INTERNATIONAL FOOD AID PROGRAMS: OPTIONS TO ENHANCE EFFECTIVENESS

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CONTENTS

Page

WITNESSES

Mr. William P. Hammink, Director, Office of Food for Peace, U.S. Agency for International Development 7
Thomas Melito, Ph.D., Director, International Affairs and Trade, U.S. Accountability Office 13
Mr. David Evans, Vice President, Government Resources and Programs, Food for the Hungry 44
Ms. Annemarie Reilly, Chief of Staff, Catholic Relief Services 68

BRIEFER

Mr. Luís Sitoe, Counselor (Commercial), Embassy of the Republic of Mozambique 76

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

The Honorable Donald M. Payne, a Representative in Congress from the State of New Jersey, and Chairman, Subcommittee on Africa and Global Health: Prepared statement 3
Mr. William P. Hammink: Prepared statement 8
Thomas Melito, Ph.D.: Prepared statement 16
Mr. David Evans: Prepared statement 48
Ms. Annemarie Reilly: Prepared statement 70
Mr. Luís Sitoe: Prepared statement 79
Mr. David Kauck, Senior Technical Advisor, CARE USA: Statement 84
The Maritime Food Aid Coalition: Statement 88
Mr. David Beckmann, President, Bread for the World: Statement 99
Part I of the 2006 FAO report titled, "The State of Food and Agriculture: Food Aid for Food Security" 101

APPENDIX

The Honorable Sheila Jackson Lee, a Representative in Congress from the State of Texas: Prepared statement 109
Written responses from Mr. William P. Hammink to questions submitted for the record by the Honorable Christopher H. Smith, a Representative in Congress from the State of New Jersey 110
Written response from Ms. Annemarie Reilly to question submitted for the record by the Honorable Christopher H. Smith 111

INTERNATIONAL FOOD AID PROGRAMS: OPTIONS TO ENHANCE EFFECTIVENESS

THURSDAY, MAY 24, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:30 p.m. in room 2172, Rayburn House Office Building, Hon. Donald Payne (chairman of the subcommittee) presiding.

Mr. PAYNE. I call to order this hearing of the Subcommittee on Africa and Global Health. Today we will deal with international food aid programs and options to enhance effectiveness.

Before we begin our proceedings today I would like to extend a special warm welcome to a long-time friend of mine, a person who is no stranger to Capitol Hill because he has come here many times for good causes, our good friend Dikembe Mutombo, who as you know was a professional basketball player for Houston Rockets in the past and is from the Democratic Republic of Congo. In 1997 he started his own foundation dedicated to improving the health, education and quality of life in the Democratic Republic of Congo. I had the privilege to visit the 300-bed hospital that he has built in Kinshasa. It is ready to open fully. I happened to be there in the midst of ongoing conflict. He was supposed to come but the NBA said that he couldn't. It was all right for me to be there! But he does intend to visit.

I would ask that you stand. Let's give a round of applause to our special guest. He heard about the fact that this hearing was being held, and he just felt that he wanted to just come and sit in, and so we really appreciate your interest. You are a great citizen of the world. Thank you very much.

Our hearing today is a first in a series of hearings regarding food security, with a special emphasis on Africa. More than a decade has passed since the World Food Summit in Rome during which time nations pledged to work together to cut the number of undernourished people in half by the year 2015. In 1990 and 1992, the baseline period for the World Food Summit, there were 823 million undernourished people in the developing world. According to the new statistics from the Food and Agricultural Organization, for all practical purposes, the number of people who are undernourished remains the same. There are 820 million in the Third World who are not getting enough food. We need to know why so little progress has been made.

I have joined Senator Russ Feingold in requesting that the Government Accounting Office do a review of U.S. efforts on global food security. I hope the report will provide some answers. I suspect that one of the answers is that the United States and other donors need to devote more resources toward long-term development programs that build food security in countries which have a significant number of malnourished people. This may not be easy.

Nearly 25 percent of the developing world's undernourished people live in Africa. Poverty, poor governance and conflict pose serious challenges to agricultural development. However, those are not the only obstacles Africa faces. I had a hearing last week which focused on water in Africa. Lack of water for agricultural production is a major problem in the Sahel and in the Horn of Africa, and it will be more and more of a common concern in other areas on the continent. I plan to have a hearing in June about climate change in Africa. I am concerned that it too will adversely affect the ability of Africans to develop a sustainable farming sector. And as a matter of fact we have already heard that world climate change, believe it or not, will have its greatest impact on Africa, a continent that already suffers from so many negative factors.

In the face of all of these potential hurdles, we must be sure that each of the tools we are using to improve food security is operating at maximum efficiency. Long-term agricultural development programs are one tool that I strongly believe in. In January of this year I joined with the chairman of this committee, Tom Lantos, in writing the Director of Foreign Assistance, urging that the administration not cut funds for collaborative research support programs. Through CRSPs, the U.S. land grant colleges lend expertise related to food production and security and nutrition to U.S. Government and developing nations. Not only must we continue to fund such programs, but they must be increased in the future. I will work to boost the level of investment we are making in that area.

Food aid has traditionally been another tool to help achieve both long-term food security and to help in cases of emergencies. For better or for worse, however, during the past several years more and more of our food assistance has been channeled toward emergencies. The amount of food aid dedicated toward building capacity in the agricultural sector of developing countries has declined from $1.2 billion in fiscal year 2001 to $698 million in fiscal year 2006. Things are going in the wrong direction. This is one cause for concern, and there is another. According to the Government Accounting Office, the average amount of food delivered to undernourished population has declined by 52 percent, due in part to increasing business and transportation costs.

Clearly the resources available for development programs are shrinking, and the amount of commodities our resources buy is diminishing. And if we take a look at the increase in the cost of corn where we are seeing the impact on milk and on beef, and on the fact that more land is going to be used for corn, therefore decreasing land available for other crops, it will therefore continue to increase the cost of food, which is going to be a real serious problem because our increase in funding will not keep up with the increase in the cost of food. And so we have a real dilemma facing us.

Over half of the food aid delivered around the world comes from the United States. Given the considerable role we play, it is imperative that Congress and the executive branch work together to make sure we are doing it right. It seems to me that Congress must help the administration do two things as it relates to the current programs: One, fix the mechanisms that already exist, such as the Bill Emerson Humanitarian Trust so that they are more effective; and, two, create new mechanisms.

The administration has proposed using some of the money available in Public Law 480 for local purchase rather than shipping commodities from the United States. The proposal seems sound, and I believe this committee should give it serious consideration. However, we are going to run into opposition from those who represent areas from which we are buying the food domestically. And of course the tremendous increase in transportation with the same amount of money, once again, buys less food because transportation has increased so much.

I am told that the Foreign Affairs Committee will consider the titles in the farm bill related to food aid under our jurisdiction as early as June. And at another forum we are going to have to deal with food subsidies, which is something that we know is a can of worms. But if we are ever going to look at the world being able to sustain itself with food production, the tremendous amount of $300 billion of food subsidies that go around the world has to be looked at.

In order to inform members ahead of that process, I hope our witnesses today will address the following issues so that we can be prepared. What are the major challenges to the effectiveness and efficiency of our food aid program, and what is to happen in order for us to improve it? Secondly, what new tools should Congress provide to the agencies that administer food aid to make certain that our assistance feeds more people and commodities reach more people and faster? And finally, how do we balance the increased necessity for emergency food aid with the need to make continued use of food aid in long-term development, which is a real challenge.

So let me thank the witnesses for coming today. With that, let me turn to our distinguished ranking member, former chair of this subcommittee, Congressman Smith.

[The prepared statement of Mr. Payne follows:]

PREPARED STATEMENT OF THE HONORABLE DONALD M. PAYNE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY, AND CHAIRMAN, SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH

Good afternoon. Thank you for joining us here today for the first in a series of hearings regarding food security, with a special focus on Africa. More than a decade has passed since the World Food Summit in Rome, during which nations pledged to work together to cut the number of undernourished people in half by the year 2015.

In 1990–92, the baseline period for the World Food Summit, there were 823 million undernourished people in the developing world. According to the latest data from the Food and Agricultural Organization, or FAO, for all practical purposed that number has not unchanged. There are still 820 million people in the third world who are not getting enough food.

We need to know why so little progress has been made. I have joined Senator Russ Feingold in requesting that the Government Accountability Office do a review of U.S. efforts on global food security. I hope the report will provide some answers. I suspect that one of those answers is that the United States and other donors need

to devote more resources towards long-term development programs that build food security in countries which have a significant number of malnourished people.

This may not be easy. Nearly 25% of the developing world's undernourished people live in Africa. Poverty, poor governance and conflict pose serious challenges to agricultural development; however those are not the only obstacles Africans face.

I had a hearing last week which focused on water in Africa. Lack of water for agricultural production is a major problem in the Sahel and the Horn of Africa, and will be more and more of a concern in other areas of the continent. I plan to have a hearing after the Memorial Day recess focused on climate change in Africa. I am concerned that this too will adversely affect the ability of Africans to feed themselves.

In the face of all of these potential hurdles, we must be sure that each of the tools we are using to improve food security is operating at maximum efficiency. Long term agricultural development programs are one tool that I strongly believe in. In January of this year, I joined the Chairman of this Committee in writing to the Director of Foreign Assistance to ensure that funding is not cut for Collaborative Research Support Programs.

Through CRSPs, U.S. land grant colleges lend expertise to the U.S. government and developing nations related to food production and security, and nutrition. Not only must funding for such programs not be cut, it should be increased. I will be working to boost the level of investment we are making in that area.

Food aid has traditionally been another tool to help achieve both long-term food security, and to help in cases of emergency. For better or for worse, however, during the past several years, more and more of our food assistance has been channeled towards addressing emergencies. The amount of food aid dedicated toward building capacity in the agricultural sector of developing countries has declined from $1.2 billion in fiscal year 2001 to $698 in fiscal year 2006.

This is one cause for concern. And there is another. According to the Government Accountability Office the average amount of food aid commodities delivered to those in need has declined by 52% due in part to increasing business and transportation costs. Clearly the resources available for development programs are shrinking. And the amount of commodities our resources buy is diminishing.

Over half of the food aid delivered around the world comes from the United States. Given the considerable role we play, we have got to make sure that we are doing it right.

It seems to me that Congress must help the administration do two things as relates to the food aid program: One, fix the mechanisms that already exist, such as the Bill Emerson Humanitarian Trust, so that they are more effective. And two, create new mechanisms for providing food aid. The administration has proposed using some of the money available in P.L. 480 for local purchase rather than shipping commodities from the United States. We must give this proposal due consideration.

This year Congress is set to re-authorize the Farm Bill. I am told that the Foreign Affairs Committee will consider the titles related to food aid, which are under its jurisdiction, as early as June. I am confident that this discussion will help inform members ahead of that process.

I hope that our witnesses today will address the following issues:

What are the major challenges to the effectiveness and efficiency of our food aid programs and what changes need to happen to make it more effective?

Are there new tools that Congress needs to provide to the Agencies that administer food aid which will ensure that our food aid feeds more people, and commodities reach people in need faster?

How do we balance the need to address the increased need for emergency food aid without ignoring the need to make continued use of food to aid in long-term development?

I thank our witnesses for coming today, and turn to my distinguished ranking member for an opening statement.

Mr. SMITH OF NEW JERSEY. Thank you very much, Chairman Payne. And I want to thank you for calling this very important and timely hearing to examine the means for enhancing the effectiveness of our country's food aid programs. You will recall that our subcommittee held a hearing on the same issue almost exactly a year ago on May 25, and we were able to assess the great need and urgency then for increasing both the quantity and the quality of delivery of our food aid. This hearing provides a very timely opportunity to reemphasize that urgency and to look for concrete means

to improve food aid in the context of the new farm bill that Congress is considering.

One of the major points that was made during that prior hearing was the need for increased resources for food aid. The Executive Director of the U.N. World Food Programme, Jim Morris, responded to a question that I posed as to how much it would cost to truly address the hunger crisis in Africa. He responded with an estimate of $3 billion a year over a 10-year period, with the Africans leveraging an additional $2 billion, for a total of $5 billion. He anticipated that with such assistance Africa could begin to underwrite an increasing percentage of its own food requirements and the need for external assistance would decline. That is the solution that we should be looking for.

The American people are to be commended for providing some $1.2 billion in emergency food aid in 2006, but that amount is 60 percent of our total food assistance. This percentage is not what Congress had intended. Title II of Public Law 480 specifies that 75 percent of commodities provided under that title, which constitutes 80 percent of total U.S. food aid, must be used for development projects. However, USAID has avoided that requirement by resorting to a legislative waiver that applies in cases of emergency. My proposal is not to ignore the emergencies, but we cannot continue to divert resources from desperately needed food development initiatives. Unless we increase the total food aid budget so that more resources can go to non-emergency food aid, we may well see the percentages for emergencies increase, and the possibilities for long-term solutions diminish accordingly.

In addition to the amount that Congress appropriates for food aid programs overall, I would strongly urge my colleagues to start being realistic about the amounts appropriated in the regular budget. We have settled into a well-established pattern of allocating approximately $2 billion each year for food assistance. However, we have been given only a percentage of that in the regular budget, and then providing additional amounts in supplemental appropriations relying on non-replenished patrols from the Bill Emerson Humanitarian Trust. This has occurred despite the fact that ongoing emergency needs are usually clear when the regular budget is being considered.

