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# CONFRONTING FOOD INSECURITY IN THE LAC REGION UNDER RISING FOOD PRICES: A FRAMEWORK FOR ACTION

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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*This paper reviews food insecurity in the Latin America and Caribbean (LAC) region, identifies lack of access as the root cause of the region’s food insecurity, and provides a rationale to guide USAID in targeting assistance to the LAC countries with the greatest food insecurity. The paper includes a proposed food security goal for the LAC Bureau; a list of priority countries, selected based on an analysis of food security indicators; and a set of priority activities that the Bureau and Missions can use to adjust their programs to better address food insecurity in the priority countries.*

## FOOD INSECURITY IN THE LAC REGION

### Rising Food Prices

*High prices are having an adverse effect on consumers throughout the LAC region, increasing the numbers of poor and threatening the already precarious nutrition situation that exists in some countries.*<sup>1</sup>

**Consumers.** Food price increases are having a negative effect on consumers throughout the

#### USAID’s Definition of Food Security

USAID’s 1992 “Policy Determination (PD) 19” defines food security as existing “... when all people at all times have both physical and economic access to sufficient food to meet their dietary needs for a productive and healthy life.” PD 19 also identified and described the three distinct but interrelated elements that are essential to achieving food security: **food availability:** sufficient quantities of food are available from household production, other domestic output, commercial imports, or food assistance; **food access:** resources adequate to obtain appropriate foods for a nutritious diet, which depends on available income, distribution of income in the household, and food prices; and **food utilization:** proper biological use of food, requiring a diet with sufficient energy and essential nutrients, potable water, and adequate sanitation as well as knowledge of food storage, processing, basic nutrition and child care, and illness management.

\*See Annex A for a graphic representation of these elements and the relationships among them.

region. Poor consumers are being affected proportionately more, as food accounts for a greater share of their household budgets, food prices have been rising faster than the general rate of inflation, and the prices of many of the poor’s basic staples — grains in particular — have risen faster than average food prices. These dynamics are driving more people into poverty and could impact adversely on their nutrition, if the poor consume less food and/or substitute less nutritious food in response to the higher prices. Both urban and rural areas have been affected, particularly in Central America, where the majority of rural households are net food consumers. A study by World Bank economists estimates that the recent price increases have had an especially negative effect on poverty in Haiti, Honduras, and Nicaragua; a moderately negative impact in Bolivia; but a slightly positive impact in Peru,

<sup>1</sup> The LAC Bureau began monitoring the impact of rising food prices in ten LAC countries and the region as a whole in May 2008. This information is reported in profiles for each of the ten countries and a regional summary for the LAC region as a whole. The country documents are being updated monthly and the summary document roughly quarterly. They are available from the Economic Growth Team in the LAC Bureau. An Issues Brief focused on “Existing malnutrition in LAC and rising food prices” is also available from the LAC Bureau Health Office.

where relatively small farmers produce much of the rice crop.<sup>2</sup>

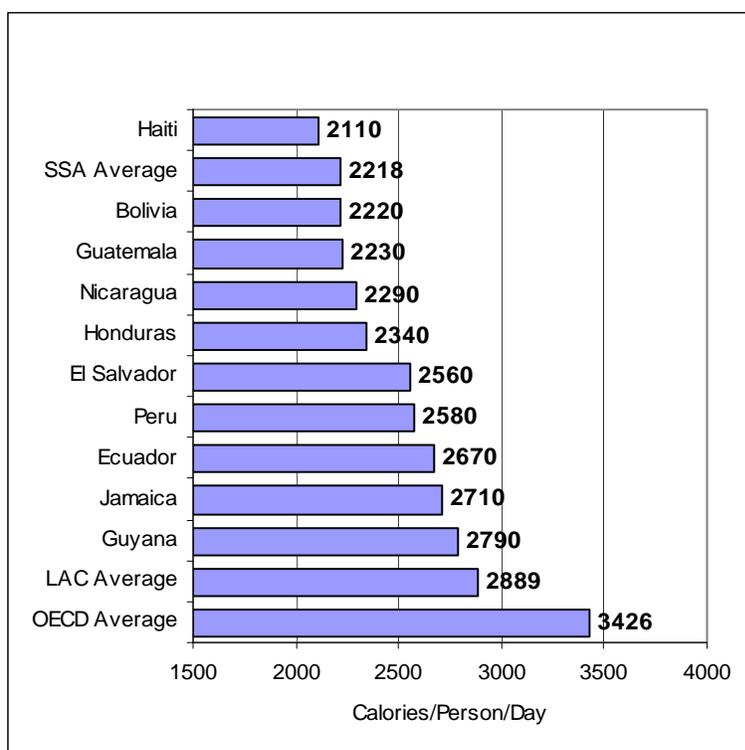
**Countries.** World price increases provide some benefits to commodity exporting countries, notably in South America, raising income from exports and having a positive effect on economic growth. But increased exports also drive up local prices and domestic inflation rates. On the other hand, commodity importing countries are finding that food price increases are having negative effects on both economic growth and inflation. Most Central American and Caribbean countries fall into this category.

