that the new era of focused national efforts will also require strategically focused and highly complementary external support in specialized areas. Current nationally structured, short-term, politically motivated campaigns or changing donor "flavor-of-the-month" preferences tend to only "kick" the problem along. Further, in most cases, traditional, finite project-level donor efforts are often shifting and seldom sustainable. All producers lamented the eroded services in essential production technology development and extension/outreach, sector strategizing and policy, plant and animal health certification, improved infrastructure, post-harvest and agro-industrial technologies and related investment promotion strategies and policies.

USAID and Donor Assistance: Responsive to Washington Consensus mandates, from the mid-1980s to 2006 total donor sector support to agriculture declined from $10 billion to $6 billion. USAID's cuts mentioned in the Background resulted in almost the complete elimination of highly-regarded, country-focused training, technical assistance, and support services related to essential sector planning and policy reform, technological change and outreach, and related institutional development services particularly given globalization's realities. These reductions had their impact in terms of taking "our foot of the gas" and putting the brake on stimulating and sustaining the multiplicity of policy reforms, budgetary adjustments, human capacity, and institutional development form requisite needs. These components, when they were addressed during the earlier era's *model,* helped mold national capacities, confidences, and investments resulting in the Green Revolution. They also formed the core support platforms for the earlier "LMIEs" to graduate to middle income status as noted in Chile, Brazil, Costa Rica, Indonesia, Philippines, India, Thailand, Republic of China, and Korea.

After years of sector decline and the subsequent international panic due to the food price hikes, the FTF formed the multi-faceted structure for USAID's sector reset insertion. Its stated 15 percent poverty reduction target was announced as the new program startups for 19 countries evolved. CGFSP records some important project-level successes in Guatemala, while, worldwide, new USAID staff was hired, programs were developed, and project support and monitoring services were introduced. The portfolio usually focused on important regional specific limited-term value chain projects and a limited number of crop specific technology development activities from U.S. centers of excellence but in the context of these complementary observations, it will not help Guatemala confront its major task.

CONCLUDING COMMMENTS AND SUGGESTED STRATEGIC RESPONSES

In the context of CGFSP's review of the FTF in Guatemala and their concerns regarding core theoretical and strategic concerns covering FTF's theoretical framework and programmatic under pinnings, I have tried to interject heightened sense of urgency, concern, importance, and focus. The evolving, Hobbesian-like situation with worsening and expanding regional and U.S. impacts, requires radically different approaches in both countries and throughout the region.

To facilitate the required reform processes that now impacts Guatemala's wellbeing and our domestic agenda, several factors have not yet been fully appreciated by Guatemala and the USG. These include: 1) national destiny in the magnitude of the agricultural sector's debilitation and ensuing ever-daunting structural dynamics resulting in the basic paralysis of wage and job growth stimulating such awfulness; 2) an incomplete understanding of external dynamics and harsh realities in the LMIEs of the *new model's* evolution, within globalization's umbrella; 3) the additional, highly complementary rationale and requirement for substantive reform forced by CAFTA-DR and its "clicking clock" covering tariff reduction schedule and sector rebuilding realities; and 4) the depth of the political and governance-related issues that constrain long-term producer, agribusiness, and investor commitments for stimulating and sustaining the market-based, rural sector conversion process.

A growing and sustainable "Inclusive Agricultural and Rural Development" process requires the utilization of greater levels and numbers of increasingly more interactive, higher skilled workers, thereby generating more jobs at higher wages in the rural sector and beyond. This process is crucial for stimulating the needed broader range of producer level "sweat equity" and business and investor investments to more rapidly, and where possible, diversify their farm operations to more remunerative activities generating inter-sectoral economic multipliers. Given the lessons-learned and positive experiences from the earlier-noted former LMIE "graduate" countries, higher levels of sustained political support facilitated by a more compatible USAID structure and other donor complementary activities converge to forge and grow the requisite new era political forces and stakeholder support bases.

CGFSP's primordial push toward ultimate responsibilities residing with the Guatemalan government requires particularly special attention. The CGFSP appropriately highlights the need for a more unified national structure that stimulates necessary reforms in the public policy arena, basic public good services and infrastructure expenses, donor coordination, and the propagation of a vision/commitment tied to national wellbeing. Their current structure is however incomplete and lacks much of the credibility to stimulate producer, market, and investor confidences such that at this fragile entry point, Guatemala's commitments alone will be insufficient.

If appropriate national agreements and commitments in Guatemala could begin to be mounted, what is needed if the suggested strategic and programmatic reforms for FTF funds, with as needed, supplemental resources from the United States' $750 million Strategy for Engagement in Central America (CEN Strategy), could be provided? This is the key point that is responded to with appropriate humbleness.

Based on related invitations over the last few years from multiple equally prestigious U.S. institutions and professional bases to review the FTF in the context of globalization's dynamics and the extensive vetting employed, the most optimal strategic themes for the USG to help Guatemala advance IARD, relate to:

1. *Help establish a national sector ownership process and program.* In the dire, increasingly high stakes situation now evolving, LMIEs must begin to internalize, their national destiny around IARD. The era of caballing short-lived "donor-led" projects and short-term political responses must be reconsidered. To advance IARD, many festering and vexing internal constraints and issues dealing with sensitive engrained political, political-economy, governance, and policy matters that require unprecedented levels of leveraged/targeted public good, private sector, and donor facilitator investments coordinated over an estimated 10-year period. Political will must be facilitated and sustained.

2. *Introduce a program versus project support focus*. In the context presented, traditional project-level approaches will seldom lead to the magnitude of diverse issues and levels now required. Given the breadth of the issues needed to establish much higher levels of producer and investor and national political confidences, a more holistic, substantive, and confidence-generating IARD program support base is required. This is also needed to be able to more appropriately and aggressively advance and leverage the national sector reform processes to achieve much needed, broad-based economic impacts.

3. *Strengthen policy analysis and strategic planning*. LMIEs are currently confronting one of the most complex times with one of their most weakened but vital support bases. The increasingly rapid shift to trade-led growth and the advancing menacing trends and implicit and currently evolving market and trade processes requires the introduction of a more analytically based, market-oriented national structure(s). It should embrace macro, trade, fiscal, and sector policies plus poverty related dynamics to help chart, steer, incentivize, and prepare for the ever-changing realities of the more competitive world.

4. *Strengthen technology development*. This applies directly to the special attention that needs to be placed on institutional development and also, particularly for today's development paradigm, is one of the most weakened structures. The radically changed and more complicated world, and the broader needs that IARD encapsulates, requires the introduction of more productive, market-responsive, expansive, risk-reducing, and efficient technology generation and outreach services. The notably deficient services now in place are inadequate to address growing, long-festering, internal sector and structural problems.

5. *Strengthen human and institutional capacities (HICD*). This applies directly to the special attention to institutional development but in a broader setting vital to IARD's sustained advancement and the support to the national component framework listed toward the bottom of page 6. To advance IARD where SMCs' beleaguered land and labor comparative

advantages have become shockingly weakened, unprecedented market-based skills and knowledge bases must be mounted across numerous fronts and institutional bases. These will require considerably strengthened human resources and much more creative and dynamic organizational and institutional capacities.