Organizations that provide food aid have indicated that their assistance programs are significantly impacted by insufficient initial appropriations, delays of chronic programs due to diversion of resources to emergency needs and slow approval of supplemental appropriations. They are faced with extremely difficult operational dilemmas, such as diverting funds from other critical programs to bridge gaps until anticipated U.S. Government resources come through, and ensuring that local markets in production are not harmed due to delays in the arrival of food shipments. One of the worst difficulties I can imagine is when these providers must reduce the number of those who are receiving assistance as well as local personnel overseeing the programs for an interim period until full funding is available.

Those of us who follow HIV/AIDS programs cannot fathom the risk of having patients who are receiving antiretroviral therapy through the President's Emergency Plan for AIDS Relief being told

that they will have to go for a few months without ART because the U.S. Congress did not appropriate sufficient funds initially to continue covering their medications, and yet food providers on the ground have to look in the eyes of those who come to them for a bowl of grain and tell them they will have to wait several weeks or months to get something to eat. Food is a matter of life and death, and we must treat food aid with the seriousness and the commitment that it deserves.

One proposal that is being made to improve our food assistance is to rely on the emergency versus non-emergency assistance percentages by applying the legislative language of the International Food for Education and Child Nutrition Program to the Title II programs. The flexibility of the McGovern bill program allows programs to combine food commodities, cash and technical assistance, which many consider a model of how food assistance should be carried out. I would be interested in exploring this possibility more with our witnesses, and I hope they comment on it.

Another important issue for Congress to consider is the ability to purchase local food commodities in case of emergency. The administration is requesting authority in the new farm bill to use up to 25 percent of Title II funding to purchase food commodities for emergency relief in markets closer to where they are needed. I realize that this proposal is not without controversy, due to the benefits of the farm groups, agribusiness and maritime industry from commodities, supplies and shipping.

In the fiscal year 2006 conference report for agricultural appropriations the conferees admonished the executive branch not to risk upsetting a "carefully balanced coalition of interests which have served the interests of the International Food Assistance Program well for more than 50 years." However, the status quo is not serving the interests of our food assistance programs if domestic economic interests are overriding the need to save people from dying from hunger. I strongly encourage my congressional colleagues to grant the emergency authority that is being requested by the Bush administration.

Mr. Chairman, these are only a few of the extremely important issues, and again I commend you for convening this important hearing.

Mr. PAYNE. Thank you very much. Ambassador Watson?

Ms. WATSON. I just have one comment. I want to thank the presenters who are here, the panelists. And I am really concerned about how we are going to address those survivors in the Sudan in Darfur who can't even get the water that they need, let alone the food, and what plans we have out there, what the NGOs are doing at the current time. So I wait to hear—and how we are addressing the scourge of HIV/AIDS, and I am hoping that both of you will comment on where we are.

So I want to listen. So those are my comments and thank you very much.

Mr. PAYNE. Thank you very much. Mr. Tancredo.

Mr. TANCREDO. I have no opening comment, Mr. Chairman.

Mr. PAYNE. Thank you very much. We will begin then with our first panel. We are very pleased and fortunate to have with us Mr. William Hammink, who is the director of the Office of Food for

Peace, where he has served since July 2006. Prior to joining Food for Peace, Mr. Hammink was a U.S. Mission Director in Ethiopia for 3 years. His career as a U.S. Senior Foreign Service Officer has spent more than 25 years at USAID projects working on international development and humanitarian programs. We certainly welcome you. He is joined by Mr. Thomas Melito, who is the director of the International Affairs and Trade team at the GAO. In his capacity, he is primarily responsible for GAO work involving multilateral organizations and international finance. Over the last 10 years, Dr. Melito has been focusing on a wide range of development issues, including debt relief for poor countries, global health and human trafficking.

Thank you very much. We will proceed with you, Mr. Hammink.

STATEMENT OF MR. WILLIAM P. HAMMINK, DIRECTOR, OFFICE OF FOOD FOR PEACE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. HAMMINK. Thank you, Mr. Chairman, members of the subcommittee. I am very pleased to be here today with you to examine the performance of the U.S. Title II food aid programs managed by USAID. The Title II Food for Peace Program is a 53-year-old institution that has saved the lives of many, many millions of people around the world. It is an institution that Americans across the country recognize and can be extremely proud of.

As was mentioned, the last 3 years average for our Title II program was almost $1.8 billion for the purchase of more than 2.3 million metric tons of food each year. I would like to focus my remarks on two main areas: The changing world situation affecting Title II food aid, and how we can improve the overall efficiency and effectiveness of Title II food aid programs.

First, the changing world situation and context. The frequency, magnitude and unpredictability of major food crises are increasing due to growing chronic vulnerability, and this is especially true in Africa. Over the last decade we have seen large population groups—pastoralists in East Africa, poor farmers in the Sahel, HIV/AIDS-affected populations in southern Africa—whose lives and livelihoods are at severe risk. Continuous and overlapping crises are leaving more and more people defenseless, chronically vulnerable to major food crises.

There is evidence and understanding also that food aid alone will not stop hunger. To date, despite the investments and the progress made over the past 50 years, globally an estimated 820 million people are still food insecure. Giving food to people will save lives, address short-term hunger needs, but it will not by itself save livelihoods or end hunger. How can we improve our food aid programs? Food aid programs need to be able to respond quickly and flexibly to support increasingly more vulnerable and desperate populations, and also integrated with other resources to more effectively halt the loss of livelihoods and try to address the multiple causes of vulnerability.

Let me just quickly talk about six areas where we are focusing to improve food aid programs. First local procurement. I think the most important change that the administration has been seeking in recent appropriation requests and in the administration's farm

bill proposals is the authority to use up to 25 percent of the Title II funds for the local or regional purchase of food to assist people threatened by a food crisis. Let me assure you that our U.S. grown food will continue to play the primary role and will be the first choice in meeting global needs. If provided this authority by the Congress, we would plan to use local and regional purchases judiciously in those situations where fast delivery of food assistance is critical to saving lives.

Second is pre-positioning emergency food aid. To help reduce the response time needed, USAID has successfully pre-positioned processed food aid at U.S. ports and overseas. Pre-positioning is an important tool and could be expanded, although there are logistical and other limits to pre-positioning food aid. However, pre-positioning is not a substitute for local procurement authority.

Third, the Bill Emerson Humanitarian Trust, which you have mentioned. The Emerson trust is the mechanism to respond to major food aid emergencies, and clearly complements Title II. One concern is that the releases from the trust have exceeded the statutory limit on its annual replenishment.

Fourth is prioritization. USAID is strategically focusing non-emergency food aid resources in the most food insecure countries. Resources that were historically spread across almost 30 countries will be concentrated in about half that many countries in order to achieve maximum impact on chronic food insecurity issues.

Fifth, integration. Under the U.S. Foreign Assistance Framework, USAID and the State Department are working to integrate all foreign assistance resources toward a number of objectives designed to set a given country on a sustainable path toward development. Starting with fiscal year 2007 funds, our Title II non-emergency programs will be integrated in country programs with other funds to achieve maximum impact.

Six, monitoring. The GAO has recommended that USAID increase the monitoring of Title II programs. We support this recommendation. USAID currently uses multiple sources of funding to cover monitoring costs for Title II programs. Statutory restrictions in the use of Title II resources limit the current level of monitoring.

Food aid programs are indeed complex and the problems and issues that U.S. food aid must address are increasingly complex. USAID is committed to ensuring that Title II food aid is managed in the most efficient and effective manner possible to continue to decrease costs, increase impact, and continue the 53 years of proud experience in using food aid to save lives and protect livelihoods.

We look forward to continued discussions with Congress on how we can best do this. Thank you.

[The prepared statement of Mr. Hammink follows:]

PREPARED STATEMENT OF MR. WILLIAM P. HAMMINK, DIRECTOR, OFFICE OF FOOD FOR PEACE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Chairman Paine, Members of the Subcommittee, I am pleased to have the opportunity to meet with you today to examine the performance of U.S. food aid programs with particular reference to improving the efficiency and effectiveness of U.S. food assistance programs. As you know, USAID manages the P.L. 480 Title II program, which includes emergency and non-emergency food aid. The new Farm Bill, which will reauthorize the P.L. 480 Title II program, is extremely important to ensure the increased efficiency and effectiveness of U.S. Title II food aid overseas.

James Morris, the prior Executive Director of the United Nations World Food Programme (WFP), told me shortly before he left office that the Office of Food for Peace is much more than an office in USAID. He said that after 52 years of providing U.S. food aid to hundreds of millions of people around the world, savings millions of lives and affecting the livelihoods of millions more, Food for Peace is not just an office but an institution, and one that Americans across the country recognize and can be extremely proud of.

However, like any 52-year institution or program, we need to continue to look for ways to improve the efficiency and effectiveness of how we provide Title II emergency and non-emergency food aid. We appreciate this opportunity to share some thoughts with you on ways to do that.

The U.S. plays a global leadership role in food security and as a humanitarian food aid donor. The U.S. is the largest food aid donor in the world, and the largest single contributor to the World Food Programme. However, procuring, shipping, storing, distributing, monitoring and evaluating approximately 2.5 million metric tons of U.S. food aid each year worth over $1 billion is highly complex, especially as we try to minimize costs. Our primary focus is to get food aid quickly to sudden emergencies to save lives, make better funding decisions, strengthen beneficiary impact of all of our food aid programs, improve predictability of non-emergency food aid resources, expand integration of food aid with other development programs, and concentrate emergency and non-emergency food aid resources in the most food-insecure countries.

As a lead-up to the re-authorization of the Farm Bill, food aid reform is being analyzed and discussed by academics and think tanks, at the World Trade Organization, with UN organizations such as FAO and WFP and with a broad spectrum of Private Voluntary Organizations (PVOs). We are participating in these discussions and listening closely to all of these proposals and ideas. Because the Farm Bill is only taken up approximately every five years, this is an important opportunity to take what we have learned from experience, analyses, and research; and to link lessons learned to better inform changes in U.S. food aid programs.

USAID is also undergoing changes. Under a new Strategic Framework for U.S. Foreign Assistance, the Department of State and USAID are developing a fully integrated process for foreign assistance policy, planning, budgeting and implementation. Under the new Framework, our goal is to ensure that Title II food aid will, in collaboration with all foreign assistance funds in each country context, have an immediate impact—saving lives and protecting livelihoods—while also contributing to longer term objectives, such as enhancing community and household resilience to shocks and reducing future emergency food aid needs.

In reviewing the performance of Title II food aid and considering the new Farm Bill, I would like to focus this discussion on two main areas: 1) the changing world situation and context for the Title II food aid program; 2) how we can improve overall efficiency and effectiveness of Title II food aid programs within that new context.

The Changing World Situation and Context for Food Aid.

Food aid does not exist within a vacuum. Rather, it addresses needs within an international and local economic and political context, and that context has substantially shifted in recent years. The new Farm Bill will provide us with an opportunity to address these changed conditions with a response that will not just prevent hunger and food crises as they occurred years ago, but as they exist now. To do that, food aid must address two major trends:

First, the frequency and magnitude and unpredictability of major food crises are increasing due to growing chronic vulnerability. Devastating wars, civil strife and natural disasters have often brought in their wake food problems. But over the last five to ten years, we have seen a significant increase in the numbers of people who are affected by these events, who face total destitution, a loss of household assets and livelihoods, and a chronic exposure to even the most minor of these shocks.

Take drought, for example. There have been droughts periodically for thousands of years. And while they have sometimes been deadly, the communities involved have generally been able to absorb that shock, restructure their livelihoods, and then begin to grow again.

But now, droughts in Africa appear to be more frequent. Where they used to come once every ten or twenty years, they have recently begun appearing several times in a ten-year period, and more recently still, to possibly as little as every two or three years. With that level of frequency, a community's full recovery from a drought is difficult at best. In many cases, herders' animals die and the herder sells still more animals for food, further shrinking the herd. A farmer who loses his crop and food supply may sell his hoes and harrows for food, and then hope to find seed to begin again. Each successive drought may find many communities increasingly

characterized by a deeper and more widespread poverty, deteriorating landscapes, drying lakes and rivers, an ever poorer agricultural base, no market to sell to or buy from, hampered further by poor governance and governmental policies.

Over the last decade, we have seen large population groups—pastoralists in East Africa, poor farmers in the Sahel, HIV/AIDS-affected populations in southern Africa—whose lives and livelihoods are either disappearing, or are at severe risk of destruction. Continuous and overlapping crises can leave more and more people defenseless, chronically vulnerable to major food crises that may be triggered by small changes in rainfall, or food prices, or the rising cost of fuel.

Often, war or civil strife occurs within these same populations, or grows out of the conditions they live in. Entire generations in some countries have grown up in an atmosphere of extreme poverty overlaid by civil unrest, if not armed conflict. Portions of these conflict-ridden societies, like in Sudan and Somalia, subsist by receiving significant amounts of food aid and other humanitarian support to sustain their poor economies, perpetually disrupted by poverty, insecurity and war. In Sudan alone, WFP is supporting the food needs of almost two million internally displaced people (IDPs) in Darfur and another million people living near the IDP camps in Darfur who are affected by the crisis. To date, the U.S. has borne a disproportionate share of this food aid burden, providing about 475,000 metric tons per year for Sudan and Eastern Chad. Last year the U.S. contributed half of the assessed food aid needs and over 65 percent of all the food donated to Sudan.

