

**Sustained Poverty Reduction via Inclusive Agricultural and  
Rural Development: Laying the Foundation for a Call to Action**

**By**

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## TABLE OF CONTENTS

<b>PREFACE</b>	<b>Page 3</b>
<b>ACKNOWLEDGEMENTS</b>	<b>4</b>
<b>GLOSSARY</b>	<b>4</b>
<b>EXECUTIVE SUMMARY</b>	<b>5</b>
<b>I. INTRODUCTION</b>	<b>6</b>
<b>II. UNDERAPPRECIATED CONSIDERATIONS IMPACTING POVERTY REDUCTION</b>	<b>8</b>
<b>A. Essentiality of a Dynamic Agricultural Sector</b>	
<b>B. Agriculture’s Immenseness and Poor Positioning Constrains Poverty Reduction</b>	
<b>C. Disclosure of Systemic Exogenous Factors</b>	
1) “The Washington Consensus”	
2) “Globalization”	
<b>D. Sectoral Support Withdrawn by USAID and Donor Community</b>	
<b>E. Overarching Factors Contributing to Sector Support Withdrawn</b>	
1) Long Period of Communist Threats and Post-Cold War Fears Culminating with Berlin Wall	
2) Partially Deceived by Globalization’s Early Successes	
3) Unanticipated Events	
<b>III. SUMMARY OF GLOBAL EXPERIENCE AND BUTTRESSED BY GUATEMALA CASE STUDY</b>	<b>14</b>
<b>A. Introduction</b>	
<b>B. The Guatemala Case Country, an Economic/Poverty Overview</b>	
<b>C. Probing Deeper into Increasingly Onerous Sector-Driven Poverty Issues</b>	
<b>D. Acuteness of the Depth of Sector-Based, Structural Problems Constraining Poverty Reduction</b>	
<b>E. Essentiality of a More Diverse Sector via Increased Intersectoral Linkages</b>	
<b>F. Globalization and Trade-Driven Experiences Under the CBI and CAFTA-DR</b>	
<b>G. Advancing a Guatemalan National Support Structure</b>	
<b>H. Ever-Worsening Global and Guatemalan Poverty Trends</b>	
<b>I. In Our Increasingly Inter-Connected World, Mounting Desperation Becoming Manifested in Increasingly Perverse and Direct Forms</b>	
<b>IV. NEW ERA’S STRATEGIC RESPONSES TO POVERTY’S ROOT CAUSES</b>	<b>18</b>
<b>A. The Prophet of Our Times Concluding Assessment</b>	
<b>B. Substantively Responding to His Prophecy Will Not Be Easy</b>	
<b>C. Country-Level Reactions and Political and Governance Realities</b>	
<b>D. Proposed U.S. Government Support Structure to IARD</b>	

- 1) Help establish a national sector ownership process and program
- 2) Introduce a program versus project support focus
- 3) Strengthen policy analysis and strategic planning
- 4) Strengthen technology development
- 5) Strengthen human and institutional capacities (HICD)

<b>V. CONCLUSION &amp; POSSIBLE NEW ERA IARD PROGRAM TO REDUCE POVERTY</b>	<b>21</b>
<b>ATTACHMENTS</b>	<b>25</b>
<b>ATTACHMENT I - Summary of Comments Received from Reviewers of Earlier Education/Advocacy/Outreach Efforts</b>	<b>25</b>
<b>ATTACHMENT II - Complementary Observations to Help USAID's Feed the Future Program Advance Sustainable Poverty Reduction in Guatemala</b>	<b>28</b>

## PREFACE

This report is the product of an extensive, ever broadening, and interactive process commencing a quarter century ago. It evolved principally from diverse economic growth strategies conducted in 20 countries for various clients, including USAID missions, Peru's President, Millennium Challenge Account, Texas A and 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's advancement with its radically different economic challenges and opportunities for their agricultural sector, while poorer countries and donor partners responded with insufficient attention to build from their "new era" comparative advantages in ways that could stimulate much needed, broad-based growth. These strategies concluded that at that critical juncture, the erosion or minimal level of national and donor support to agriculture led to a multiplicity of ever-dire consequences, which have worsened.

Accordingly, commencing five 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 products from those diverse reviews garnered highly supportive views that were shared with an ever-growing list of leaders from academic, development, donor, and think tank organizations. Despite the highly supportive comments from this expansive, informal vetting process (Reference Attachment I, "Summary of Comments Received from Reviewers of Earlier Education/Advocacy/ Outreach Efforts"), serious discussion on requisite, new era reform structures by policy leaders, 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 them in their interest to broaden U.S. political support for addressing core country-level problems related to illegal migration and social justice issues, I prepared for them a comprehensive analysis pointing to the origins of agricultural sector-based poverty leading to a multiplicity of growing economic structural problems that stimulated intergenerational poverty, increased economic inequities, and societal maladies leading to growing desperation and here, to an ever-problematic U.S. domestic agenda. Those exchanges evolved into this report's draft.

From responses by the USCCB and others, I shared that report with an informal and diverse group of leaders and institutions interested in agriculture and rural development who were well 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 policy makers, independent think tanks, donor community leaders, and supportive efforts they may want to undertake. They responded to my suggestion of the formation of a high-level, multi-disciplinary academic/development review panel, the Sector Revitalization Support Group (SRSG). Their charge was to review the evolving draft for the sake of moving toward a final report. Aware fully of the limited opportunities to hopefully make the most relevant 21<sup>st</sup> century case, the SRSG employed a very deliberative effort culminating in this final paper which it stands behind. The SRSG is committed to help advance the conclusions provided by Dr. John Mellor, the SRSG's Senior Advisor's review, *"I have reviewed your lengthy and comprehensive statement with care. This is a real tour de force and needs wide circulation!"* (My italics provided.)