### Food Insecurity

*Food insecurity was already a problem in many LAC countries prior to the recent increase in food prices, with some experiencing problems with all three dimensions of food security — food availability, access, and utilization.*

**Food Availability.** Measured by national-level food supplies (Figure 1), 5 of the 10 LAC countries monitored by USAID’s LAC Bureau already faced significant shortages in food

**Figure 1. Food Supplies at the National Level**



supplies prior to the recent food price increases. Indeed, in this decade’s first half, availability of food supplies per person in these five countries (Haiti, Bolivia, Guatemala, Nicaragua and Honduras) was close to the average for Sub-Saharan Africa (SSA). When one considers the high levels of inequality in most LAC countries, the amounts of food actually available to poor people were likely significantly lower than these already low averages. While inadequate food supplies in a given country may suggest that the solution to reducing food insecurity lies in increasing food production in that country, the real constraint may actually be lack of access to food, not lack of availability of food, as discussed in the following section.

Source: FAOSTAT 2002-04 for countries, 2003 for country groupings.

**Food Access.** In the LAC region, poverty (lack of household purchasing power) is the root cause of food insecurity in most cases, not the lack of availability of food. According to the World

<sup>2</sup> Mario Ivanic and Will Martin, “Implications of Higher Global Food Prices for Poverty in Low-Income Countries,” Policy Research Working Paper 4594, World Bank, April 2008.

Bank, the situation is particularly serious in Haiti, where almost 54 percent of the population is living on less than \$1 per day, and in Nicaragua, where over 45 percent fall below this threshold. Poverty not only restricts people’s access to the amount and quality of food they need for healthy and productive lives, but also constrains their access to services such as health, water and sanitation, and education that can increase food security, for example, by helping to improve the biological utilization of food in the short, medium, and long term. Poverty and lack of purchasing power are also the ultimate cause of low levels of food availability in many LAC countries. If poor households in Haiti and Nicaragua had sufficient purchasing power to translate their nutritional needs into effective demand for food, domestic food production would increase or foreign exchange would be used to pay for the food imports required to make up the gap between total food demand and domestic production.

**Food Utilization.** Malnutrition, which is one of the best indicators of poor food utilization, is also a serious problem in some LAC countries. In Guatemala, more than 46 percent of young

**Table 1: Prevalence of Chronic Malnutrition in Selected LAC Countries**

Country	Percent Children Under Five Chronically Malnourished		
	Country-wide	Rural	Area of Highest Prevalence
Bolivia	27%	37%	42% in Potosi
Ecuador	23%	NA	NA
El Salvador	29%	NA	NA
Guatemala	46%	54%	69% in Northwest
Haiti	24%	28%	35% in Southeast
Nicaragua	20%	28%	37% in Jinotega
Peru	25%	40%	53% in Huancavelica

Source: Country Demographic and Health Surveys (DHS), various years.

children suffer from chronic malnutrition (i.e., their growth is stunted). Rates of chronic malnutrition are also 20 percent or higher in seven other countries: Bolivia, Ecuador, El Salvador, Haiti, Honduras, Nicaragua and Peru. The prevalence of chronic malnutrition is consistently higher

in the rural areas of these countries and even higher in specific geographical areas. The high prevalence of chronic malnutrition has serious implications for these countries’ future economic, social and political development.

### Vulnerability

*High food and fuel prices have also increased the vulnerability of countries and poor households in the region reducing their abilities to cope with other problems.*

**Vulnerability.** Vulnerability can be thought of as the limited ability to manage risk. When an entity -- a country or a household, for example -- is unable to cope effectively with a shock or a hazard, it is vulnerable.<sup>3</sup> Countries, communities and households in the LAC region have had difficulty coping with the shock of rising fuel and food prices, leaving many more vulnerable to the next shock to come along. This is particularly true for net food- and/or fuel-importing countries and poor households that are net food purchasers. Higher prices constrain budgets at the household and country level, leaving fewer resources available for coping with other

<sup>3</sup> Additional information on how USAID has integrated the concepts of risk and vulnerability into its food security framework can be found in Food for Peace’s “Strategic Plan for 2006-2010,” dated May 2005, pp. 19-23 and 86-89.

problems. A recent study by International Food Policy Research Institute (IFPRI) economists concludes, for example, that the Central American and Caribbean countries are among the most vulnerable to rising food prices at the macro level. These countries are highly dependent on cereal imports and, because these imports come primarily from the United States, they have felt the full impact of the dollar-denominated price increases. This is in contrast to many African countries whose economies, because their currencies are tied to the Euro rather than to the dollar, have been partially protected from these price increases by the appreciation of the Euro vis. a vis. the dollar.<sup>4</sup>