Second, there is evidence and understanding that food aid alone will not stop hunger. Today, despite the investments and the progress made over the past 50 years, globally an estimated 850 million people are still food insecure. While providing food will feed people today, it will not, by itself, lead to sustainable improvements in the ability of people to feed themselves. Giving food to people will save lives and address short term hunger needs, but it will not protect livelihoods or end hunger. In cases of widespread vulnerability, food aid must be used strategically, such as in a national safety net program, and planned along with other U.S., other donor and other recipient-country non-food development resources, to attack the underlying causes of food insecurity, such as lack of rural credit, markets, infrastructure and off-farm job opportunities; or environmental degradation, poor agricultural productivity, and poor governmental policies. The new U.S. Foreign Assistance Framework for foreign assistance will help. With respect to Title II non-emergency food aid programs, cooperating sponsors can monetize some of the food aid commodities that they receive and use the proceeds to implement activities that support the broader Title II food aid program.

How Can We Improve our Food Aid Programs within that New Context?

Emergency food aid needs are increasing and becoming less predictable, as conflict and natural disasters afflict and undermine the survival of a growing number of destitute and chronically food insecure people, who are often subsistence farmers, or herders and pastoralists. Because of this, food aid programs need to be adapted to these new conditions. They need to be able to respond more quickly to increasingly more vulnerable and desperate populations. They must be more effectively aimed at halting the loss of livelihoods that is the consequence of a series of even small shocks. And they must be combined with other U.S., other donor, and other recipient-country non-food development resources so that the multiple causes of vulnerability can be addressed together. Here are some areas where we are considering improvements to food aid implementation.

Local Procurement: First, the most important change that the Administration has been seeking in recent appropriation requests and in the Administration's Farm Bill proposals, is the authority to use up to 25 percent of the Title II funds for the local or regional purchase and distribution of food to assist people threatened by a food crisis.

The long lead-time required to order and deliver U.S. food aid—normally up to four months—means that we often need to make decisions well before needs are known. In some cases, the need is sudden, such as during a flood or an outbreak of fighting. In other cases, there is an unanticipated break in the flow of rations to beneficiaries (pipeline break), or even a short-lived cease fire allowing aid agencies to enter places previously inaccessible because of security issues where, typically, we find people that have been cut off from food for some time.

In the case of drought we are also challenged to get food to people on time. There have been great advances in the ability to predict and track rainfall, undertake post-rain harvest assessments, and follow changing prices, resulting in better early warning. While we can often predict the impact of poor rains on crops, it is difficult to predict its impact on the ability of people to purchase enough food to eat. In the Sahel in 2005, for example, merely below-average rains and a marginally weak har-

vest, known well in advance, resulted in an unexpected major crisis because these conditions were compounded by unpredictable changes in trade flows among neighboring countries. This drew food away from regions with very poor populations, causing price spikes and an urgent need for food aid.

While it is impossible to predict the location and extent of emergencies that would require local procurement each year, the Administration might have considered using this authority for the immediate response to Iraq in 2003, to the Asian tsunami in 2004, in southern Africa and Niger in 2005, in Lebanon in 2006 and in East Africa in 2006 and 2007. We anticipate that purchases would occur in developing countries (in accordance with the OECD Development Assistance Committee List of Official Development Assistance recipients).

Let me assure you that our U.S-grown food will continue to play the primary role and will be the first choice in meeting global needs. If provided this authority by the Congress, we would plan to use local and regional purchases judiciously, in those situations where fast delivery of food assistance is critical to saving lives.

We ask that you seriously consider our proposal and the critical role this authority could play in saving lives of the most vulnerable populations. We are willing to work with you to address your concerns in order to move forward to provide for urgent needs.

Strengthening Assessments: Accurate assessments and well-targeted use of food aid are critical for responsible food aid. USAID is therefore giving considerable ongoing attention to working with the WFP and partner PVOs to assist them in strengthening emergency food needs assessment and response systems and capabilities. Specifically, USAID is actively involved with other donors in providing guidance to WFP at the Executive Board on policy and program topics related to emergencies, providing technical and advisory input to the UN "Strengthening Emergency Needs Assessment Capacity" (SENAC) activity, and providing resources to strengthen the assessment capacities of P.L. 480 Title II partner non-governmental organizations. USAID fully supports the GAO recommendation to enhance needs assessment methodologies and donor and host government collaboration; and can use and is using WFP, SENAC, the USAID Famine Early Warning System (FEWSNET) and other mechanisms to do so.

Pre-positioning Emergency Food Aid: To help reduce the response time needed, for many years, USAID has pre-positioned processed food aid, both at U.S. ports and overseas. These efforts have been very successful. Pre-positioning processed food in warehouses not far from major emergency areas allows us to get this food to the beneficiaries at risk of starvation faster. Over 60% of the processed food sent to the pre-position sites overseas is redirected at an additional cost to meet unanticipated emergency needs and never makes it to the pre-position warehouses. While pre-positioning could usefully be expanded, the current Farm Bill has a ceiling on how much can be spent on pre-positioning. There are also significant logistical and other limits to pre-positioning food aid. For example, processed foods are the main commodities that can be successfully stored near emergencies. In addition, there are severe limits to the availability, cost, and quality of warehouse space and services near major emergencies, and problems certifying the condition of food withdrawn from these warehouses. Consistent with the GAO recommendation, we will examine the long-term costs and benefits of pre-positioning. But, while we want to expand pre-positioning, we do not expect to be able to do much more than we are currently. To be clear, pre-positioning is not a substitute for local procurement authority, particularly given the logistical limits to pre-positioning with respect to the amount and types of commodities that can be stored, as well as speed.

Bill Emerson Humanitarian Trust: The Administration needs to ensure that it responds appropriately to major food aid emergencies. The primary means of funding large, unanticipated emergency food aid needs is the Bill Emerson Humanitarian Trust (BEHT). The BEHT is an important resource that assists the U.S. to meet major urgent humanitarian food aid needs. The BEHT complements Title II by providing resources to address unanticipated emergency food aid needs. However, one concern is that the releases from the BEHT have exceeded the statutory limit on its annual replenishment. As a result, the BEHT as a resource is shrinking.

Prioritization: In 2005, USAID issued a new Food Aid Strategic Plan for 2006—2010. This plan seeks to make the best use of Title II food aid resources by allocating resources to the most vulnerable people in order to help build resiliency and enable them to withstand the next drought or flood and, therefore, decrease dependency on food aid in the future.

We are strategically focusing the food aid resources available for non-emergency programs on the most food insecure countries. Resources that were historically spread across over 30 countries will be concentrated in about half as many countries in order to achieve maximum impact. Through addressing the most pressing food

security needs with focused resources (especially in the countries that continue to need emergency food aid) we will work to reduce the need for emergency food aid over time.

To address the underlying causes of food insecurity in these priority countries, we need to increase integration of Title II and other funding sources in programming. For example, in Haiti USAID uses Child Survival and Health funds to train health care workers to monitor the growth of young children who are receiving food aid under the Title II program. In Mozambique, Development Assistance funds are used, in conjunction with Title II funds, to support road rehabilitation and help farmers get their products to market more quickly and for fair prices.

Integration: Under the U.S. Foreign Assistance Framework, USAID and the State Department are working to integrate all foreign assistance resources toward a number of objectives designed to set a given country on a sustainable path towards development. We have wrapped funding, goals, and performance indicators into one system that will be able to tell you who is spending the money, what it is being spent on, and what we expect to get from spending it. This information will come together in an annual Operational Plan submitted to Washington for each country where foreign assistance funds are provided. For the first time, starting with FY2007 funds, Title II non-emergency programs will be integrated in country programs to achieve maximum impact. By bringing U.S. foreign assistance resources together in a strategic and integrated fashion, the U.S. Foreign Assistance Framework allows the U.S. Government to implement more-effective and multi-sectoral interventions that address the overlapping themes of poverty and hunger and the underlying factors that cause them, country by country. Programs are thus more comprehensive in scope and complementary in nature, with food aid serving as only one tool of many working together to address the chronic causes of poverty and hunger in the most food-insecure countries.

Rationalizing Program Expenses: As we focus on the most food-insecure countries and integrate food aid programs with other programs focused on food insecurity objectives, we need to review our own regulations on non-food resources, such as 202(e) authority, to ask whether it needs updating. There was a time when the distinction between two main non-freight authorities—internal transport, storage and handling (ITSH), on the one hand, and 202(e) administrative expenses on the other—made sense. After all, that latter category was viewed as overhead that should be limited to ensure that as much food aid went to beneficiaries as possible. We are considering whether consolidating these funding authorities would lead to a more streamlined, cost-effective operation by having needs, and not funding categories, determine expenditures.

Another area of food aid resources that deserves a closer look is monetization. As the Committee knows, in recent years, monetization has generated a significant amount of debate both globally and in the U.S. food aid community based on differing views of the impact that monetization has on local markets and commercial imports. At the same time, we know that monetization can have development benefits and can be appropriate for low-income countries that depend on imports to meet their food needs. While the U.S. Government strongly supports monetization, many in the food aid community are concerned that monetization may be lost as a tool in the Doha World Trade Organization negotiations and continue to press for its use. Others are prepared to look for alternative means to address the causes of hunger and poverty. FFP agrees with the GAO recommendation to establish a database on monetization to record costs and proceeds, in order to inform this debate and seek improvements.

Monitoring: The GAO has recommended that USAID increase the monitoring of Title II programs in the countries where the food is monetized and distributed. We support the recommendation to conduct more monitoring. USAID currently uses multiple sources of funding to cover current monitoring costs for Title II programs. Statutory restrictions in the use of Title II resources limit the current level of monitoring.

Food Aid Quality: Both USAID and USDA are already at work in preparing a comprehensive evaluation of food aid specifications and products. The report will begin with a thorough evaluation of contracting procedures; the focus will be on the expeditious enforcement of contract standards in order to gain higher incidence of contract compliance. Next, the review will evaluate USDA product specifications with a focus on laboratory testing and manufacturing standards. The focus of this second stage will be on improving post-production commodity sampling and testing procedures, with emphasis on sound scientific standards.

The third and final stage of the initiative will review options on nutritional quality and cost effectiveness of commodities currently provided as USDA and USAID food aid. We want to ensure that the food we provide is of the highest caliber to

meet the nutritional requirements necessary to address today's beneficiaries. We will have consultations with nutritionists, food technologists, commodity associations, the World Food Program, the PVO community, and all relevant businesses that produce, ship, or package food aid. USDA and USAID have already posted requests for information from potential contractors to support this third stage.

Partnership: Finally, I would like to comment on our commitment to increase and improve our consultative partnership with our partners and to increase public-private partnerships related to food aid and reducing food insecurity. For example, the Food Assistance Consultative Group (FACG), mandated in the Farm Bill, has not been as participative as USAID and our partners would like to see. We plan to propose changes to the structure of the FACG in order to improve the consultative nature of discussions and to focus again on specific issues that should be solved through a broader consultative process. These changes do not require any legislation.

Food aid programs are complex, and the problems and issues that U.S. food aid must address are increasingly complex. The Administration is committed to ensuring that Title II food aid is managed in the most efficient and effective manner possible, to decrease costs, increase impact and continue the 52 years of proud experience in using U.S. food aid to save lives and protect and improve the livelihoods of vulnerable populations. We look forward to continued discussions and debates with Congress on how the Farm Bill can best allow the United States to respond to new food aid challenges to reduce global hunger and poverty. Thank you.

Mr. PAYNE. Thank you very much. Dr. Melito?

STATEMENT OF THOMAS MELITO, PH.D., DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE, U.S. ACCOUNTABILITY OFFICE

Mr. MELITO. Mr. Chairman and members of the subcommittee, the United States is the largest provider of food aid in the world, accounting for over half of all global food aid supplies intended to alleviate hunger and support development in low income countries. However, the number of food and humanitarian emergencies has more than doubled in recent years, especially in Africa. Despite increasing demand for food aid, rising transportation and business costs have contributed to a 52 percent decline in average tonnage delivered from 2001 to 2006. For the largest U.S. food aid program these costs now account for approximately 65 percent of expenditures, highlighting the need to improve the efficiency and effectiveness of food aid.

My testimony is based on a report that we issued in April. My statement today focuses on the need to, one, increase the efficiency of U.S. food aid programs in terms of the amount, timeliness and quality of food provided and, two, ensure the effectiveness of U.S. food aid so that it reaches the most vulnerable populations and does not cause negative market impact.

In the first finding we identified several factors that hinder the efficiency of U.S. food aid programs. First, existing funding and planning processes increase delivery costs and time frames. These processes make it difficult to schedule procurement to avoid commercial peaks in demand. This often results in higher prices and keeps these purchases more evenly distributed throughout the year.

Second, current transportation and contracting practices often differ from commercial practices, increasing food aid costs.

Third, legal requirements within the food aid program result in the awarding of food aid contracts to more expensive providers. For example, cargo preference laws require 75 percent of food aid to be shipped on U.S. flag carriers which are generally more costly than

foreign flag carriers. Department of Transportation reimburses certain transportation costs, but the efficiency of these reimbursements varies.