## ACKNOWLEDGEMENTS

From this explanation, the SRSG has provided an indispensable service. Based on the numerous nominations received, this 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 worked arduously to assess the report's relevance, content, and completeness. From the perceived importance of the final report, they are considering a series of continued voluntary services to expand its awareness and importance.

The SRSG's Senior Advisor is Dr. John W. Mellor, Cornell University Professor Emeritus, is known for his seminal work in agriculture and economic development. He was also the founding Director General of the International Food Policy Research Institute (IFPRI), the former Chief Economist for USAID, and currently is the President of John W. Mellor Associates.

The other team members are: 1) Dr. Kerry J. Byrnes-Retired USAID Agricultural Development Officer and, just prior to retiring, recipient of USAID's "Outstanding Career Achievement Award;" 2) Dr. Cornelia Flora- Distinguished Professor Emerita of Rural Sociology at Iowa State University; 3) Dr. Jaime Malaga, Professor of Agricultural Economics at Texas Tech University; and 4) Dr. Douglas Southgate, Professor Emeritus of Agricultural Economics at Ohio State University.

The group especially thanks Dr. Mellor for his role in bringing the group's efforts to form the final report.

## GLOSSARY

ARD	Agricultural and Rural Development
CBI	Caribbean Basin Initiative
CAFTA-DR	Central American and Dominican Republic Free Trade Agreement
EST	Economic Structural Transformation
FTF	Feed the Future
GATT	General Agreement on Trade and Tariffs
HICD	Human and Institutional Capital Development
IARD	Inclusive Agricultural and Rural Development
IFPRI	International Food Policy Research Institute
LMIE	Low- and medium-income economy (LMIEs)
MS 13	<i>Mara Salvatrucha</i> (International criminal gang originated in Los Angeles, CA in 1970s to protect Salvadoran immigrants and now common in Central America and other major U.S. Cities)
NSC	National Security Council
PEPFAR	Presidential Emergency Plan for AIDS Relief
SAL	Structural Adjustment Lending
SMEs	Small and Medium Enterprises
SRSG	Sector Revitalization Support Group
T-LAD	USAID study, <i>Optimizing the Economic Growth and Poverty Reduction Benefits of CAFTA-DR: Accelerating Trade-Led Agricultural Diversification (T-LAD)</i>
USCCB	United States Conference of Catholic Bishops
USAID	United States Agency for International Development
WTO	World Trade Organization

## EXECUTIVE SUMMARY

This report builds from a quarter century of country-level, economic-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 GDP, trade, and employment) yet poorly positioned to stimulate broad-based growth; 2) the “Washington Consensus” dating to the 1980s, that linked 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), which for the agrarian-based, low- and medium-income economies (LMIEs) in the tropics launched globalization through the reduction of tariffs for their previously protected food staples sub-sector while also, lowering tariffs of their tropical products in the more developed economies; 4) in spite of the 43 % tariff reduction in the temperate-based countries for LMIE tropical agricultural products, to generalize, developing countries greatly under-performed; and 5) LMIE countries were unable to undertake the major sector re-engineering due in part to the budgetary constraints levied under the Washington Consensus, and currently, no hope to the evolving situation is in sight.

During this 30-year transition from the previously “closed,” import substitution era to the “trade-led” structures that formed globalization’s core, between the mid-1980s and 2006, donor support for agriculture declined from \$10 billion to \$6 billion. The decline at USAID was even sharper. Its budget for agriculture, which had been larger than any of its other investment portfolio, dropped from 26% to 2% of the agency’s total budget.

To comprehend the country-level consequences and “new era” responses to these radically changed economic structures, my work employed a “wide lens” approach to track declining trends in sector performance as well as related inter-economic sector, trade, labor, and poverty dynamics. Most alarmingly, these analyses documented the actual reversal of “Economic Structural Transformation” (EST), the standard measure of economic development. Over an extended period, the proportion of GDP for “Agriculture” (defined exclusively as production-level contributions and not the value-added contributions when its products are combined with inputs from the industrial and service sectors), actually increased while the more remunerative industrial and service sectors stagnated or grew sluggishly, thwarting more remunerative job growth while “ensnaring” the national wage structure.

As national wage growth generally stagnated, due to the huge percentage employed in low wage/income production agriculture, inter-generational poverty ensued, and economic inequalities increased. These seldom joined findings explain why, in the context of the World Bank’s 2019 Annual Report, *Ending Poverty, Investing in Opportunity*, poverty reduction “remains high and is even increasing” for the 500 million small farmers worldwide.<sup>1</sup>

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<sup>1</sup> *Ending Poverty, Investing in Opportunity*, 2019, World Bank, Washington, D.C.