**Sources of Risk.** The recent rise in food prices began as an external economic shock, but other sources of risk -- including those related to political, social, health, production and natural phenomena -- also have contributed. Food supplies can be adversely affected by climate shocks, for example, and by natural resource mining and degradation. Both are important sources of risk in the LAC region, and both can have disproportionately negative effects on the rural poor who are often relegated to farming on more environmentally fragile lands. Poverty can also adversely affect households' coping capacity, making it more difficult for them to adopt sustainable farming practices, and thus, increasing their vulnerability over time. Food access can be negatively affected by physical insecurity stemming from conflict or by the collapse of safety-net institutions that once protected people with low incomes. Factors that can impair food utilization include epidemic diseases, lack of appropriate nutrition knowledge or socio-cultural practices that affect access to nutritious food according to age or gender. In the LAC region, climate shocks that have destroyed crops and damaged transport networks have exacerbated food insecurity problems created by price increases. In the Andean region, heavy rains and flooding associated with "La Niña" caused significant damage in late 2007 and early 2008. Jamaica and especially Haiti suffered from heavy flooding and severe wind damage at the beginning of the 2008 hurricane season. In smaller and/or less diversified economies, these shocks can have serious effects at the national as well as household and community level.

**Coping Capacity.** The ability of the LAC countries to cope with risk will differ depending on a variety of social, economic and political factors. Governance can also play an important role, influencing both the risks and the ability of countries and communities to cope with these risks. Wealthier countries normally are better able to cope with shocks than poorer countries. Nearly all LAC countries fall into the middle-income category,<sup>5</sup> but the high levels of inequality in the distribution of income and assets in these countries means they are less able to cope with some risks than other countries at the same level of per capita income but with less inequality. In the LAC region, unequal political power also tends to go hand in hand with income and asset inequality. And, in some countries, these inequalities are exacerbated by the presence of large groups of indigenous people who are not well integrated into their country's economic, political and social systems. Poor governance, inadequate provision of social services and public goods, including physical infrastructure, and weak institutions also undermine the ability of many LAC governments to cope with shocks and help create an environment more vulnerable to social and political instability.

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<sup>4</sup> Derek Headey and Sheneggen Fan, "Assessing the LDC's vulnerability to rising food prices," Unpublished Manuscript, International Food Policy Research Institute, Washington, D.C., 2008.

<sup>5</sup> According to the World Bank, Haiti still falls into the low-income category and Nicaragua's per capita GNI (Gross National Income) exceeds the cut-off point by only US\$35.

## LAC COUNTRY POLICY AND PROGRAM RESPONSES TO HIGHER FOOD PRICES

Not surprisingly, LAC countries have given priority to policies and programs expected to have a positive impact *in the short run*. Most also have taken steps expected to affect both the supply of and demand for food. Since most analysts expect food prices to remain at elevated levels, at least until the early to middle years of the next decade, governments also will need to take steps, *over the longer term*, to help their countries adjust to higher prices by improving both availability of and access to food. The potential for higher prices to impact negatively on nutrition, either in the short run or over the longer term (the food utilization issue), has not yet received much attention within the LAC countries themselves. So the following discussion focuses only on LAC country policy and program efforts to increase food access and availability.

### Short Run

- ***Expand food availability.*** Most LAC countries are seeking to expand the supply of food available in their countries in the short run. Many have temporarily eliminated or reduced tariffs on imported food and/or have reduced domestic taxes (Bolivia, Brazil, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Peru). Several countries — Argentina, Bolivia, Brazil, and Haiti — have also restricted food exports, a policy counterproductive to food security because of its adverse effects on domestic producer incentives as well as on global food supplies.
- ***Expand access to food.*** A number of countries — Ecuador, Haiti, Guyana and Jamaica — have begun to subsidize certain basic foods. This represents an income transfer, but one that is available to all consumers regardless of need. Assistance to reach poor consumers would be more effectively targeted through food-for-work programs, subsidies limited to food products consumed almost exclusively by the poor, and/or targeted cash-transfer programs. The latter have been promoted in the LAC region by the World Bank and the Inter-American Development Bank, and a number of LAC countries (including Ecuador, Honduras, and Jamaica) already have programs that could be expanded as one response to the rising cost of basic foods. However, these programs take time to design and implement well, so they have not been a feasible approach for all LAC countries — at least in the short run.

### Longer Term

- ***Expand food availability.*** A number of countries — Bolivia, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica and Nicaragua — have taken some actions to stimulate local food production. These actions have been focused mainly on small producers. One would expect that higher prices would make producing food more profitable than before, at least at the margin. But their impact on producers will depend on several factors, including the extent to which price increases are transmitted to farmers; transaction costs; availability and cost of finance and inputs (including seeds and fertilizers, the costs of which also have been rising); and the extent to which farmers sell part of their output in the marketplace. Poor farmers in many LAC countries tend to be relegated to farming on small plots in some of the less fertile and more isolated areas of their countries. This is a major reason why many USAID Missions have refocused their agricultural programs on increasing farm incomes

rather than food or agricultural production more generally. Many small farmers may find that their comparative advantage still lies in producing cash crops for higher-value, niche markets, while others will find that higher prices for basic grains offer an incentive to increasing production of these crops and/or adding value to them. The answers are likely to differ by country and by regions within countries. In the longer term, countries can also benefit from taking steps that help lower shipping and logistics costs for imported foodstuffs — trade-facilitation efforts that USAID has supported — and improving the efficiency of domestic food markets.