Fourth, coordination between U.S. agencies and stakeholders to track and respond to food delivery problems has been inadequate. For example, while food spoilage has been a long-standing concern, U.S. agencies lack a coordinated system to track and respond to food quality complaints systematically. However, U.S. agencies have taken measures to improve their ability to provide food aid on a timelier basis. Specifically, USAID has been pre-positioning commodities for the past several years and plans to continue this practice. Additionally, U.S. agencies have recently implemented a new transportation bid process in order to increase competition and reduce time frames. Although both efforts may result in food aid reaching vulnerable populations more quickly in an emergency, their long-term cost effectiveness has not been measured. Despite these efforts, the current practice of using food aid as a means to generate cash for development projects, known as monetization, is an inherently insufficient use of resources. While the projects funded through monetization are important, available resources are diminished by the costs of procuring, transporting and handling food as well as the costs of marketing and selling it to generate cash.

Furthermore, NGOs must maintain the expertise necessary to sell food aid abroad, which diverts resources from their core mission. In addition, U.S. agencies do not maintain data electronically on the revenues generated from monetization, impeding their ability to adequately monitor the degree to which monetization revenues cover costs.

I will now turn to the second main finding. Various challenges limit the effective use of food aid to alleviate hunger. Ensuring food aid reaches the most vulnerable populations is critical to enhancing effectiveness and avoiding negative market impact in recipient countries. Specific factors that impede the effective use of food aid include the following: First, challenging operating environments characterized by poor infrastructure and lack of physical safety and security which restrict access to populations in need and cause delays.

Second, insufficient coordination among key stakeholders resulting in disparate estimates of food needs, for example, separate assessments by host governments World Food Programme and NGOs, have resulted in significantly different estimates, resulting in delays in donor assistance until the various stakeholders reach agreement.

Third, difficulties in identifying the most vulnerable groups and understanding the causes of their vulnerability.

Fourth, resource constraints that aversely affect the timing and quality of assessments as well as the quantity of food and other assistance. For example, U.S. food aid funding to conduct assessments prior to program implementation is limited.

Fifth, impediments to improving nutritional quality of U.S. food aid, including the lack of an interagency mechanism to update food aid products and specifications. This may result in recipients not receiving the most nutritious or appropriate food.

Finally, USAID and USDA do not sufficiently monitor food aid programs, particularly in recipient countries. This is due to limited staff availability, competing priority and restrictions in the use of food aid resources. As a result, U.S. agencies may not be sufficiently accomplishing the goals of getting the right food to the right people at the right time. In our April report GAO recommended that USAID, USDA and Department of Transportation work together to enhance the efficiency and effectiveness of U.S. food aid by instituting measures to improve logistical planning, transportation contracting, and monitoring food aid among other actions.

Mr. Chairman, this completes my prepared statement. I would be happy to address any questions you or other members of the subcommittee may have. Thank you.

[The prepared statement of Mr. Melito follows:]

United States Government Accountability Office

GAO

Committee on Foreign Affairs, Subcommittee on Africa and Global Health, House of Representatives

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FOREIGN ASSISTANCE

Various Challenges Limit the Efficiency and Effectiveness of U.S. Food Aid

Statement of Thomas Melito, Director
International Affairs and Trade

GAO-07-905T

GAO
Accountability-Integrity-Reliability

Highlights

Highlights of GAO-07-905T, a testimony before the Chairman, House Committee on Foreign Affairs, Subcommittee on Africa and Global Health

Why GAO Did This Study

The United States is the largest global food aid donor, accounting for over half of all food aid supplies to alleviate hunger and support development. Since 2002, Congress has appropriated an average of $2 billion per year for U.S. food aid programs, which delivered an average of 4 million metric tons of food commodities per year. Despite growing demand for food aid, rising business and transportation costs have contributed to a 52 percent decline in average tonnage delivered between 2001 and 2006. These costs represent 65 percent of total emergency food aid, highlighting the need to maximize its efficiency and effectiveness. This testimony is based on a recent GAO report that examined some key challenges to the (1) efficiency of U.S. food aid programs and (2) effective use of U.S. food aid.

What GAO Recommends

GAO recommended that the Administrator of the U.S. Agency for International Development (USAID) and the Secretaries of the U.S. Department of Agriculture (USDA) and the Department of Transportation (DOT) enhance the efficiency and effectiveness of U.S. food aid by improving logistical planning, transportation contracting, and monitoring, among other actions. DOT supports the transportation initiatives GAO highlighted. While recognizing that improvements can be made, USAID and USDA did not directly respond to GAO's recommendations but disagreed with some of GAO's analysis.

www.gao.gov/cgi-bin/getrpt?GAO-07-905T

To view the full product, including the scope and methodology, click on the link above. For more information, contact Thomas Melito (202) 512-9601 (MelitoT@gao.gov).

May 24, 2007

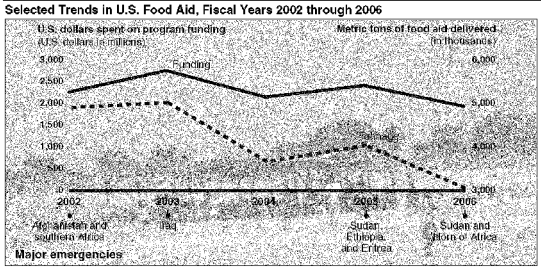
FOREIGN ASSISTANCE

Various Challenges Limit the Efficiency and Effectiveness of U.S. Food Aid

What GAO Found

Multiple challenges hinder the efficiency of U.S. food aid programs by reducing the amount, timeliness, and quality of food provided. Factors that cause inefficiencies include (1) insufficiently planned food and transportation procurement, reflecting uncertain funding processes, that increases delivery costs and time frames; (2) ocean transportation and contracting practices that create high levels of risk for ocean carriers, resulting in increased rates; (3) legal requirements that result in awarding of food aid contracts to more expensive service providers; and (4) inadequate coordination between U.S. agencies and food aid stakeholders in tracking and responding to food and delivery problems. U.S. agencies have taken some steps to address timeliness concerns. USAID has been stocking or prepositioning food domestically and abroad, and USDA has implemented a new transportation bid process, but the long-term cost effectiveness of these initiatives has not yet been measured. The current practice of using food aid to generate cash for development projects—monetization—is also inherently inefficient. Furthermore, since U.S. agencies do not collect monetization revenue data electronically, they are unable to adequately monitor the degree to which revenues cover costs.

Selected Trends in U.S. Food Aid, Fiscal Years 2002 through 2006



Source: GAO analysis of USAID and USDA data.

Numerous challenges limit the effective use of U.S. food aid. Factors contributing to limitations in targeting the most vulnerable populations include (1) challenging operating environments in recipient countries; (2) insufficient coordination among key stakeholders, resulting in disparate estimates of food needs; (3) difficulties in identifying vulnerable groups and causes of their food insecurity; and (4) resource constraints that adversely affect the timing and quality of assessments, as well as the quantity of food and other assistance. Further, some impediments to improving the nutritional quality of U.S. food aid may reduce its benefits to recipients. Finally, U.S. agencies do not adequately monitor food aid programs due to limited staff, competing priorities, and restrictions on the use of food aid resources. As a result, these programs are vulnerable to not getting the right food to the right people at the right time.

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear today to discuss ways to improve the efficiency and effectiveness of U.S. food aid. The United States is the largest provider of food aid in the world, accounting for over half of all global food aid supplies intended to alleviate hunger and support development in low-income countries. Since its last reauthorization of the Farm Bill in 2002, Congress has appropriated an average of $2 billion per year in annual and supplemental funding for U.S. international food aid programs, which delivered an average of 4 million metric tons of agricultural commodities per year. In 2006, the largest U.S. food aid program, Title II of Public Law 480, benefited over 70 million people through emergency and development-focused projects. However, about 850 million people in the world are currently undernourished—a number that has remained relatively unchanged since the early 1990s, according to United Nations (UN) Food and Agriculture Organization (FAO) estimates.[1] Furthermore, the number of food and humanitarian emergencies has doubled from an average of about 15 per year in the 1980s to more than 30 per year since 2000, due in large part to increasing conflicts, poverty, and natural disasters around the world. Despite the growing demand for food aid, rising transportation and business costs have contributed to a 52 percent decline in average tonnage delivered from 2001 to 2006.[2] For the largest U.S. food aid program, these noncommodity costs now account for approximately 65 percent of program expenditures, highlighting the need to maximize the efficiency and effectiveness of U.S. food aid.

My testimony is based on a report that we issued on April 13, 2007.[3] Today, I will focus on the need to (1) increase the efficiency of U.S. food aid programs in terms of the amount, timeliness, and quality of food provided; and (2) ensure the effectiveness of U.S. food aid so that it reaches the most vulnerable populations and does not cause negative market impact. We define efficiency as the extent to which a program is acquiring, protecting, and using its resources in the most productive manner. We define

[1]According to FAO's 2006 *The State of Food and Agriculture* report, conditions in Asia have improved while those in Africa have worsened.

[2]While we acknowledge that commodity prices also affect tonnage, there has been no clear trend in total average commodity prices for food aid programs from fiscal years 2002 through 2006.

[3]GAO, *Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid*, GAO-07-560 (Washington, D.C.: Apr. 13, 2007).

effectiveness as the extent to which U.S. food aid programs are being used to achieve their goals and objectives.

In preparing this testimony, we relied on our completed review of the efficiency and effectiveness of U.S. food aid. To address our objectives, we analyzed food aid procurement and transportation data provided by the U.S. Department of Agriculture's (USDA) Kansas City Commodity Office (KCCO); reviewed food aid proposals and funding data provided by USDA and the U.S. Agency for International Development (USAID); conducted interviews with U.S. agencies, U.S.- and foreign-flag ocean carriers, nongovernmental organizations (NGO), freight forwarders, and agricultural commodity groups; conducted fieldwork in Rome, Ethiopia, Kenya, and Zambia; and visited ports in Texas, South Africa and Kenya, as well as prepositioning sites in Louisiana and Dubai. We also discussed our preliminary findings with a roundtable of 15 food aid experts and practitioners. We conducted the work for our report and this testimony between May 2006 and March 2007 in accordance with generally accepted government auditing standards.

Summary

Multiple challenges in logistics combine to hinder the efficiency of U.S. food aid programs by reducing the amount, timeliness, and quality of food provided. Specific factors that cause inefficiencies in food aid delivery include the following:

- *Insufficiently planned food and transportation procurement, reflecting uncertain funding processes, that increases food aid delivery costs and time frames.* Difficulty in timing food procurement and transportation to avoid commercial peaks in demand often results in higher prices than if such purchases were more evenly distributed throughout the year.
- *Ocean transportation contracting practices that differ from commercial practices and create high levels of risk for ocean carriers, increasing food aid costs.* For example, food aid transportation contracts often hold ocean carriers responsible for logistical problems occurring at the load port or costly delays at destination when the port or implementing organization is not ready to receive the cargo. Ocean carriers factor these costs into their freight rates, driving up the cost of food aid.
- *Legal requirements that result in the awarding of food aid contracts to more expensive providers and contribute to delivery delays.* For example, cargo preference laws require 75 percent of food aid to be shipped on U.S.-flag carriers, which are generally more costly than foreign-

flag carriers. The U.S. Department of Transportation (DOT) reimburses certain transportation costs, but the sufficiency of these reimbursements varies.

- *Inadequate coordination between U.S. agencies and stakeholders in tracking and responding to food and delivery problems.* For example, while food spoilage has been a long-standing concern, USAID and USDA lack a shared, coordinated system to systematically track and respond to food quality complaints.

To enhance the efficiency of food aid delivery, U.S. agencies have taken measures to improve their ability to provide food aid on a more timely basis. For example, USAID has been stocking food commodities, or prepositioning them, in Lake Charles (Louisiana) and Dubai (United Arab Emirates) for the past several years and is continuing this practice. Additionally, in February 2007, USAID and USDA implemented a new transportation bid process in an attempt to increase competition and reduce procurement time frames. Although both efforts may result in food aid reaching vulnerable populations faster in an emergency, their long-term cost-effectiveness has not yet been measured. Despite such initiatives to improve the process of delivering food aid, the current practice of using food aid as a means to generate cash for development projects—monetization—is an inherently inefficient use of resources. Monetization entails not only the costs of procuring, transporting, and handling food, but also the costs of marketing and selling it to generate cash for funding development projects. Furthermore, NGOs must maintain the expertise necessary to sell and market food aid abroad, which diverts resources from their core missions. In addition, U.S. agencies do not collect or maintain data electronically on the revenues generated from monetization. The absence of such electronic data impedes the agencies' ability to adequately monitor the degree to which monetization revenues can cover the costs.

Various challenges limit the effective use of food aid to alleviate hunger. Given limited food aid resources and increasing emergencies, ensuring that food aid reaches the most vulnerable populations—such as poor women who are pregnant or children who are malnourished—is critical to enhancing its effectiveness and avoiding negative market impact in recipient countries. Specific factors that impede the effective use of food aid include the following:

- *Challenging operating environments characterized by poor infrastructure and lack of physical safety and security, which restrict*

access to populations in need and cause delays. For example, we recently reported that frequent violence has hampered the ability of implementing organizations to access parts of the Darfur region of Sudan to provide food and other assistance to vulnerable populations.