My work links increased stalled or less income flows to increased personal and family desperation and hopelessness fomenting a plethora of worsening county-level maladies that also impact the U.S., in terms of increased illegal immigration, drug and human trafficking, broadening security issues, and heightened domestic tensions that trigger diverse political responses. Further, my consultancies in Africa reached similar conclusions, with increased citizenry immigrating to the U.S. and to 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 and suggested county and donor support roles outlined. This heavily vetted response structure is needed to significantly accelerate: 1) larger numbers of small and medium-scale agricultural producers diversifying their farm enterprises from low value food crops to more remunerative product lines; and 2) the growth of a much higher level of small and medium enterprise (SMEs) engaged in agro-processing, agro-financing and agro-marketing services. Together, they facilitate higher “inclusiveness” factors, becoming the powerful drivers for advancing sustained local and national economic growth and enhancing global wellbeing.

Initially as the drafts evolved, the target audience was always the Transition Team of the victor of our Presidential campaign, and now with the elections completed, it is directed to persuading its merits to President elect Biden’s Transition Team. Plus, given the prolonged period of inappropriate responses to sustainably reduce still significant poverty levels in the LMIEs, also target related policy makers, public policy think tanks, and lead donor agencies.

## **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-middle income economies (LMIEs) have struggled mightily. This struggle rarely attracts the attention it deserves, in part, because these nations and their donor partners have for too long systematically neglected agriculture – the economic core of these countries, which at the same time, is their most poorly positioned sector. As herein presented, deep-rooted, and structurally based problems that are poorly understood, impact most of the world’s 500 million small farmers. And in our increasingly inter-connected world, their farmers’ worsening situation, in turn, impacts us and the residents of other richer countries.

During the “old era,” import substitution economic structure from the 1960s to late-’80s, USAID, land grant universities, NGOs, other donors, the international crop-specific research centers under the Consultative Group for International Agricultural Research Centers (CGIAR), and the United Nation’s Food and Agricultural Organization (FAO), provided historic agricultural development support assistance that resulted in the Green Revolution, practically achieving the elimination of global famine. Subsequently however, during the last quarter century with globalization and liberalized trade reforms gradually evolving, radically different under-

attended sector-based issues and problems emerged that have stimulated ever-severe, economic-related structural problems. Increasingly, within many of the agrarian-based, low-and medium-income economy (LMIE) countries, rising levels of inter-generational poverty and economic inequalities kindle increased levels of intertwined, societal desperations. For many reasons, while globalization's unchartered and seldom systematically examined course advanced, many developing country officials, business leaders, and donor and development professionals were slow to internalize and strategically respond to these ever-alarming dynamics, that today globally, fuel and incite ever-severe consequences. This report presents the consequences of the LMIE's internal struggles and increasingly disturbing societal problems which also, increasingly impact our societal, political, and national security agendas and for that matter, those of our other OECD partners.

Since my retirement from USAID as its headquarters' Agriculture Office Director 25 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, interconnected sector, economic, trade, and poverty trends I reported, extensive and serious discussions were required with governmental and business leaders to explore, propose, and identify the radically different strategic, policy, programmatic, and institutional interventions now required.

As covered in the Preface, commencing five years ago, based on a series of invitations and queries from a variety of U.S. and international sector lead and policy institutions<sup>2</sup> and the recognition received, I shared my reports with a growing list of interested leaders and institutions, many of whom responded quite positively. (See Attachment I - "Summary of Comments Received from Reviewers of Education, Advocacy, and Outreach Efforts").

For many reasons these efforts did not have the impact originally intended. Therefore, given the current heightened concern of poverty increases in the context of covid-19 and the opportunity President-elect Biden's administration might provide, this report presents the key elements and issues leaders should be aware of to begin to achieve sustainable poverty reduction for the hundreds of millions lacking basic capacities and services to achieve more remunerative income and job growth: the core element for countries to grow more robustly, equitably, and healthfully.

This report presents: 1) an overview of agriculture's economic predominance and the overarching introduction of historic exogenous developments: the Washington Consensus and

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2) USAID's Bureau for Food Security invited me to present my analysis of the changed global economic construct in the context of the historic sector re-set opportunity the U.S.G.'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).



Globalization and some rarely expressed past themes to help advance commensurate, 21<sup>st</sup> century support needs; 2) the consequences of decades of inappropriate attention to agriculture and the rural sector globally in crosscutting themes, 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 U.S.G. would have a much more proactive, strategically focused support role in the context of “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 limited attention to understanding LMIE-level poverty dynamics, requires a careful and critical, high-level review. In addition to grave, ever debilitating ills driven by the evolving, more insidious poverty structure, currently there is rising fear associated with covid-19’s relentless spread: mounting poverty exacerbates the squalid “petri-dishes” in which the rural poor are trapped, and the virus thrives. Climate Change activists are provided an additional, under-exploited rationale for supporting IARD. Due to small farmer’s lesser economic position and increased climatic shifts wherein no reserve resource “margins” exist, poverty is further exacerbated by unpredictable disruptions due to 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 (e.g., fruits and vegetables) appropriate for enterprise diversification, IARD’s tactical focal point. Solutions depend on higher levels of market-driven technology development and adoption than currently provided. In particular, the minimal attention currently dedicated to the different production and post-harvest regimes associated with higher risk, non-traditional products, requires far more attention.

In undertaking this seldom-addressed topic in the comprehensive scope required, I take note of the timely arrival of Robert Gates’ recent book, *Exercise of Power*. It calls for a major development assistance 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 us both indirectly and directly in increasingly debilitating ways.