- ***Expand access to food.*** The World Bank and the Inter-American Development Bank see cash transfer programs as a part of the longer-term solution to making it easier for poor LAC consumers to access nutritionally adequate diets. However, since lack of access to food — or poverty — is the underlying cause of food insecurity in the LAC region, governments should give renewed attention to policies and programs that will result in the creation of more and better-paying jobs for those at the lower end of the income distribution. This could include greater emphasis on agriculture, including promoting cash crops and agribusiness development, as well as urban-based economic activity, which will require an improved business climate. Programs to develop human capital will have an important role to play. Policies and programs to stimulate private investment and human capital formation, including technical and job-related training, will be of particular importance in the countries with larger urban populations.

## THE LAC BUREAU RESPONSE

USAID, like other donors and in other regions, can play a useful role in helping countries in the LAC region better address their food insecurity problems. To make best use of its limited resources, however, the LAC Bureau should support activities that are focused on the most food insecure countries, tailored to the priority problems in these countries and built on USAID's ongoing activities and comparative advantages. The recommendations provided in this section – a goal, focus countries and priority activities -- meet these criteria.

### Recommended Goal

*To increase the access of the poor to food by raising incomes and to improve the utilization of food by reducing chronic child malnutrition..*

In designing its response, the LAC Bureau should place highest priority on programs designed to increase employment and the incomes of the poor in recognition of the fact that poverty — or lack of purchasing power — is the root cause of food insecurity in the LAC region. The Bureau's response to the food price crisis should also include a focus on reducing chronic child malnutrition. Adding the nutrition dimension to its response is consistent with USAID's decision to include food utilization in its definition of food security. Taking this approach to the problem also recognizes that it will take some time for these economic-oriented activities to have an impact on jobs and incomes. In the meantime substantial numbers of young children in the region are currently malnourished or at nutritional risk.

**Recommended Countries:** *Bolivia, Ecuador, Guatemala, Haiti, Honduras, and Nicaragua*

The analytical process used to identify these six countries was based on the methodology the Food for Peace Office used to narrow the list of countries eligible for its Title II development programs, which by law are expected to focus on the more food insecure. This methodology uses three indicators and involves two sets of calculations. The indicators were chosen because they address the three basic elements of food security – availability (**percentage of population undernourished**<sup>6</sup>), access (**percentage of population living on less than \$1 per day**), and utilization (**percentage of children under five stunted**). The actual analysis is relatively simple. Three sets of country rankings are calculated, one for each indicator, and then an average score is calculated for each country using the three rankings. However, the average that is calculated is a weighted one, with Food for Peace giving the greatest weight to the stunting indicator (60 percent), lesser weight to the poverty indicator (30 percent) and the least weight to the undernourishment indicator (10 percent).

The Food for Peace analysis was replicated using data from 13 LAC countries (the basic data and rankings for the individual indicators can be found in Exhibit 1, Annex B). Two alternative weighting schemes, as well as a different indicator of food availability, were also employed. If one uses the three Food for Peace indicators and weights, Guatemala ranks as the most food

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<sup>6</sup> This FAO-developed indicator is based on estimates of per capita food supplies available in a country, adjusted on the basis of additional assumptions about the distribution of these food supplies across households and a minimum energy requirement threshold.

insecure country, followed by Honduras, Bolivia, Ecuador, Haiti and Nicaragua (see Exhibit 2 A in Annex B). If one gives the greatest weight (60 percent) to the poverty indicator and the second-greatest weight (30 percent) to the stunting indicator, a weighting scheme that is more consistent with the nature of the food insecurity problem in the LAC region, Nicaragua ranks as the most food insecure, followed by Haiti, Bolivia, Ecuador, Honduras and Guatemala (see Exhibit 2 B). And, if one gives equal weight to the three indicators, Haiti ranks as the most food insecure, followed by Bolivia, Nicaragua, Honduras, Guatemala and Ecuador (see Exhibit 2 C). For each of these three weighting schemes, the rankings were also recalculated by substituting another Food and Agriculture Organization (FAO) indicator of availability (per capita food supplies) for its more elaborate estimate of undernourishment (see Exhibit 3 in Annex B). What is notable is that the same countries rank as the six most food insecure countries in the region, regardless of the weighting systems or indicator of availability used.