- *Insufficient coordination among key stakeholders, resulting in disparate estimates of food needs.* For example, separate assessments by host governments, WFP, and NGOs have resulted in significantly different estimates of food needs and numbers of intended recipients, resulting in delays in donor assistance until the various stakeholders reach agreement on these estimates.

- *Difficulties in identifying the most vulnerable groups and understanding the causes of their vulnerability.* For example, it has been challenging for implementing organizations to determine the causes of chronic food insecurity—such as poor health and water quality, in addition to lack of food—and provide appropriate assistance.

- *Resource constraints that adversely affect the timing and quality of assessments, as well as the quantity of food and other assistance.* U.S. food aid funding available to conduct assessments in advance of program implementation is limited. Furthermore, in cases where recipients do not receive sufficient complementary assistance, they may be forced to sell part of their food rations to buy other basic necessities and, therefore, may not get the full health benefits of food aid.

Impediments to improving the nutritional quality of U.S. food aid, including a lack of an interagency mechanism to update food aid products and specifications, may result in recipients not receiving the most nutritious or appropriate food. For example, although U.S. agencies have undertaken some measures to improve the nutritional quality of food aid, such as updating food aid product specifications with fortification enhancements, they have not fully addressed some key concerns. Finally, USAID and USDA do not sufficiently monitor food aid programs, particularly in recipient countries, due to limited staff, competing priorities, and restrictions on the use of food aid resources. For example, although USAID had some non-Title II-funded staff assigned to monitoring, it had only 23 Title II-funded staff assigned to missions and regional offices in 10 countries to monitor programs costing about $1.7 billion in 55 countries in fiscal year 2006. USDA has even less of a field presence for monitoring than USAID. As a result, U.S. agencies may not be accomplishing their goals of getting the right food to the right people at the right time.

Our report made recommendations to the Administrator of USAID, the Secretary of Agriculture, and the Secretary of Transportation to work to improve the efficiency of U.S. food aid delivery, including instituting measures to (1) improve food aid logistical planning, (2) modernize transportation contracting practices, (3) update reimbursement methodologies to minimize the cost impact of cargo preference regulations on food aid transportation expenditures, (4) track and resolve food quality complaints systematically, and (5) develop an information collection system to track monetization revenues and costs. Further, to improve the effective use of food aid, we recommended that the Administrator of USAID and the Secretary of Agriculture also work to (1) enhance the reliability and use of needs assessments; (2) determine ways to provide adequate nonfood resources, when appropriate; (3) develop a coordinated interagency mechanism to update food aid specifications and products; and (4) improve monitoring of food aid programs.

In commenting on the draft of our report, DOT stated that it supports the transportation initiatives we highlighted. While recognizing that improvements can be made, USAID and USDA did not directly respond to our recommendations but disagreed with some of our analysis.

Background

Countries Provide Food Aid through In-kind or Cash Donations, with the United States the Largest Donor

Countries provide food aid through either in-kind donations or cash donations. In-kind food aid is food procured and delivered to vulnerable populations,[4] while cash donations are given to implementing organizations to purchase food in local, regional, or global markets. U.S. food aid programs are all in-kind, and no cash donations are allowed under current legislation. However, the administration has recently proposed legislation to allow up to 25 percent of appropriated food aid funds to purchase commodities in locations closer to where they are needed.

[4]In-kind food aid usually comes in two forms: nonprocessed foods and value-added foods. Nonprocessed foods consist of whole grains like wheat, corn, peas, beans, and lentils. Value-added foods consist of processed foods that are manufactured and fortified to particular specifications and include milled grains, such as cornmeal and bulgur, and fortified milled products, such as corn soy blend (CSB) and wheat soy blend (WSB).

Other food aid donors have also recently moved from providing primarily in-kind aid to more or all cash donations for local procurement. Despite ongoing debates as to which form of assistance are more effective and efficient, the largest international food aid organization, the United Nations (UN) World Food Program (WFP), continues to accept both.[5] The United States is both the largest overall and in-kind provider of food aid to WFP, supplying about 43 percent of WFP's total contributions in 2006 and 70 percent of WFP's in-kind contributions in 2005. Other major donors of in-kind food aid in 2005 included China, the Republic of Korea, Japan, and Canada.

Most U.S. Food Aid Goes to Africa, with Nonemergency Funding Declining

In fiscal year 2006, the United States delivered food aid through its largest program to over 50 countries, with about 80 percent of its funding allocations for in-kind food donations going to Africa, 12 percent to Asia and the Near East, 7 percent to Latin America, and 1 percent to Eurasia. Of the 80 percent of the food aid funding going to Africa, 30 percent went to Sudan, 27 percent to the Horn of Africa, 18 percent to southern Africa, 14 percent to West Africa, and 11 percent to Central Africa.

Over the last several years, funding for nonemergency U.S. food aid programs has declined. For example, in fiscal year 2001, the United States directed approximately $1.2 billion of funding for international food aid programs to nonemergencies. In contrast, in fiscal year 2006, the United States directed approximately $698 million for international food aid programs to nonemergencies.

[5]WFP relies entirely on voluntary contributions to finance its humanitarian and development projects, and national governments are its principal source of funding. More than 80 countries fund the humanitarian and development projects of WFP.

U.S. Food Aid Is Delivered through Multiple Programs with Multiple Mandates

U.S. food aid is funded under four program authorities and delivered through six programs administered by USAID and USDA;[6] these programs serve a range of objectives, including humanitarian goals, economic assistance, foreign policy, market development, and international trade.[7] (For a summary of the six programs, see app. I.) The largest program, P.L. 480 Title II, is managed by USAID and represents approximately 74 percent of total in-kind food aid allocations over the past 4 years, mostly to fund emergency programs. The Bill Emerson Humanitarian Trust, a reserve of up to 4 million metric tons of grain, can be used to fulfill P.L. 480 food aid commitments to meet unanticipated emergency needs in developing countries or when U.S. domestic supplies are short.[8] U.S. food aid programs also have multiple legislative and regulatory mandates that affect their operations. One mandate that governs U.S. food aid transportation is cargo preference, which is designed to support a U.S.-flag commercial fleet for national defense purposes. Cargo preference requires that 75 percent of the gross tonnage of all government-generated cargo be transported on U.S.-flag vessels. A second transportation mandate, known as the Great Lakes Set-Aside, requires that up to 25 percent of Title II bagged food aid tonnage be allocated to Great Lakes ports each month.[9]

[6]The authority for these U.S. international food aid programs is provided through P.L. 480 (the Agricultural Trade Development and Assistance Act of 1954, as amended, 7 USC § 1701 et seq.); the Food for Progress Act of 1985, as amended, 7 USC § 1736o; section 416(b) of the Agricultural Act of 1949, as amended, 7 USC § 1431; and the Farm Security and Rural Investment Act of 2002 (P.L. 107-171).

[7]See GAO, *Food Aid: Experience of U.S. Programs Suggests Opportunities for Improvement*, GAO-02-801T (Washington, D.C.: June 4, 2002).

[8]As of January 2007, the Bill Emerson Humanitarian Trust held about $107.2 million in cash and about 915,350 metric tons of wheat valued at $133.9 million. The Food Assistance Policy Council—including representatives from USDA, USAID, and other key government agencies—oversees the trust. The Secretary of Agriculture authorizes the use of the trust in consultation with the Food Assistance Policy Council.

[9]P.L. 104-239, 110 Stat. 3138. See GAO, *Maritime Security Fleet: Many Factors Determine Impact of Potential Limits on Food Aid Shipments*, GAO-04-1065 (Washington, D.C.: Sept. 13, 2004).

Multiple Challenges Hinder the Efficiency of U.S. Food Aid Programs

Multiple challenges in logistics hinder the efficiency of U.S. food aid programs by reducing the amount, timeliness, and quality of food provided. While in some cases agencies have tried to expedite food aid delivery, most food aid program expenditures are for logistics, and the delivery of food from vendor to village is generally too time-consuming to be responsive in emergencies. Factors that increase logistical costs and lengthen time frames include uncertain funding processes and inadequate planning, ocean transportation contracting practices, legal requirements, and inadequate coordination in tracking and responding to food delivery problems. While U.S. agencies are pursuing initiatives to improve food aid logistics, such as prepositioning food commodities and using a new transportation bid process, their long-term cost-effectiveness has not yet been measured. In addition, the current practice of selling commodities to generate cash resources for development projects—monetization—is an inherently inefficient yet expanding use of food aid.

Various Logistical Factors Increase Delivery Costs and Lengthen Time Frames

Inadequately planned food and transportation procurement increases food aid delivery costs and time frames. U.S. agencies bunch their procurement, purchasing the largest share of food aid tonnage during the last quarter of each fiscal year, in part because USDA requires 6 months to approve programs and because USDA and USAID may not receive funding until the middle of a fiscal year (after the Office of Management and Budget has approved budget apportionments for the agencies or through a supplemental appropriation). Higher food and transportation prices result from procurement bunching as suppliers try to smooth earnings by charging higher prices during their peak seasons and as food aid contracts must compete with seasonally high commercial demand. According to KCCO data for fiscal years 2002 through 2006, average commodity and transportation prices were each $12 to $14 per metric ton higher in the fourth quarter than in the first quarter of each year.[10] Although USAID has improved its cash flow management to achieve more stable monthly purchases in fiscal years 2004 and 2005, total food aid procurement has not been consistent enough to avoid the higher prices associated with bunching.

Ocean transportation contracting practices—such as freight and payment terms, claims processes, and time penalties—further increase ocean freight rates and contribute to delivery delays. DOT officials, experts, and ocean carriers emphasized that commercial transportation contracts include shared risk between buyers, sellers, and ocean carriers. In food aid

[10]These figures exclude prices for nonfat dry milk and vegetable oil.

transportation contracts, risks are disproportionately placed on ocean carriers, discouraging participation and resulting in expensive freight rates. For example, food aid transportation contracts often hold ocean carriers responsible for logistical problems occurring at the load port or costly delays at destination when the port or implementing organization is not ready to receive the cargo. Ocean carriers factor these costs into their freight rates, driving up the cost of food aid.

Legal requirements governing food aid procurement can also increase delivery costs and time frames, with program impacts dependent on the sufficiency of associated reimbursements. In awarding contracts, KCCO must meet various legal requirements, such as cargo preference and the Great Lakes Set-Aside. Each requirement may result in higher commodity and freight costs. Cargo preference laws, for example, require 75 percent of food aid to be shipped on U.S.-flag carriers, which are generally more expensive than foreign-flag carriers by an amount known as the ocean freight differential (OFD).[11] The total annual value of this cost differential between U.S.- and foreign-flag carriers averaged $134 million from fiscal years 2001 to 2005. DOT reimbursements have varied from $126 million in fiscal year 2002 to $153 million in fiscal year 2005.[12] However, USAID officials expressed concern that the OFD calculations do not fully account for the additional costs of shipping on older U.S. vessels or for contracts that did not receive a bid from a foreign carrier. Finally, USAID and DOT officials have not yet agreed on whether cargo preference applies to shipments from prepositioning sites.

U.S. agencies and stakeholders do not coordinate adequately to respond to food and delivery problems when they arise. For example, while food spoilage has been a long-standing concern, USAID and USDA lack a shared, coordinated system to track and respond to food quality complaints.[13] Having disparate quality complaint tracking mechanisms that

[11]U.S.-flag rates are subject to DOT's Fair and Reasonable Rate guidelines, which take into account operating and capital costs, cargo handling costs, and depreciation. See 46 C.F.R. 382.3.

[12]The Food Security Act of 1985 requires DOT to reimburse food aid agencies for a portion of the OFD cost and for ocean transportation costs that exceed 20 percent of total program costs. Reimbursement methodologies are governed by a 1987 interagency memorandum of understanding.

[13]GAO uses the term food quality to refer to the degree of food spoilage, infestation, contamination and/or damage that can result from factors such as inadequate fumigation, poor warehouse conditions, and transportation delays.

monitor different levels of information, KCCO, USDA and USAID are unable to determine the extent of and trends in food quality problems. In addition, because implementing organizations track food quality concerns differently, if at all, it is difficult for them to coordinate to share concerns with each other and with U.S. government agencies. For example, since WFP—which accounts for approximately 60 percent of all U.S. food aid shipments—independently handles its own claims, KCCO officials are unable to track the quality of food aid delivery programwide. Although KCCO established a hotline to provide assistance on food quality complaints, KCCO officials stated that it was discontinued because USDA and USAID officials wanted to receive complaints directly, rather than from KCCO.

Prepositioning and New Transportation Bid Process Could Improve Efficiency, but Their Related Long-term Costs and Benefits Have Not Yet Been Measured

To improve timeliness in food aid delivery, USAID has prepositioned food aid on a limited basis,[14] and KCCO is implementing a new transportation bid process.[15] USAID has used warehouses in Lake Charles (Louisiana) since 2002 and Dubai (United Arab Emirates) since 2004 to stock commodities in preparation for food aid emergencies, and it is now adding a site in Djibouti, East Africa. Prepositioning is beneficial because it allows USAID to bypass lengthy procurement processes and to reduce transportation time frames. USAID officials told us that diverting food aid cargo to the site of an emergency before it reaches a prepositioning warehouse further reduces response time and eliminates storage costs. However, agencies face several challenges to their effective management of this program. For example, inadequate inventory management increases the risk of cargo infestation, and limited monitoring and evaluation funds constrain USAID's oversight capacity. Regarding KCCO's transportation bid process, KCCO expects this new system to cut 2 weeks from procurement time frames and to reduce cargo handling costs as cargo loading becomes more consolidated. However, the long-term cost-effectiveness of both prepositioning and the new bid process have not yet been measured.