## **II. UNDERAPPRECIATED CONSIDERATIONS IMPACTING POVERTY REDUCTION – While globalization advanced in agrarian-based, low- and medium-income economies (LMIEs), increasingly pervasive structural and institutional challenges constrained the anticipated benefits**

**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.<sup>3</sup> A dynamic agriculture generates considerable, more cost

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<sup>3</sup> Johnston, B.F. and J.W. Mellor, 1961. The Role of Agriculture in Economic Development, *American Economic Review*, vol. 51, no 4. And J. W. Mellor, J.W. 1984, *The Economics of Agricultural Development*, 1966. Ithaca, New York. Cornell University Press.

effective employment, incomes, and growth in both urban and rural areas through farm-related and non-farm economic multipliers.<sup>4</sup> Increasingly the incorporation of this core strategic principle has waned, and particularly so by the key large donors.

**Agriculture’s Immenseness but Poor Positioning Constrains Poverty Reduction:** In the world’s 137 LMIEs, over 500 million small and medium producers form their largest economic sector in terms of GDP (comprised mainly of lower value food crops with limited levels of value-added activities); trade (comprised generally of bulk products with limited value-added handling and processing and, therefore, limited to no employment multipliers); and labor. For example, 65% of the work force in the 19 LMIE countries served by the U.S.G.’s Feed the Future (FTF) flagship initiative, managed by USAID, generate the lowest incomes and wages. A useful contrast, in the U.S., the employed work force in agriculture dropped from 43% in 1860 to one percent in 2015, during which time our 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.

**Disclosure of Systemic Exogenous Factors:** Until the mid-’80s, the LMIEs maintained a long-installed, “closed” import substitution economic model within which, a production-driven agricultural system formed the most protected economic sector, structured principally for supplying cheaper priced food for domestic market needs. Subsequently two historic, but almost uncoordinated and subsequently, almost ignored, innovations were introduced:

1) “The Washington Consensus” This seminal policy regime, commencing 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. 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; and

2) “Globalization” Commencing in the late 1980’s 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 for the LMIEs. While historic, new market product openings were offered from tariff reduction for their tropical products, due to the extensive structural legacies of their heavily protected agriculture sectors with their traditional “closed structures,” underappreciated challenges became apparent. Also, the previously high positive tariff reductions (43%) allowed for the temperate zone consumers provided huge advantages for tropical country producers to grow and export higher-value tropical-based fresh and processed agricultural, forest and beverage

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<sup>4</sup> 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

tree crops, and marine products. This historic development sparked a large expansion of regional, sub-regional, and bilateral agreements under the GATT/WTO. By 2019, 302 Regional Trade Agreements were in force that often included one or more LMIEs. Yet many continue to struggle to comply with treaty regulatory requirements and obligations and enhance their competitiveness, while at the same time, lag in adjusting and upgrading their rural productive sectors to take advantage of the expanding agricultural market opportunities to grow much more rapidly their economies. Further, globalization's fundamentally different paradigm included increasingly sophisticated commerce, finance, and trade elements to which the LMIEs have responded in varying degrees.

However, due to the essential but limited organizational and support services needed to cost effectively and efficiently mobilize the much larger numbers of producers to substantively participate at the levels their economies now require, most LMIEs have continued to be very slow to advance at the magnitude now required. Small and medium producers with notably reduced capital assets are ever-wary of the associated risk factors to transform their farm-based enterprises into higher-value fresh and processed tropical agricultural crops and products that enhance value-added ties with their industrial and services sectors. Most countries lack the core facilitators and stimulants to strengthen the necessary investment enabling environment, including the internal public policy, regulatory and legislative reforms, private/public-public/private institutional reengineering of key services, and the public and private sector investments to sustainably advance at more robust levels.

**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 support 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 % of total budget to 2%, thus marking the Agency's major retreat from a quarter century when Agriculture and Rural Development formed USAID's lead investment and employment sector. 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% of the Agency's total staff. Although Agriculture-related staffing had bounced back slightly by 2010, due to increased funding for agriculture under the FTF initiative, albeit to a small number of countries (19 worldwide), this younger cadre lacked awareness and/or adequate understanding of the altered strategic and institutional environment and how best to strategically position USAID to respond to the "new era" challenges.

From the mid-'60s to the mid-'80s, USAID's Agriculture and Rural Development (ARD) program supported productive links with world class faculty in the U.S land grant university system 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 agro-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 R&D technology development and outreach systems and diversifying academic and farmer outreach skills across essential agronomic and post-harvest topics, including business management, vocational skills, credit, and marketing. Notable progress was made, culminating most remarkably, with the historically significant Green Revolution. In most LMIEs, USAID or its predecessors established the initial, country-level ARD support structures. However, due to the constraints from the Washington Consensus and the evolving increasingly competitive world with unprecedented opportunities and challenges, governments and big donor's sector support declined, producing inadequate attention to strategic, re-engineering, thus severely impacting over time, their economies.