These six countries are also ranked as food insecure according to a more complex typology that the International Food Policy Research Institute (IFPRI) has developed to help understand the impact of high food prices.<sup>7</sup> This worldwide analysis takes into account five factors: **food production per capita** (a measure of the ability of countries to feed themselves); the **ratio of total exports to food imports** (a measure of the ability of countries to finance their imports out of total export revenues); **calories per capita** (a measure of average consumption levels); **protein per capita** (a second measure of average consumption levels); and **share of the non-agricultural population** (a measure of the extent to which countries may be affected by trade and agricultural policies).<sup>8</sup> Annex C provides more information on the IFPRI typology and where the LAC countries fit into it.

### Recommended Activities for USAID Country Programs

To make the best use of its limited resources, the LAC Bureau needs to focus its efforts on a few priority activities directed primarily to improving food access and secondarily to improving food utilization. These activities, which are described below, were selected because they are relevant to the food security problems in the proposed countries; have the potential to contribute to the achievement of food access, utilization and availability objectives; and build on ongoing USAID activities in these countries and USAID's comparative advantages.

- **Improve food access.** (*First Priority*) Most LAC Missions have included trade-led, agricultural and agribusiness-based programs that generate jobs and increase incomes in their economic growth portfolios. These programs should be expanded. Their direct and multiplier effects on the food insecure could also be enhanced through including more of the food insecure among the targeted client groups and giving increased emphasis to activities that increase value added and stimulate rural enterprises.
- **Improve food utilization.** (*Second Priority*) Most LAC Missions have health programs that include activities designed to improve maternal and child health. These programs should give greater emphasis to reducing chronic child malnutrition, including by strengthening

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<sup>7</sup> The IFPRI analysis also includes Colombia, the Dominican Republic, and Peru as among the food insecure.

<sup>8</sup> Another, previously cited IFPRI analysis (Headey and Fan, "Assessing ... vulnerability ...") includes Haiti, Honduras, and Nicaragua in the top 25 countries most vulnerable to rising food prices, based on indicators of both macro- and micro-vulnerability.

community- and facility-based health and nutrition programs and by putting more emphasis on improving practices for feeding young children aged 6 to 24 months.

- **Improve food availability.** (*Third Priority*) Many LAC Missions also include trade facilitation activities in their economic growth portfolios. As part of these programs, Missions are encouraged to help countries assess the need and opportunities for making improvements in the functioning of their food import systems and/or domestic food markets. Missions may also be able to identify other activities they could usefully support once the results of these assessments are available.

Most of the activities identified for USAID support are expected to have an impact in the medium to longer term. This is particularly true for the employment and income activities identified under the **food access** objective. It will also take time for the activities sponsored under all three objectives to show up in terms of a reduction in chronic child malnutrition. The assessments identified under the **food availability** objective could be completed within a shorter time frame, and some of the activities identified could also be implemented and have their first effects within a shorter time frame.

The proposed countries differ in the extent to which they have been affected by the recent food price increases, the types of responses needed to cope with the adverse affects of higher prices and their ability to implement these responses. Therefore, these recommendations should be viewed as a framework for action, with the details to be worked out by individual USAID Missions in consultation with their respective host country governments and other stakeholders. The LAC Bureau also has an important role to play providing guidance and assistance to interested Missions, helping them flesh out their country-specific programs. Missions should consider sponsoring a rapid reconnaissance to assess the current food security situation, needs and opportunities and/or the development of a more in-depth food security strategy as a first step in developing their programs.<sup>9</sup> The Bureau could help by making staff and consultants available to assist with this process. Given the complex nature of the food insecurity problem, success will require more work across offices — the economic growth and health offices in particular — both in Washington and in the Missions.

The activities that are being recommended for the LAC Bureau represent a sub-set of a broader set of options available to the countries of the region for addressing the causes and consequences of their food insecurity problems. The LAC countries have already taken a number of steps designed to improve food availability and access, both in the short and longer term, as discussed in the previous section. Options also exist that would enable governments to better address the current, and potentially worsening, utilization problems in their countries, the most important of which is the unacceptably high level of chronic malnutrition. This broader set of options, which was reviewed as part of the process of identifying the priorities being recommended for the LAC

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<sup>9</sup> USAID staff is currently working on the development of a common framework for assessing the food security situation and programming priorities in countries that Missions will be able to use as a guide for developing their country-specific food security strategies. Guidance on the information and tools needed to assess the impact of the food crisis in a given country and to design policy responses to it can be found in Todd Benson, et.al. “Global Food Crises: Monitoring and Assessing Impact to Inform Policy Responses,” Food Policy Report, International Food Policy Research Institute (IFPRI), Washington, D.C., September 2008.

Bureau, is summarized in Table 2.<sup>10</sup> The sub-set of activities recommended for LAC Bureau action is highlighted using bold and italic type.