[14]P.L. 480 authorizes USAID to preposition food aid both domestically and abroad with a cap on storage expenses of $2 million per fiscal year.

[15]In the prior two–step system, during a first procurement round, commodity vendors bid on contracts and ocean carriers indicated potential freight rates. Carriers provided actual rate bids during a second procurement round once the location of the commodity vendor had been determined. In the new one-step system, ocean carriers will bid at the same time as commodity vendors.

Monetization Is an Inefficient, Expanding Practice and Agencies' Lack of Electronic Data Impedes Their Monitoring Ability

The current practice of selling commodities as a means to generate resources for development projects—monetization—is an inherently inefficient yet expanding use of food aid. Monetization entails not only the costs of procuring, shipping, and handling food, but also the costs of marketing and selling it in recipient countries. Furthermore, the time and expertise needed to market and sell food abroad requires NGOs to divert resources from their core missions. However, the permissible use of revenues generated from this practice and the minimum level of monetization allowed by the law have expanded. The monetization rate for Title II nonemergency food aid has far exceeded the minimum requirement of 15 percent,[16] reaching close to 70 percent in 2001 but declining to about 50 percent in 2005.

Despite these inefficiencies, U.S. agencies do not collect or maintain data electronically on monetization revenues, and the lack of such data impedes the agencies' ability to fully monitor the degree to which revenues can cover the costs related to monetization. USAID used to require that monetization revenues cover at least 80 percent of costs associated with delivering food to recipient countries, but this requirement no longer exists. Neither USDA nor USAID was able to provide us with data on the revenues generated through monetization. These agencies told us that the information should be in the results reports, which are in individual hard copies and not available in any electronic database.

Various Challenges Reduce the Effective Use of Food Aid

Various challenges to implementation, improving nutritional quality, and monitoring reduce the effectiveness of food aid programs in alleviating hunger. Since U.S. food aid assists only about 11 percent of the estimated hungry population worldwide, it is critical that donors and implementers use it effectively by ensuring that it reaches the most vulnerable populations and does not cause negative market impact. However, challenging operating environments and resource constraints limit implementation efforts in terms of developing reliable estimates of food needs and responding to crises in a timely manner with sufficient food and complementary assistance. Furthermore, some impediments to improving the nutritional quality of U.S. food aid, including lack of interagency coordination in updating food aid products and specifications, may

[16]In 1990, Congress increased the minimum monetization rate to 10 percent and the permissible use of monetized revenues was expanded to include broad development purposes, including agricultural development. In 1996, the minimum monetization level was further increased to 15 percent for non-emergency Title II.

prevent the most nutritious or appropriate food from reaching intended recipients. Despite these concerns, USAID and USDA do not sufficiently monitor food aid programs, particularly in recipient countries, as they have limited staff and competing priorities and face legal restrictions on the use of food aid resources.

Challenging Operating Environments Have Hindered Implementation of Food Aid Programs in Recipient Countries

Difficult operating environments characterized by poor infrastructure and concerns about physical safety and security have impeded access to the most vulnerable populations and caused delays in providing food aid, especially in conflict zones. We recently reported that ongoing violence and an increase in attacks on humanitarian staff in the Darfur region of Sudan limited the ability of implementing organizations to access parts of the region and provide food and other assistance to vulnerable populations including internally displaced persons. As a result, approximately 460,000 people in northern Darfur were cut off from emergency food aid in July 2006, and 355,000 people were still not receiving food aid in August 2006, according to UN sources.[17]

Insufficient coordination among key stakeholders and use of noncomparable methods has resulted in disparate assessments of food needs and numbers of recipients. For example, according to an NGO official in Zambia, the Zambian government and NGOs conducted two parallel but separate assessments in 2005 that resulted in significantly different estimates. This discrepancy led to a 6-month delay in declaring an emergency while the difference in assessment results was resolved.

Accurately identifying vulnerable populations and the causes of their vulnerability has been difficult due to the complexity of factors—such as poverty, environmental degradation, and disease—that contribute to food insecurity.[18] For example, donors and implementers misdiagnosed the cause of the 2005 food crisis in Niger as a lack of food availability, when in fact it was caused by other factors such as health, water, and sanitation problems, according to WFP and USAID assessments. As a result, although the crisis reached emergency proportions in February 2005, donors did not

[17] GAO, *Darfur Crisis: Progress in Aid and Peace Monitoring Threatened by Ongoing Violence and Operational Challenges*, GAO-07-9 (Washington, D.C.: Nov. 9, 2006).

[18] According to WFP officials in southern Africa, identifying people with HIV/AIDS who need food aid has been very difficult because the social stigma associated with the disease may discourage intended recipients from getting tested for it. It is also difficult to assess whether deterioration in health is due to hunger or the disease itself.

respond until May 2005 and recipients did not receive food until August 2005. The request for aid was revised 7 times in the interim because insufficient understanding of the causes of the crisis initially led to a disagreement between the recipient government and WFP on how to respond to the situation.

Limitations on the amount and use of cash resources have adversely affected the quality and timing of assessments, particularly for Title II-funded programs. U.S. agencies provide very limited or no resources to conduct assessments prior to the implementing organizations' submission of proposals requesting food aid.[19] This is because requests for cash for materials or activities related to U.S. food aid funding, such as assessments, must accompany requests for food commodities. Since cash is in effect tied to requests for commodities, the U.S. government cannot provide assistance for activities such as needs assessments that may enhance the use of food aid but may not require commodities at the same time.

Resource constraints have also limited the quantity of food and other complementary assistance that is provided to intended recipients.[20] In 2003, we reported that due to the lack of adequate donor funding in Afghanistan, food rations to refugees and internally displaced persons were reduced to a third of the original planned amount, and program implementation was delayed by up to 10 weeks in some cases.[21] During our field work, we found instances where insufficient complementary assistance to meet basic needs in addition to food has also limited the benefits of food aid to recipients. For example, people with HIV/AIDS receiving food aid in Wukuru, Ethiopia, informed us that they sold part of their food rations to pay for other basic necessities because they lack other assistance or income.

[19]USAID provides NGOs limited funding through institutional capacity-building grants that are not directly linked to proposals requesting food for projects. Additionally, in some cases, USAID has provided resources other than Title II to undertake assessments and data collection efforts.

[20]To ensure that limited food aid resources are targeted to areas where they are most needed, USAID identified 15 priority countries in 2006 for nonemergency or development programs. According to USAID officials, focusing resources on the most vulnerable countries will help to build their resilience and ensure that food aid will be less necessary in the future.

[21]GAO, *Foreign Assistance: Lack of Strategic Focus and Obstacles to Agricultural Recovery Threaten Afghanistan's Stability*, GAO-03-607 (Washington, D.C.: June 2003).

Impediments to Improving Nutritional Quality Reduce the Benefits of Food Aid

Some impediments to improving nutritional quality further reduce the effectiveness of food aid. Although U.S. agencies have made efforts to improve the nutritional quality of food aid, the appropriate nutritional value of the food and the readiness of U.S. agencies to address nutrition-related quality issues remain uncertain. Further, existing interagency food aid working groups have not resolved coordination problems on nutrition issues. Moreover, USAID and USDA do not have a central interagency mechanism to update food aid products and their specifications.[22] As a result, vulnerable populations may not be receiving the most nutritious or appropriate food from the agencies, and disputes may occur when either agency attempts to update the products.

U.S. Agencies Do Not Sufficiently Monitor Food Aid Programs

Although USAID and USDA require implementing organizations to regularly monitor and report on the use of food aid, these agencies have undertaken limited field-level monitoring of food aid programs. Agency inspectors general have reported that monitoring has not been regular and systematic, that in some cases intended recipients have not received food aid, or that the number of recipients could not be verified. Our audit work also indicates that monitoring has been insufficient due to various factors including limited staff, competing priorities, and legal restrictions on the use of food aid resources. In fiscal year 2006, although USAID had some non-Title II-funded staff assigned to monitoring, it had only 23 Title II-funded USAID staff assigned to missions and regional offices in 10 countries to monitor programs costing about $1.7 billion in 55 countries.[23] USDA administers a smaller proportion of food aid programs than USAID and its field-level monitoring of food aid programs is more limited. Without adequate monitoring from U.S. agencies, food aid programs may not effectively direct limited food aid resources to those populations most in need. As a result, agencies may not be accomplishing their goal of getting the right food to the right people at the right time.

[22]Food aid commodity specifications include specific requirements that the commodity vendor must follow to meet USDA's contracts for producing and delivering the commodities. The specifications contain standards relating to the quality, appearance, and delivery of the product; conditions under which it is to be grown or produced; explicit descriptions regarding its nutrient content; and details of the inspection process.

[23]In addition to Title II-funded positions, USAID missions and regional offices have positions that are funded through other sources, such as development assistance or operating budgets for these offices. Although staff in these positions may participate in monitoring food aid programs, they also administer other development assistance programs.

Conclusions

U.S. international food aid programs have helped hundreds of millions of people around the world survive and recover from crises since the Agricultural Trade Development and Assistance Act (P.L. 480) was signed into law in 1954. Nevertheless, in an environment of increasing emergencies, tight budget constraints, and rising transportation and business costs, U.S. agencies must explore ways to optimize the delivery and use of food aid. U.S. agencies have taken some measures to enhance their ability to respond to emergencies and streamline the myriad processes involved in delivering food aid. However, opportunities for further improvement remain to ensure that limited resources for U.S. food aid are not vulnerable to waste, are put to their most effective use, and reach the most vulnerable populations on a timely basis.

To improve the efficiency of U.S. food aid—in terms of its amount, timeliness, and quality—we recommended in our previous report that the Administrator of USAID and the Secretaries of Agriculture and Transportation (1) improve food aid logistical planning through cost-benefit analysis of supply-management options; (2) work together and with stakeholders to modernize ocean transportation and contracting practices; (3) seek to minimize the cost impact of cargo preference regulations on food aid transportation expenditures by updating implementation and reimbursement methodologies to account for new supply practices; (4) establish a coordinated system for tracking and resolving food quality complaints; and (5) develop an information collection system to track monetization transactions.

To improve the effective use of food aid, we recommended that the Administrator of USAID and the Secretary of Agriculture (1) enhance the reliability and use of needs assessments for new and existing food aid programs through better coordination among implementing organizations, make assessments a priority in informing funding decisions, and more effectively build on lessons from past targeting experiences; (2) determine ways to provide adequate nonfood resources in situations where there is sufficient evidence that such assistance will enhance the effectiveness of food aid; (3) develop a coordinated interagency mechanism to update food aid specifications and products to improve food quality and nutritional standards; and (4) improve monitoring of food aid programs to ensure proper management and implementation.

DOT, USAID, and USDA—the three U.S. agencies to whom we direct our recommendations—provided comments on a draft of our report. These agencies—along with the Departments of Defense and State, FAO, and

WFP—also provided technical comments and updated information, which we have incorporated throughout the report as appropriate. DOT stated that it strongly supports the transportation initiatives highlighted in our report, which it agrees could reduce ocean transportation costs. USAID stated that we did not adequately recognize its recent efforts to strategically focus resources to reduce food insecurity in highly vulnerable countries. Although food security was not a research objective of this study, we recognize the important linkages between emergencies and development programs and used the new USAID Food Security Strategic Plan for 2006-2010 to provide context, particularly in our discussion on the effective use of food aid. USDA took issue with a number of our findings and conclusions because it believes that hard analysis was lacking to support many of the weaknesses that we identified. We disagree. Each of our report findings and recommendations was based on a rigorous and systematic review of multiple sources of evidence, including procurement and budget data, site visits, previous audits, agency studies, economic literature, and testimonial evidence collected in both structured and unstructured formats.

Mr. Chairman and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to answer any questions that you may have.

GAO Contact and Staff Acknowledgments

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Appendix I: Program Authorities

The United States has principally employed six programs to deliver food aid: Public Law (P.L.) 480 Titles I, II, and III; Food for Progress; the McGovern-Dole Food for Education and Child Nutrition; and Section 416(b). Table 1 provides a summary of these food aid programs.

Table 1: U.S. Food Aid by Program Authority

	P.L. 480					
Program	**Title I**	**Title II**	**Title III**	**Food for Progress**	**McGovern-Dole Food for Education and Child Nutrition**	**Section 416(b)**
Total budget[a]	$30 million	$1,706.9 million	0[b]	$207.8 million	$97 million	$20.8 million[c]
Managing agency	USDA	USAID	USAID	USDA	USDA[d]	USDA
Year established	1954	1954	1954	1985	2003	1949
Description of assistance	Concessional sales of agricultural commodities	Donation of commodities to meet emergency and nonemergency needs; commodities may be sold in-country for development purposes	Donation of commodities to governments of least developed countries	Donation or credit sale of commodities to developing countries and emerging democracies	Donation of commodities and provision of financial and technical assistance in foreign countries	Donations of surplus commodities to carry out purposes of P.L. 480 (Title II and Title III) and Food for Progress programs
Type of assistance	Nonemergency	Emergency and nonemergency	Nonemergency	Emergency and nonemergency	Nonemergency	Emergency and nonemergency
Implementing partners	Governments and private entities	World Food Program and NGOs	Governments	Governments, agricultural trade organizations, intergovernmental organizations, NGOs, and cooperatives	Governments, private entities, intergovernmental organizations	See implementing partners for Title II, Title III, and Food for Progress programs

Source: GAO analysis based on USAID and USDA data.