Interestingly, the core foundational assistance provided by USAID (and its predecessors) and other donors helped the then, lower income economies in such countries as Brazil, Chile, Costa Rica, India, Indonesia, Korea, Philippines, Republic of China, and Thailand to achieve/or advance towards middle income status. However, over the ensuing decades, and due to declining funding for core technical assistance and institutional support, the public policy analysts and academicians earlier trained with USAID support during the 1960s to mid-1980s, increasingly approached retirement. Again, lack of donor (and country-level) support resulted in a failure to sustain and grow the increasingly sophisticated "supply chain" of the technical expertise required across numerous technical fields to adequately respond to radically different, more demanding needs occurring over the past quarter century. During this same time period, while USAID and U.S. academia established specialized centers of international expertise, many if not all were later closed, due to declining USAID funding. As a result, the new era expertise and capacities to better instruct, help analyze, and more strategically assist host country officials and private sector leaders was seriously depleted. LMIE-level and the diverse range of skills agricultural development dynamics at the scale now required, were woefully slow to appear. Consequently, on the U.S. political advocacy front, the sector 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 other important sectors have grown related to disaster relief, governance and democracy, environment, etc.

**Other Factors Contributing to Sector Support Withdrawn, Plus Trend Reversal Provided by Feed the Future:** For this report's strategic objectives to convince policy makers to appropriately break from the ever-narrowing, status quo-like approaches introduced toward a far more appropriate 21<sup>st</sup> century market-based structure relevant to worsening LMIE-level structural problems, nuanced, less revealed factors must also be considered. Three seldom factored considerations are offered, followed by the sector reopening opportunity Feed the Future provided.

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 directed in a broad range of efforts to advance country-level economic progress. The merits of a democratic capitalism model were promoted. Poverty alleviation issues were confronted throughout the world under various forms. Viable strategic approaches to contradict the Marxist doctrines were promulgated extensively, by, for example, economist Walter Rostow's (who later was President Kennedy's Deputy National Security Advisor), *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."<sup>5</sup>

From its inception in 1961, USAID's field mission's influential staff of economists held prominent positions and usually Agricultural Development Offices formed the largest technical units. In the spirit of this report, during PBS show on Noble Peace Prize Laureate Norman Borlaug's exceptional work advancing the Green Revolution, it noted that the impetus of the historic famine prevention work in India was spurred 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, as well as USAID funding for Agriculture and Rural Development.

2. Partially Deceived by Globalization's Early Successes - Early evaluations of the progress under the free trade agreements negotiated by LMIEs after 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 policy reform emphasis. This was usually due to the immediate advantages derived from the proverbial "low hanging fruit," many countries had available. However, as also revealed, unless major sector reforms were advanced, future problems would arise.<sup>6</sup> While many of the market-led economists of the SAL period become stronger SAL advocates, it became apparent that Agriculture, particularly in the situation now presented (plus from what we know so well from the U.S.' prolonged direct assistance from free land stakes, massive public funded infrastructure, R&D, crop subsidies, etc., all maintained over decades), the realities of the LMIEs are such that these countries would also need a little help to "jump start," take advantage of, and sustainably benefit from "market forces." That is definitely the case for the situation now presented. Languishing land and labor "comparative" advantages can be

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<sup>5</sup> Beinart, Peter, 2010, *The Icarus Syndrome*, New York, NY, Harper

<sup>6</sup> 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.

improved to become competitive by specific efforts in the areas of infrastructure, modern technology adoption, market research, and entrepreneurship formation that most small farmers cannot afford or access by themselves, particularly at the beginning.

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, particularly severe in the mid-1980s. In growing desperation, blame was cast by all parties to include a case of limited USAID prior support in facilitating soybean plant breeding work in Brazil. Presumably, as presented, this was a factor for our major domestic problem caused by large global surpluses. However, the matter was carefully studied and the complaint unsubstantiated. Interestingly, USAID and USDA documented the huge returns to U.S. agriculture commodity sales derived from LMIE-level improved economic growth. During this latter period and linked to the lower commodity prices worldwide, serious discussions from the IMF to the USDA ensued, making the case for reduced sector support to LMIEs due to access of imported food grains.

These three sizeable factors combined with the crucial importance associated with the two afore-mentioned, overarching exogenous factors help explain the long festering, ever-exacerbating trends. As next presented, the sizeable outcomes of losing sight of Economic Development 101's core precepts have been exorbitant and transitioning forward will require radically different efforts over a sustained period.

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 social 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 G 20, unprecedented commitments totaling almost \$4 billion were pledged.

In 2010, the U.S.G.'s lead response was provided under "Feed the Future." However, in the context of related and mounting LMIE-level systemic needs, little to no attention was directed to the new era's structural realities and the need for the commensurate new era strategic, policy, and institutional reforms and private and public structures. FTF funding in 19 countries (15 percent of the total LMIEs), 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 required to advance private investments and reduce implicit enterprise risks associated with the far more remunerative products and related sub sectors from their industrial and service sectors and activities made possible under by the Uruguay Round.

### **III. SUMMARY OF GLOBAL EXPERIENCES BUTTRESSED BY GUATEMALA CASE STUDY – Decades of inadequate attention as agriculture lost ground in essential productivity, competitiveness, and Intersectoral linkages terms, yielding ever-problematic and alarming outcomes**

**Introduction:** From the 20 counties in which I have worked over two decades plus earlier, five long-term USAID county-level assignments of which two were in some of USAID’s largest sector programs, strong commonalities are observed. 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)*<sup>7</sup> Guatemala was also looked at due to the richness of the country-level data bases that evolved from the: 1) pioneer-like experiences of the earlier Caribbean Basin Initiative (CBI) and extensive multi-donor studies completed to strategize and negotiate CAFTA-DR; and 2) from 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”).