**Table 2. Summary of Policy and Program Options Available to Address Food Insecurity in the LAC Region**

SHORT RUN	
Objectives	Options
Increase food access	<ul style="list-style-type: none"> <li>• Increase food aid programs</li> <li>• Implement food- or cash-for-work and other public works programs</li> <li>• Expand conditional cash-transfer and other means-tested programs</li> <li>• Implement targeted food subsidies</li> <li>• Implement universal food subsidies</li> <li>• Increase public sector wages</li> </ul>
Increase food utilization	<ul style="list-style-type: none"> <li>• Add food rations and/or nutrition education to maternal child health (MCH) and HIV/AIDS programs</li> </ul>
Increase food availability	<ul style="list-style-type: none"> <li>• Lift restrictions on food imports (including by reducing tariffs and taxes)</li> <li>• Draw down food stocks</li> <li>• Restrict basic staple exports (including through taxes and minimum export prices)</li> </ul>
LONGER TERM	
Objectives	Options
Increase food access	<ul style="list-style-type: none"> <li>• Develop conditional cash-transfer/means-tested programs where none exist</li> <li>• <b><i>Support policies/programs designed to increase employment and the incomes of poor households through support to cash crops, agribusiness development, and urban-based private investment</i></b></li> <li>• Develop/expand programs that develop human capital of the poor</li> </ul>
Increase food utilization	<ul style="list-style-type: none"> <li>• <b><i>Develop/strengthen nutrition components of community- and/or facility-based maternal and child health programs</i></b></li> <li>• Expand availability and improve quality of basic health services, especially those focused on preventing and treating key child illnesses</li> <li>• Expand availability of water and sanitation systems in poor underserved rural and urban areas and develop/strengthen hygiene education</li> </ul>
Increase food availability	<ul style="list-style-type: none"> <li>• Facilitate a supply response to higher food prices and improve agricultural productivity</li> <li>• <b><i>Facilitate improvements in food trade, including lowering shipping and logistics costs</i></b></li> <li>• <b><i>Facilitate improvements in the efficiency of domestic food markets</i></b></li> </ul>

NOTE: Options identified in bold and italics are activities that the LAC Bureau should give priority to in its own programs. ALSO NOTE: Several of these options are not recommended: restricting exports because they have adverse affects on domestic producer incentives as well as on global food supplies, for example, and universal food subsidies because the less needy often capture a significant share of the benefits.

## Resources

USAID has been spending over \$100 million a year in the six priority countries on activities that one could argue are food security related (see Table 3 below). The majority of these resources

<sup>10</sup> The previously cited IFPRI report on the “Global Food Crisis: Monitoring and Assessing ...” provides additional information in a summary format on many of these options, including information on their favorable effects, unfavorable effects and conditioning factors , pp. 16-17.

have been coming from the Office of Food for Peace, which has been sponsoring Title II food assistance development programs in five of the six LAC countries – Bolivia, Guatemala, Haiti, Honduras and Nicaragua. The objective of these Title II programs is specifically related to food security objectives, i.e. to reduce food insecurity among vulnerable populations in these countries. To enhance impact, these programs are being implemented in the most food insecure areas of these countries, and all have components that have been successfully addressing food access, availability and utilization objectives. Between FY 2004 and FY 2007, the LAC Bureau was devoting \$40 to \$55 million annually to agriculture and maternal and child health (MCH) activities in the six priority countries. However, in contrast to Title II, not all these resources were being used to address food insecurity problems and/or targeted to the more vulnerable.

**Table 3: USAID Funding Available to Support Food Security Related Objectives in the Six Priority Countries (Millions US\$)**

	FY2004	FY2005	FY2006	FY2007	FY2008est	FY2009req
Agriculture	32.2	33.4	16.5	15.6	9.6	11.6
MCH	23.4	24.0	27.6	24.7	28.9	17.9
Title II Development	82.3	89.4	89.6	88.5	76.9	61.5

Note: Numbers include Develop Assistance and Maternal Child Health funds. They do not include funds from the Andean Counterdrug Initiative or the Economic Support Fund.

Source: Numbers for FY 2004 and 2005 come from USAID's FY 2007 Congressional Budget Justification and the numbers for FY 2006 through 2009 were provided by the LAC Bureau Budget Office.

An immediate problem facing the LAC Bureau is that the Title II development programs are being closed in three of the priority countries – Bolivia, Honduras and Nicaragua.<sup>11</sup> Ending these three programs now will represent a significant reduction of resources<sup>12</sup> available to address the food insecurity problems of some of the more vulnerable populations in these countries at a time when their problems are likely to have increased as a result of the higher food and fuel prices. In this environment, it is also going to be much harder for the households and communities that have been participating in these programs to sustain the gains they have made, including the increases in incomes, improvements in diets and reductions in child malnutrition.