[a]Budget data are for fiscal 2006. USDA data represent programmed funding, while USAID data represent appropriated funds as of August 2006.

[b]This program has not been funded in recent years.

[c]This program is currently inactive due to the unavailability of government-owned commodities. Because it is permanently authorized, it does not require reauthorization under the Farm Bill.

[d]USDA administers this program as stipulated by law, which states that the President shall designate one or more federal agencies.

Mr. PAYNE. Thank you very much. I thank both of you for your testimony. And let me start with Mr. Hammink. Could you explain for us the administration's rationale for its proposal to allocate up to 25 percent of the funds available for 480 Title II funds for local or regional purchases to meet emergency food aid needs, and secondly, as you think about that, how much money would that be approximately? And given that the majority of the emergency food aid is channeled to Africa, and that in Africa there is very little surplus to buy, would it be better or could we spend that much money in fiscal year on regional purchases of food more effectively?

Mr. HAMMINK. As you can read in the administration's farm bill proposals, this is something that the administration has been requesting for several years. The rationale revolves mainly around trying to save lives. There are instances where a ceasefire might open up a pipeline to get food in quickly to people who are right on the edge. There are instances where a conflict comes up quickly or a natural disaster hits where food is just not available, our U.S. food is just not available. And the idea behind this would give us the flexibility, give us that authority to quickly get in there and get food in where it is needed for people who need it quickly before our food can arrive from either the pre-positioned sites or from the United States.

I think that it is important to point out that our partners, WFP and American NGOs, have for many years now been procuring food locally. They have experience in how to do that, and we are confident that they would be able to do that in the most effective way. We of course would make sure we are confident in terms of the look at impacting on markets and make sure the quality of the food is correct.

Thank you.

Mr. PAYNE. Thank you very much. The Maritime Aid Coalition claims that cash for local purchase will undercut support for Public Law 480 and will likely result in a decline in food aid, and I wonder what USAID's standpoint is. Is there any validity to that claim from the administration's point of view?

Mr. HAMMINK. The request is for the authority to use up to 25 percent of the appropriated amount of Title II. That is when a major emergency hits. Even at that level it still represents what would otherwise be a very, very small amount, less than 1 percent of overall U.S. agricultural exports. So we don't think this would undercut support for food aid.

Mr. PAYNE. Dr. Melito, let me ask you about the Maritime Food Aid Coalition. It actually claims that foreign purchase of food to respond to an emergency would not necessarily get food to where it is needed faster than say diverting a shipment of food aid on the high seas or through pre-positioning. Is the coalition's claim accurate in your opinion? Could pre-positioning or diversion of ships on the high seas provide as fast a response as local or regional purchases?

Mr. MELITO. We report that on average it is taking 4 to 6 months for U.S. food to arrive where it is needed. And this often is too late for certain emergencies. There have been some cases where food which was intended for the pre-positioning site was redirected, and arrived quickly. The best case where this occurred was the tsu-

nami. But under current authorizations, a very small percentage of food goes to the pre-positioning site. So this couldn't be used on a large scale under the current plan. So under the current structure, most food takes 4 to 6 months.

Mr. PAYNE. Thank you. Well, I will yield. Mr. Smith.

Mr. SMITH OF NEW JERSEY. Thank you very much, Mr. Chairman. Let me ask my first question if I could. In the recent aid report, the GAO recommended that food and implementing agencies should enhance reliability and use of needs assessment for new and existing food aid programs, for better existing programs, and make assessments a priority in forming funding decisions. USAID notes in response to the GAO report that needs assessment is a priority and it has developed a famine early warning system to provide food need assessments. So my question is about the famine early warning system.

How well is it working? In what countries have we found it to be the most efficient? A second question, if I could, would be on the whole issue of transportation costs. One of the rationales for the 25 percent I would think would be relative to transportation costs. But I have noted or seen or read that transportation costs are as high as up to 55 percent of Public Law 480 Title II moneys. Out of the $1.7 billion in 2006, $929 million were spent getting it there, the transportation costs. And my question would be, how much of that cost can be averted, and therefore beefing up more procurement, more purchases, because of cargo preference and other issues? I mean, how much do we save if cargo preference weren't there and that funding would end up being on somebody's table as food?

If you could start with those two questions and then I will get back with one final question.

Mr. HAMMINK. Thank you, Congressman Smith. Let me start with FEWSNET. The Famine Early Warning System Network (FEWSNET) has been around for almost 20 years now. Especially in the past decade or so, it has definitely shown its worth. It allows USAID and other U.S. Government agencies as well as international organizations to be able to take a look 6 months out. As we heard, it takes 4 to 6 months to get our food there. We are really interested in where the next emergency may come. And they look at not only rainfall patterns, production patterns, household livelihood types of indicators. They work very closely with WFP. Where the government has the capacity, they are trying to build that capacity for early warning.

Let me give you just a quick example if I may. Recently in Somalia with the major movement of internally displaced people and even previously with what happened there in December, FEWSNET was able to tell us, you know, where things were going so that we were—and also where the food aid needs might be so that we were able to appropriately send the right amount of food to Somalia for emergency purposes. Would you like me just to continue?

Mr. SMITH OF NEW JERSEY. If you would on the——

Mr. HAMMINK. In terms of transportation costs, as the GAO audit report states, about 65 percent of our Title II dollar goes for other than the costs of buying commodities. That includes trans-

port, but it also includes other costs as well. So it is not only transport.

Mr. SMITH OF NEW JERSEY. Isn't 55 percent the transport cost?

Mr. HAMMINK. No. That is everything else, including what is internal transport, that is including funds to the implementing organization to actually program the food within countries. But a good chunk of it is no doubt transport, but I don't know exactly how much. That being said——

Mr. PAYNE. Could you estimate about how much it would be? Half maybe?

Mr. HAMMINK. Do you know, Dr. Melito?

Mr. SMITH OF NEW JERSEY. CRS put it at 55.

Mr. MELITO. It is hard to disentangle ocean transportation from inland transportation. But the large percent of it is ocean transportation. We have found that, for Title II, commodities are 35 percent. The 65 percent is ocean transportation procurement and inland transportation. We don't have a detailed breakdown of the——

Mr. HAMMINK. I am told the estimate is about 40 percent. We very much agree with the GAO recommendations, and we recently met with senior officials from the Department of Transportation Maritime Administration as well as USDA to see how we can take a look at the recommendations of the GAO and start implementing them, looking at the cost of transport, looking at updating our memorandum of understanding, and trying perhaps some new long-term transport contract arrangements to see if that will save money.

Mr. MELITO. As far as FEWSNET goes, it is important to realize it is intended to be a very high level macro initial assessment so it doesn't actually replace the more detailed assessments which must follow. I mean it does do a good job to alert you. But you still need to do a detailed assessment.

Mr. SMITH OF NEW JERSEY. Could you tell me how that works in Mozambique where any problem related to food in Mozambique used to be a breadbasket, now it has been turned into a very dire situation. But how it works—how you factor in political turmoil and regrettably the gross misdeeds of Mugabe.

Mr. PAYNE. You mean Zimbabwe? You said Mozambique.

Mr. SMITH OF NEW JERSEY. I meant Zimbabwe.

Mr. HAMMINK. Sure. FEWSNET has an office in Harare and they have been there for many years. They work very closely with international organizations, with USAID and the U.S. Embassy and with local—well, international NGOs that are based there. And they do come up with different ways of assessment. Obviously you have the government assessments, and then you have other assessments, including looking at especially production. And all those coming together give us a broader picture.

Mr. MELITO. I want to answer your second question on transportation. We find that the actual impact of cargo preference on the program has been greatly minimized due to recent changes to this reimbursement that the Department of Transportation has been giving to the program. They have changed the formula in 2004 and that has increased greatly the amount of reimbursement. But we recommended that they actually look at the MOU, which Mr. Hammink referred to, and actually correct for two other areas we

which we think needs to be corrected. One is the age of U.S. vessels, which tends to be fairly old, and the other is there aren't always farm bids and when there aren't any farm bids there is no reimbursement. But this particular reimbursement was important because it really minimizes the cargo preference on the program.

Mr. SMITH OF NEW JERSEY. Thank you. Finally, I just note the millennium development goals since 1993 to 2003, it would appear that there is real progress being made. Obviously there are more people. But I have noted that Ghana and even Ethiopia have seen a significant diminishment of the number of hungry people. Still far too many people are hungry.

One final question. The 25 percent number, is that a scientific number or a best guess of what might work in the President's proposal?

Mr. HAMMINK. That really is basically trying to take a stab at what we might need in the kinds of emergencies like the tsunami or other kinds where we may have to provide that kind of emergency food needs locally quickly.

Mr. SMITH OF NEW JERSEY. Okay.

Mr. HAMMINK. But that is——

Mr. SMITH OF NEW JERSEY. I thank you and I yield back.

Mr. PAYNE. Okay. Ambassador Watson?

Ms. WATSON. Thank you so very much for that update. We—I guess last year—were with Rusesabagina, Paul Rusesabagina, who was the clerk in that movie Hotel Rwanda, and he told us that he purchased a trucking company so that he could truck water and food into the refugee camps. And one of the biggest problems was the—I guess pirating of the vehicles that were intended maybe by your organizations to get food into those spots. So that was a big issue. But more so than that, in listening to the testimony and earlier talking to Mr. Mutombo, we were talking about nutritious foods that would be effectively nutritious for the Africans. And I did hear you say, both of you say, that we are concerned about the type of foods that we get to them. So would you comment on how we might improve the kind of nutritious food? I was giving him some input about we African Americans who are prone to diabetes because we are eating foods that are foreign to our genetic makeups. And so do you take that into consideration? Can we do that? Is that possible, so these foods would be more nutritious for the survivors, particularly in the Sudan? And they go without food so often, and they are dying of starvation in many areas. So I am wondering, have you taken a look and can we do something about the kinds of foods that we take in?

Mr. HAMMINK. Thank you very much for the question. What the GAO report also looks at is food aid quality. And with USDA we have started a number of reviews and studies, both of the quality of the food aid that is now shipped. USAID will be taking the lead in a study looking at whether or not the food that we send for emergencies and for non-emergency programs have the right nutritional value, especially for the needs of the current beneficiaries. And they may have changed. For example, people who are HIV-positive may have different kinds of nutritional needs, especially related to fortification of these foods. So we are definitely taking a

look at that in terms of the foods that we are able to send for these emergencies.

Ms. WATSON. Yes. Mr. Melito?

Mr. MELITO. We have observed in our report that it has been a slow process. They have had a commodity working group, USAID and USDA, and they have been meeting on this topic, but we have expressed some desire for them to move in more of an implementation phase. They have periodically made small changes, but the science of micro-nutrients has really moved forward so we can create food that is specifically healthy for HIV victims, for lactating mothers and for children and that probably would be an area where we could really increase the leverage of our food aid.

Ms. WATSON. I would like if I have time to talk about AIDS. As we know when Mr. Mbeki became President in South Africa, a group of us went there with AIDS—I guess it was—or AIDS International was the project with Michael Weinstein, and we took some business people with us, and they offered fully equipped ambulances and so on. We went to the hospitals and we found out they were only treating the babies that were born with AIDS and sending the mothers home to die. And as we were considering how best to help them, we found that there were obstacles in the way, and later learned that it was more a political decision on the part of Mbeki rather than a practical one. I think the world responded to his statement that HIV did not necessarily lead to AIDS. That has changed somewhat.

Can you bring us up to date on, number one, the pharmaceuticals? I know that was a big concern, getting the pharmaceutical companies to lower their prices and make contributions and so on. And I just would like to hear what we are doing and what you are doing through your organizations to address the concerns about the galloping scourge of AIDS.

Mr. HAMMINK. Thank you very much. What is clear increasingly, especially in southern Africa, is in countries with a high prevalence of HIV/AIDS it is increasingly affecting their ability to maintain food security and to maintain their livelihoods. It is very much impacting on what our Title II program is supposed to be focusing on, food and security. For the last several years, we have had programs in place and our cooperating sponsor NGOs have actually used our food aid programs for support to people who are affected and infected by HIV/AIDS. Over the last few years that has significantly increased, in fact, because of the increasing awareness of the link between food and nutrition and HIV/AIDS. And so what we found in fiscal year 2006 is that our cooperating sponsors, using Title II resources under the Development Food Aid Program, actually spent more than $50 million in programs directly supporting people affected and infected by HIV/AIDS. We are in close coordination with the Office of the Global AIDS Coordinator, to look at how we can increase cooperation not only here in Washington but especially in the field between Food for Peace officers and PEPFAR officials.

Thank you.

Ms. WATSON. Mr. Melito?

Mr. MELITO. Teaming off of what Mr. Hammink said, the limitations on the use of nonfood resources has impeded the ability to

really help target HIV/AIDS patients and help maximize our food for patients. Also the way the programs are set up, there is a real dichotomy between health programs and nutrition programs but largely they go together. There are efforts to bridge this but it is really something that is just beginning.