**The Guatemala Case - An Economic/Poverty Overview:** Specifically, for the strategic consulting assignments for T-LAD, I reviewed: 1) 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 “Economic Structural Transformation” (EST), the standard economic development metric. Over an extended period, the proportion of GDP for “agriculture” (defined exclusively as production-level contributions and not the value-added opportunities when incorporated in the industrial and service sector linkages) actually increased. Alarming, 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 wage and job prospects and out of growing desperation,

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<sup>7</sup> Bathrick, D.D., 2008, *Optimizing the Economic Growth and Poverty Reduction Benefits of CAFTA:DR: Accelerating Trade-Led Agricultural Diversification*, Washington, Dc, USAID

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

**Probing Deeper Into Increasingly Onerous Sector-Driven Poverty Issues:** Guatemala replicates these fundamental LMIE-level systemic economic problems: too many people working in an ever-debilitated agricultural sector producing insufficient levels of more remunerative 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 forms 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 overtime to reduce 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' 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, over the 25-year period I reviewed throughout six CAFTA-DR countries (except Costa Rica), 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) 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.

**Acuteness of the Depth of Sector-Based, Structural Problems Constraining Poverty Reduction:** Most revealing, from the 1990s and resulting from the other sectors' inability 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, and more food insecurity, and perilous and mounting societal hopelessness as observed in record levels of illegal immigration, homicides and gang extortions/violence, and the plethora of related, ever mounting, tragic societal maladies revealed regularly in the press and increasingly, systematically analyzed.

### **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 this disheartening trend for the large and increasingly hopeless rural population will be from a more dynamic and robust “agro-industrial” sub sector (encompassing growing food and beverage, product processing/ industrialization/transformation product lines) and to an important but lesser level, “agro-services” sub-sector impacting related business, financial, and transportation functions. These dynamics form Guatemala’s most dynamic economic sub-sectors and form 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.

**Globalization and Trade-Driven Experiences Under the CBI and CAFTA-DR:** Broadly speaking, from this work, complex seismic-level adjustments responsive to the new era’s opportunities and challenges become essential. During this uncharted, new era economic structural conversion process, policy analysts and strategists were very slow to focus on the required internal adjustments across the many fronts needed to help their bountiful land and labor comparative advantages become more productive, competitive, and dynamic. National governments, with many limited analytical and technical capacities, failed to seriously study and make the hard-strategic choices and stake out the sustained political will of increasing public investments, enabling environment, and policy and regulatory reforms in key areas essential for longer-term, sustained poverty reduction.

In Guatemala, great promise was noted in USAID’s introduction of fresh and processed fruit and vegetable product lines in the ‘80s for national, regional, and international markets. But due to: 1) the new era’s complexities; 2) the rapid and long period of sector support decline and the nascent structure of their product base, and 3) the increased regional and global competition increasingly for example, provided by Mexico, over time, many country-level producers found themselves in a weakened situation. 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, but also, and more importantly, because of the failure of governments, private sector, and donors to invest in developing the critical new era “first” generation policy and investments in infrastructure, technological, human resource, and institutional capacities vital to incentivize much needed investments with much higher risk

factors. Countries must become far more aware and serious to this reality, and the requirements are of such magnitude, that complementary/cooperative strategic assistance becomes necessary over a sustained period.

**Advancing a Guatemalan National Support Structure:** From the CSIS evaluation of USAID Guatemala’s FTF and my complementary, deeper probes made possible from the T-LAD report and the extensive, USAID arranged highly participatory review process engaging a wide-range of country business and political leaders and regional and D.C. based institutions<sup>8</sup> 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). National political will and commitments transcending current ministerial shifts and political groupings and changing political platforms can hopefully be mobilized to advance the serious and substantive, long overdue policy and institutional reform agenda and public good financial support activities. for an estimated decade plus period.

**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, for the deteriorating situations evolving and as aforementioned regarding the World Bank, for most LMIEs further poverty and particularly extreme poverty rate reduction has stalled and is now increasing. The World Bank’s most recent study concludes that “currently, poverty levels are “stubbornly high” and in some LMIE, actually “increasing.”<sup>9</sup>

According to Bill Gates, current projections are that the number of people in extreme poverty will stagnate at over 500 million.<sup>10</sup>resulting that what is currently in place festers further, increasingly generating possibilities for greater internal hopelessness and discord. 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”<sup>11</sup> The CSIS evaluation of FTF conducted in Guatemala done in 2018 speaks to “increased inter-generational poverty.” And the more recent global

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<sup>8</sup> The USAID internal review process of T-LAD generated, an extensive series of presentations, including: World Bank, MCC (and also a two regional-level conferences), 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), UN/ECLAC (and also a special regional conference) in Guatemala, IICA (at headquarters in Costa 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

<sup>9</sup> Op. cit.,The World Bank

<sup>10</sup> Gates, Bill and Melinda, 2020. “Our Precarious Progress on Poverty.” New York, NY, *Wall Street Journal*.

<sup>11</sup> Op.cit, Bathrick

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.<sup>12</sup>

**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, increasingly deepened maladies spread. These are measured in record levels of: 1) illegal immigration on our borders from Central America and beyond, to include, our European allies receiving unprecedented levels from Africa; 2) national and international terrorism be it via 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. My country-level consultancies provided numerous anecdotal references of these mounting causal linkages.

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 illegal, the first time on record.<sup>13</sup> Two years later, *The Washington Post* reported that in fiscal 2019, Guatemala was the largest source of migrants detained at the U.S. border, at more than 264,000.<sup>14</sup> Most revealing, the notably detailed field survey work done 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. In September in vivid desperation, huge numbers of Hondurans violently stormed their border into Guatemala.