The LAC Bureau is concerned about the withdrawal of these resources from Bolivia, Honduras and Nicaragua because of the potential adverse affects on the participating households and their communities. With demonstrations having been frequent and sometimes prolonged in all three of these countries in recent months, the Bureau is also concerned that the withdrawal of these funds could contribute to more social and political instability, including backsliding on democracy and the unraveling of market-oriented economic policies, and more LAC countries at risk of falling under the sphere of influence of the ALBA (Bolivarian Alternative for the Americas) Initiative. The food security situation in Bolivia could also be adversely affected if the

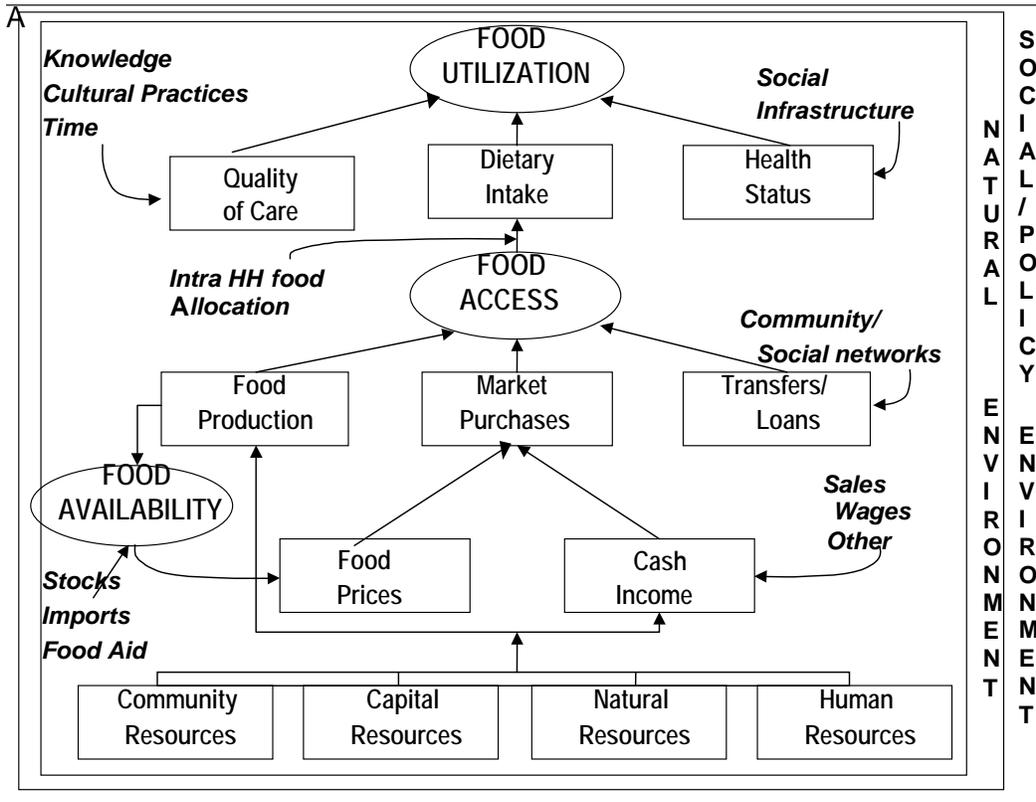
<sup>11</sup> The four Bolivia Title II programs -- Adventist Development Relief Association (ADRA), CARE, Food for the Hungry International (FHI) and Save the Children (SCF) -- were scheduled to terminate at the end of December 2008 but are likely to get no-cost extensions through April 2009. The four programs in Nicaragua have also been given no-cost extensions, the Catholic Relief Service (CRS) program through November 2008, the Project Concern International (PCI) and the SCF programs through March 2009, and the Adventist Development Relief Association (ADRA) program through September 2009. The remaining three Honduras Title II programs – ADRA, SCF and World Vision (WV) are scheduled to close at the end of September 2009.

<sup>12</sup> The amount of Title II resources devoted to Bolivia, Honduras and Nicaragua averaged around \$43 million per year between 2004 and 2007.

country's designation as a beneficiary under the Andean Trade Preference Act (ATPA) and the Andean Trade Promotion and Drug Eradication Act (ATPDEA) is suspended. If this action, which was recently announced by U.S. Trade Representative Susan C. Schwab, were to be taken, the United States would have to impose tariffs on Bolivian imports, which could lead to a decline in Bolivian exports to the United States and a subsequent decline in Bolivian economic growth.

To enable the US Government to contribute more effectively to a reduction of the food insecurity problems identified in this document, the Bureau should try to make a case to the Agency to continue the Title II programs in these countries for another three to four years. It should also make a case for more DA resources to spend on the activities identified in the previous section of this document, and to take steps to make better use of its existing resources in order to enhance their effects on food access and utilization objectives.

## ANNEX A. A Food Security Conceptual Framework



Source: Adapted from Frank Riely, Nancy Mock, Bruce Cogill, Laura Bailey, and Eric Kenefick, "Food Security Indicators and Indicators for Use in the Monitoring and Evaluation of Food Aid Programs," Food and Nutrition Technical Assistance Project, Academy for Educational Development, Washington, DC, 1999, p. 13.