#### **IV. THE NEW ERA’S STRATEGIC RESPONSES TO POVERTY’S ROOT CAUSES**

**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 this year on PBS. Just prior to his passing in 2010, he profoundly reflected, “Today we do not have a food problem. We confront a poverty problem!” From this evidence-based presentation, in the world globalization has wrought, woefully inadequate attention has been to poverty reduction’s far tougher task in most LMIEs.

**Substantively Responding to His Prophecy 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 to the FTF’s strategic and programmatic focus. The evaluation found an

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<sup>12</sup> 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.

<sup>13</sup> Miroff, N. 2018. “On remote border, a flood of migrants.” Washington, D.C., *The Washington Post*.

<sup>14</sup> Sieff, K. 2020. “Where are we? What are we supposed to do now?” Washington, D.C. *The Washington Post*.

“unclear theory of how a basket of project activities directly reaching 385,000 people would drive double-digit impacts on the prevalence of poverty.” Further noted, “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.”<sup>15</sup> In the context of current situations in Guatemala, the Northern Tier, and globally, serious reflection is required.

**Country-Level Reactions and Political and Governance Realities:** My earlier consultancies required intense interaction with senior-level public, business, and elected officials. Directly paraphrasing, national economic, social, and political wellbeing becomes 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 interventions. The conventional reliance by too many on more palliative, short-term campaigns announced by donors, presidents, and/or ministers of agriculture or well-meaning but shot-termed, narrow-gauged “silver-bullet” interventions, must begin to be seriously questioned. From their growing understanding and interest in the IARD concept, discussions focused on the new era 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 across numerous fronts (HICD); 4) rural productive infrastructure; 5) finance and marketing support; 6) plant, animal health, and food safety systems; and 7) appropriate safety net programs.

At the same time, there is the reality of “governance”-related factors including 1) fragile democracies with limited installed institutional support and related analytical and technical capacities to make the serious and sustained policy and public investment commitments now deemed essential; 2) the specific time/tenure constraints country constitutions allot for elected leaders, such that elected officials are usually reluctant to undertake the long-term strategic commitments and related adjustments and associated political risks within the confines of their prevailing structures; 3) the limited national confidences in the prudent execution of the required shifts over time; 4) prevailing political/economy constraints and differences that stall advancing the notably different legislative and enabling and regulatory reform agendas; and 5) limited sustained political will, given the gravity of the national situation.

**Proposed U.S. Government USG Support Structure for IARD:** The comprehensive country-level reviews commencing from sector and other economic-related topics and branching to political, and governance topics helped hone the response to poverty’s complex, structural-based core causes. As in the earlier sector’s “golden era,” sector support helped productively respond to distant but ever frightful foreign policy issues brought by Communism’s spread and threat. Today, similar sector-based issues but under an entirely different and more complex economic structure around which increasingly fragile democracies, result that if not addressed, we continue to be impacted along border and internal security related issues across domestic

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<sup>15</sup> Op.cit., Hamel, R..

socio/political fronts. In today's far more interconnected world, better livelihoods stimulate mutual gains and benefits. Helping committed countries commence and sustain the estimated 10-15-year sector transformation process IARD embodies, requires a radically different structure and operation.

Help establish a national sector ownership process and program—In the dire, increasingly high stakes situation now evolving, LMIE countries must begin to internalize their national destiny around IARD. They have no options! The era of short-lived “donor-led” projects and short-term political responses must be reconsidered. To advance IARD, there is an urgent need to address many festering and vexing internal constraints and issues dealing with sensitive engrained political, political-economy, governance, and policy matters. This will require that unprecedented levels of leveraged/targeted policy reform and expanded public good, private sector, and donor facilitator commitments and investments coordinated over an estimated minimum, 10-year period. These could range from a modernized sector R&D service to public sector personnel reforms to incentives for rural infrastructure investments, to improved plant and animal health services etc. Political will must be facilitated and sustained and, in many cases, donor support under a different institutional/organizational structure becomes an essential facilitator force.

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.

Strengthen policy analysis and strategic planning—LMIE countries are currently confronting one of the most complex times as their most important sector 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.

Strengthen technology development—This applies directly to the special attention that needs to be placed on a more institutional development of institutions that currently weak in terms of mission, staffing, organization, and funding. The radically changed and more complicated and competitive 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 poverty, internal sector and structural problems.

Strengthen human and institutional capacities (HICD)—This applies directly to special attention to priority public/private-private/public institutional development at key levels to insure 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. There could be much 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 and that too few chose to appropriately internalize and begin the strategic response to the degree required. The consequences of such inattention are irrefutably upon us, and like climatic change, impacts global wellbeing but increasingly, in ever alarming and appalling ways.

As earlier revealed, record levels of: 1) border related strife and immigration from Central America and beyond, to include, our European allies receiving unprecedented levels from Africa; 2) the greatest concentration of negatively impacted LMIE, internal violence, crime, and corruption and extortion creating increase instability; 3) national and international crimes be it via MS-13 in Northern Virginia or mounting Jihadist recruitment occurring across Africa; and 4) illegal drug production and trafficking, human trafficking, police and judicial corruption, and rising levels of local, national, or inter-regional dysfunctionality

While worldwide, a truly historic reduction in poverty has occurred and was appropriately heralded, unless radical changes are introduced, little will happen to the increasingly frustrated livelihoods of the 500 million producers and the areas and countries they impact. These dynamics require that the narrow poverty reduction approaches now underway be questioned far more rigorously. Different approaches evolving from serious, country-led needs and long-term commitments must be thoughtfully introduced. Hopefully this evidenced based, broadly shared, and extensively shared primer on sustainable poverty reduction can begin to stimulate higher level discussions and future action within President-Elect Biden’s Transition Team and with related policy makers, public policy think tanks, and key donors to help focus and leverage more appropriate diplomatic and development assistance attention.

At an April 2018 luncheon sponsored by the USAID Alumni Association, Dr. John W. Mellor, one of our most acclaimed, development focused agricultural economists and Senior Advisor to the aforementioned Sector Revitalization Support Group formed to review and finalize the IARD Agenda, revealed 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.” To this

stark conclusion and as quoted earlier in the Preface, “I have reviewed your lengthy and comprehensive statement with care. This is a real tour de force and needs wide circulation!”

Further, to this notably under-attended core element of development assistance and as alluded to earlier regarding the rationale for the positive consequential Cold War sector support earlier provided, and today’s different rationale--but with similar needs, a much more viable post-Cold War program is required. As earlier mentioned, former Secretary of Defense Robert Gates’s book, *Exercise of Power* also strikes this point. His comprehensive assessment of post-Cold War development needs addresses today’s more complicated and nuanced conditions and needs. In this context, our current diplomatic and development assistance institutions have not adequately confronted. From the perspective of this prescient example, Mr. Gates speaks to USAID’s essentiality, but also, to its “checkered history.” During the ‘90s, he notes, USAID had its basic “capacities gutted” and the Agency since that time has “been allowed to atrophy.”<sup>16</sup>

Also, as an example of a different development sector that adapted so notably to changed situations, he targets the health. To an early need under President George W. Bush’s administration, Mr. Gates describes President Bush’s bold and creative response to HIV/AIDS in Africa under his Presidential Emergency Plan for AIDS Relief (PEPFAR). To the increasingly alarming needs plaguing Africa, the administration created an entirely new management and service delivery structures within the State Department, in effect bypassing the Foreign Assistance Act. Gates recognizes PEPFAR as the U.S.’s most “consequential program since the mid -1990s.”

To the specific needs of this report and the realities of our most pressing concern, covid-19, IARD should also be specifically brought forward and addressed. Covid-19’s realities and its spread to the increased squalid, “petri dish” conditions in which the rural poor reside as the virus thrives and the increased prospects of even a “Pandemic Depression,” results that unless now addressed, the horrors of the ever-alarming poverty trajectory, worsens further. The World Bank reports that due to covid-19, the increase in extreme poverty (the bulk of who are agricultural producers and rural residents) will be higher than in any period since they have been tracking poverty. The prior, already alarming trends further exacerbates the current situation Also, given IARD’s requirements plus the increased U.S. political interest in Climate Change, much greater attention must also be given to research on traditional cereal crops and in a highly creative, market-based approach, attend to the basically un-addressed realm of higher risk, more diverse, tropical zone product lines.

Given that for too long Agriculture and its historic contribution to poverty reduction have been “below the radar,” and given IARD’s essential but steep learning curve, hopefully this report sufficiently whets the interests of a critical mass of higher-level groupings to begin to seriously question the adequacy of the current approaches. There is a need to commence a process to stimulates the type of serious, high-level discussions across key related disciplines with

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<sup>16</sup> Gates, Robert M., 2020, *Exercise of Power*, New York, N.Y., Alfred A. Knopf

substantive country-related experiences to include sector experts from local embassies and U.S. based, foreign development-focused graduate students to better understand and confront, LMIE-level poverty dynamics. Over a prudent period, we must begin to sketch out the details for the radically different program architecture, policies, and operations the IARD Agenda requires.

To advance, you are encouraged to share this report broadly and to hold discussion groups and explore upward channels. Also, given the invaluable substantive services provided by the report's Special Review Group, I am certain that you would benefit from further conversations with them.

If additional subject-related information or clarifications are desired regarding g IARD, please do contact directly any of the SRSG or me directly via [davidbathrick@gmail.com](mailto:davidbathrick@gmail.com) or 703-619-6064.



## ATTACHMENTS

### ATTACHMENT I

#### SUMMARY OF COMMENTS RECEIVED FROM REVIEWERS OF EARLIER EDUCATION/ 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 will have relevance.”

Lead agricultural economist at 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 r *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. Lets 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 have 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 US 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 US 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

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This response to the Center for Strategic and International Studies' (CSIS) 'Global Food Security Project's (CGFSP) report *Tracking Promises: Analysis of the Impacts 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;<sup>1</sup> 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. It's 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" comprises" 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 inter-connected 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. policy makers 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 U.S. 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*.<sup>1</sup>

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 ‘90s, 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 per cent 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 re-set 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. Startlingly, 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 policy makers 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 inability 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 uncharted, 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 sustainably 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.<sup>1</sup>

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



n 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 U.S.G.

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, Cost 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 re-set 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, will not help Guatemala confront its major task.

**CONCLUDING COMMENTS 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 pinning’s, 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 U.S.G. 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 U.S.'s \$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 U.S. G. to help Guatemala advance Inclusive Agricultural and Rural Development (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.