## ANNEX B. Indicators of Food Insecurity, Data, and Rankings

Exhibit 1. Indicators of Food Insecurity — Data and Individual Indicator Rankings

	% Stunted (1)	Stunting Ranking	% Poor (2)	Poverty Ranking	% Under- Nourished (3)	Undernourished Ranking	Calories/ Person/Day	Calories Ranking
Bolivia	26.7	4	23.2	3	23	4	2220	2
Colombia	13.0	10	7.0	10	13	8	2580	9
Dom Rep	8.9	12	2.8	11	29	2	2270	4
Ecuador	27.1	3	17.7	5	6	13	2670	11
El Salvador	18.9	8	19.0	4	11	10	2560	8
Guatemala	49.3	1	13.5	7	22	7	2230	3
Guyana	10.0	11	....	....	8	12	2790	13
Haiti	22.7	6	53.9	1	46	1	2110	1
Honduras	29.2	2	14.9	6	23	5	2340	7
Jamaica	4.4	13	1.9	12	9	11	2710	12
Nicaragua	20.1	7	45.1	2	27	3	2290	5
Panama	18.2	9	7.4	9	23	6	2300	6
Peru	25.4	5	10.5	8	12	9	2580	10

(1) Utilization -- Percent children under five stunted (low height-for-age). Source: USAID's Data Online for Population, Health and Nutrition (DOLPHN) website.

(2) Access -- Percent population living on less than \$1 per day. Source: World Bank

(3) Availability -- Percent population undernourished. Source: FAO Food Security Statistics

**Exhibit 2. Weighted Rankings Using Undernourishment as the Indicator of Availability (Availability, Access, Utilization)**

A. Emphasis on Utilization		B. Emphasis on Access		C. Equal Emphasis	
Weighted Ranking (10,30,60)		Weighted Ranking (10,60,30)		Weighted Ranking (1/3,1/3,1/3)	
Guatemala	1	Nicaragua	1	Haiti	1
Honduras	2	Haiti	2	Bolivia	2
Bolivia	3	Bolivia	3	Nicaragua	3
Ecuador	4	Ecuador	4	Honduras	4
Haiti	5	Honduras	5	Guatemala	5
Nicaragua	6	Guatemala	6	Ecuador	6
Peru	7	El Salvador	7	Peru	7
El Salvador	8	Peru	8	El Salvador	8
Panama	9	Panama	9	Panama	9
Colombia	10	Colombia	10	Dom Rep	10
Dom Rep	11	Dom Rep	11	Colombia	11
Guyana	12	Jamaica	12	Guyana	12
Jamaica	13	Guyana	13	Jamaica	13

**Exhibit 3. Weighted Rankings Using Per Capita Food Supplies as the Indicator of Availability (Availability, Access, Utilization)**

A. Emphasis on Utilization		B. Emphasis on Access		C. Equal Emphasis	
Weighted Ranking (10,30,60)		Weighted Ranking (10,60,30)		Weighted Ranking (1/3,1/3,1/3)	
Guatemala	1	Nicaragua	1	Haiti	1
Honduras	2	Haiti	2	Bolivia	2
Bolivia	3	Bolivia	3	Nicaragua	3
Ecuador	4	Ecuador	4	Honduras	4
Haiti	5	Honduras	5	Guatemala	5
Nicaragua	6	Guatemala	6	Ecuador	6
Peru	7	El Salvador	7	Peru	7
El Salvador	8	Peru	8	El Salvador	8
Panama	9	Panama	9	Panama	9
Colombia	10	Colombia	10	Dom Rep	10
Dom Rep	11	Dom Rep	11	Colombia	11
Guyana	12	Jamaica	12	Guyana	12
Jamaica	13	Guyana	13	Jamaica	13

## ANNEX C. IFPRI's Typology of Food Security under High Food Prices Applied to the Lac Region

### IFPRI's Typology of Food Security Under High Food Prices Applied to the LAC Region

Groups	Clusters	LAC Countries
<b>Food insecure countries</b>	1. Most food insecure	
	2. With consumption variability	Guatemala Haiti
	3. With an urban profile	Bolivia Colombia Dominican Republic Ecuador Honduras Nicaragua Peru
<b>Food neutral countries</b>	4. Rural trade secure	
	5. Food neutral	Panama Saint Vincent and Grenadines Trinidad and Tobago Venezuela
	6. Trade stressed	Bahamas Costa Rica Dominica El Salvador Grenada Guyana Jamaica Saint Kitts and Nevis Saint Lucia Suriname
	7. High production	Belize Paraguay Uruguay
	8. Urban trade secure	Chile Mexico Netherlands Antilles
<b>Food secure countries</b>	9. Intermediate production and trade	Brazil Barbados Cuba Argentina

Source: Bingxin Yu, et al., "Toward a Typology of Food Security in Developing Countries under Higher Food Prices: A Cluster Analysis," IFPRI, June 22, 2008.