Ms. WATSON. We were down—I was down in South Africa in November-December of last year, and we visited several of the centers that were run by NGOs, and we found that if we could get a local group that had started up their own clinics and supported them, we did better than trying to come in and supplant what they were doing, however meager. And what I kind of came away with was that we need much more education than we have, and they were zeroing in on the majority of the carriers of the HIV, the men. And it was the first program down in I guess it was the western plains near Kinshasa where they were focusing in on the male carriers. And there is a lot of work to be done there.

Have you taken any steps with the educational process in your programs? Because I think that they lack the knowledge to know how to prevent the spread of AIDS. Mr. Hammink?

Mr. HAMMINK. Under our Title II program, the implementing partners are looking at how to use food aid to support the food and nutrition side. Perhaps as part of their programs—I am not sure, they clearly probably have educational components because it is a very important part of any intervention to support affected or infected HIV/AIDS people. That is a question you may want to ask to our colleagues from the education side as well.

Thank you.

Ms. WATSON. Thank you, Mr. Chairman.

Mr. PAYNE. Thank you very much.

Mr. Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chairman. Good afternoon, gentlemen. Sorry I missed your earlier testimony. I am on the House Agriculture Committee, too, and subcommittee that particularly deals with foreign agricultural operations, and I noticed you referenced that in your testimony, some improvements that could potentially be made. Two questions for you, the first deals with that somewhat directly, but in terms of rethinking the model.

If you think about what has provided food security for the United States, in fact, almost—such extraordinary productivity that we have excess. It is a long history of land grant colleges and an educational establishment that has created multiple opportunities for multiple producers. Is there any consideration in your work—I know we are talking about primarily emergency food services but also non-emergency food assistance. I think about duplicating basically the extension service model, where you have small areas designated with an expert to bring the type of expertise to farmers so that they can be self-sufficient and obviously solve long-term chronic food problems.

Related to that is a question as to what—in which countries in sub-Saharan Africa are showing the most promise toward building self-sustaining capacities? And if you would unpack as to why they are showing that capability.

Mr. HAMMINK. Thank you very much. Even one of the recommendations in the GAO report talks about looking at how to

provide adequate nonfood resources in situations where along with the food aid resources, you can really make some impact, broader impact on some of these underlying causes of food insecurity. I think what we are doing is increasingly in close consultation with our cooperating sponsor, NGO partners, taking a look at—and they are doing an assessment within countries where—what are those underlying causes, where can they really make a difference, how food aid can be used. And as I mention in my testimony, under the new Foreign Assistance Framework we are looking at how the food aid programs can be increasingly linked to programs funded from other foreign assistance accounts such as child survival or AG productivity or PEPFAR, for example, to have a broader impact on some of these underlying causes of food insecurity, whether it is water and sanitation or ag productivity, and so based on the assessments within those countries and also based on what the host government is interested to really put some emphasis on, they may choose ag extension, which you mention to increase agricultural productivity. They may choose focusing on water and sanitation, if that is the real need to make an impact. And then to look at how food aid can most wisely be used to actually make an impact, not only on the nutritional side but also on some of these other objectives.

In terms of your second, countries in sub-Sahara—there are actually quite a few, where encouraged countries like Mozambique, like Uganda, like Ghana that are doing very well. A few of those countries were actually stopping or phasing out our Title II non-emergency program because the food security indicators from those countries are not as bad as other countries where we are going to focus our development food aid programs. So we are encouraging—the other thing to be aware of, there is now an African Union-led approach, CAADP, Comprehensive African Agricultural Development Program, that we think could be a very useful framework to have government-led multidonor cash and food type approach where we could use our food aid much more wisely and have even greater impact.

Thank you.

Mr. FORTENBERRY. What are the—if we could go a little bit deeper into the countries that you named, the conditions that are again giving rise to adequate productive capacity, that is self-sustaining, and I assume consistent with all of the other outcomes that we want to see, such as environmental sensitivity and such. Obviously civil structures that are in place are fundamental. But what other factors are there that are contributing to their success stories?

Mr. HAMMINK. I think a key one—first, I am not an agriculture expert but I have spent a lot of years in Africa—a key one is markets, to make sure a market system and private sector led market system are in place. Another one is policies, that they have good policies in place to actually promote economic growth, and food security, for that matter. Those are a few.

Mr. FORTENBERRY. Dr. Melito, do you have any particular comments on that? And by the way, any proposal you have for the farm bill, hurry. It is coming very rapidly.

Mr. MELITO. I just want to point out that we are undertaking a food security analysis at the request of this committee, we have

just begun it. And the two countries that Mr. Hammink mentioned are truly success stories. But they are two in a situation where generally speaking the continent is going the wrong direction to the rest of the world. Food insecurity is—and a percentage basis relatively flat at a high number, around 35 percent in Africa, but the actual number of Africans who are hungry have gone up about 35 million in the last 10 years. So the situation in Africa in a large sense is getting worse.

Mr. FORTENBERRY. Well, and this is quite a balancing act because obviously the appropriate humanitarian response and America's leadership in that regard is necessary and important, yet at the same time it was not addressing the fundamental factors in creating potentially an overdependence on emergency aid or simply dumping our goods and inhibiting the proper functions of markets, as you have pointed out. You don't want to do that. That would undermine long-term sustainable practices. So it is quite a line to walk.

Thank you.

Mr. PAYNE. Thank you very much.

Ms. Woolsey.

Ms. WOOLSEY. Thank you, Mr. Chairman. Thank you to our witnesses.

So much attention is paid on how to bring food into the countries, and I am kind of wondering do we need a two-pronged approach? One the short term that has to actually respond to emergencies, and the second one on how we could prepare and prevent on the long term these emergencies from happening in the first place. You know, give a person a fish, they have a meal; teach them how to fish, they have more than one meal; and, in our world, it is beyond that now. In the modern world, we have to protect the environment so that we can have fish or wheat or corn or water and rain and whatever it is going to take to be able to have food in the first place.

So what programs do you see the United States Government being involved in and in introducing to encourage sustainable, renewable food production? How can the international community and private volunteer organizations become more involved?

Mr. HAMMINK. Thank you very much. This is really a tough one, and your predecessor mentioned this as well.

In many of these countries with a growing number of chronically vulnerable people, for example Ethiopia and other places, you really need a two-pronged approach simultaneously, one of which is to bring in emergency food aid where it is needed but do it, again, very wisely so that you are not disrupting markets, where it is needed for people who are kind of right on the edge or over the edge. And in some countries that is being done through what is called a safety net program focused on the chronically food insecure population.

At the same time, through our development food aid programs, and again linked to other programs where there are development assistance funds and child survival funds, really trying to attack again these underlying causes of the food insecurity, especially at the local and community levels.

So you need both of those programs going on simultaneously.

The international community is very engaged. All of our partners are American NGOs and, in some cases, local NGOs from the country; and we work very closely with them to both assess the needs and make sure that we are focusing on the development impact. I guess you will be hearing from some of our NGO colleagues later on the development impact that they have seen.

Mr. MELITO. The two-pronged approach you referred to is actually U.S. policy. It is just that the increasing amount of emergencies has swamped the budget, so that for Title II right now only 20 percent of the budget is available for non-emergency use. So we are having increasing need to spend money on emergency resources, leaving less and less available for non-emergencies, which then puts us further behind. So it is a very difficult situation.

Ms. WOOLSEY. So we should not have a zero sum budget on this one. We should expand where it needs to expand. I said it. You didn't.

Thank you, Mr. Chairman. Thank you, gentlemen.

Mr. PAYNE. Thank you very much.

We will have a very quick question from the ranking member.

Mr. SMITH OF NEW JERSEY. I appreciate the gentleman yielding.

Mr. Hammink, Frank Wolf, Joe Pitts, Robert Aderholt and I were recently in Ramallah, Bethlehem and Jerusalem. We were there trying to find new ways to encourage peace and humanitarian issues there. I know you spent 4 years in the West Bank and GAZA as Deputy Director of USAID's humanitarian efforts there. Could you give us some insights on what we should be doing to insure that those young Palestinians get the food and other humanitarian assistance that they say they desperately need, notwithstanding Hamas' presence?

Mr. HAMMINK. I would have to apologize that I haven't focused on the West Bank and Gaza for several years now. We are providing food assistance to WFP for their emergency program there. But I can't answer your questions.

Mr. SMITH OF NEW JERSEY. Maybe for the record you could provide us additional information and whether or not children are going hungry because of this recent set of political developments.

Mr. HAMMINK. I am sorry, I don't know that.

Mr. SMITH OF NEW JERSEY. I appreciate that. Thank you.

Mr. PAYNE. Thank you very much.

Also, we might look at, in some countries—I don't know how difficult it is to get food aid into, for example, a place like in Lebanon, that it has been brought out that the Palestinian enclaves are suffering from abject poverty. I don't know how much hunger is going on. There is certainly total unemployment; and that, of course, breeds, you know, terrorism and all the things that we try to avoid.

So I wonder if countries where there are pockets of people who may have been there for many—as a matter of fact, in Somalia, there was a group of people that were there for many, many years from central Africa, but we were able to have the services from our relief office to bring in a large number from Somalia. So I wonder if there is a way to penetrate into enclaves like that where food is necessary.

Mr. HAMMINK. Thank you.

In fact, we support WFP programs in between 45 and 60 countries in the world, depending on the needs, whether it is eastern Chad or northeastern CAR or parts of Somalia. We also provide emergency food assistance to Somalia; and so we depend on our partners as well as, of course, using that.

Other types of organizations are taking a look at where those pockets of food need are to try to be able to get in and reduce the problem and provide the food and try to do that on a very early basis so the food is there when it is needed.

Mr. PAYNE. Well, thank you very much.

Let me thank this panel. You are very informative. We will certainly be following up with both of you. We appreciate it.

We have a second panel. There will probably be not enough time to hear the second panel. So we will recess for about 20 minutes for this second vote to occur after this 7-minute vote. We will stand in recess.

[Recess.]

Mr. PAYNE. We will resume the hearing. Let me certainly apologize for the extra length of time. Some procedural problems arose, and therefore the voting session, which was supposed to be 20 minutes, took on a new life of its own.

We have with us our second panel.

I am pleased to have Mr. David Evans, who is vice president of Government Resources and Programs and director of Food for the Hungry's Washington office and is the current vice chair of the Alliance for Food Aid. Mr. Evans oversees the Food for the Hungry portfolio of USAID, USDA, and U.S. State Department funded programs in 10 countries in the areas of food and agriculture, health and nutrition, HIV and AIDS, water and sanitation, education and emergency relief. Mr. Evans has over 23 years of relief and development program implementation, training, and management experience in Africa, Latin America, and Asia.

Joining him is Ms. Annemarie Reilly, who is chief of staff to Catholic Relief Services' president, Ken Hackett. She oversees the president's office and assures clear and effective implementation of agency strategy and directives from the President through the five executive vice presidents. Her key area of expertise includes emergency preparedness and response, as well as strategic planning and implementation.

Ms. Reilly created and managed CRS's emergency response team in 1999. Charged with building the agency's overall capacity for high-quality emergency preparedness, prevention, mitigation and response programs, the team responded to a variety of high-profile crises, including Kosova in 1999, Gujarrat, India, 2001 earthquake, Afghanistan in 2001, and southern Africa in the 2002 food security crisis.

At this time, we will start with Mr. Evans.

STATEMENT OF MR. DAVID EVANS, VICE PRESIDENT, GOVERNMENT RESOURCES AND PROGRAMS, FOOD FOR THE HUNGRY

Mr. EVANS. Good afternoon, Mr. Chairman. Thank you for this opportunity to testify before the subcommittee.

My name is David Evans, and I am the Vice President of Government Resources and Programs in Food for the Hungry. I am testifying today as the vice chairman of the Alliance for Food Aid, also known as the Alliance.

The Alliance is comprised of 15 private voluntary organizations and cooperatives, which are commonly called PVOs, that operate humanitarian and development assistance programs in 130 countries, partner in USDA and USAID food aid programs, and conduct both emergency and non-emergency food aid programs. The members range from some of the largest charitable organizations in the United States, such as the American Red Cross, World Vision, United Methodist Committee on Relief, that implement a wide variety of projects all over the world, to medium-sized organizations that specialize in particular regions of the world or have expertise in particular types of programs, such as Food for the Hungry, Africare, and ACDI/VOCA. What we have in common is we focus our efforts on communities that lack the means to meet their basic food needs on a regular and sustainable basis.

Food aid is used in developing countries that must rely on food imports to meet their nutritional needs. Targeting populations in need is the initial step in planning a food aid program. PVOs use both primary and secondary data from national, regional and local surveys to conduct these targeting exercises. Illustrative indicators used include child and infant mortality rates, acute and chronic rates of malnutrition among young children, percentage of people living under the poverty line, agricultural production and productivity, susceptibility to drought and other endogenous shocks, and the prevalence of other major diseases such as HIV/AIDS.

When areas of greatest need in a country are determined, PVOs engage in a collaborative food security program design exercise in order to build programs that produce high-impact results. We meet with the national ministries of health, agriculture, etc., regional and community leaders, and faith- and community-based organizations to determine what types of services are already being provided, which services are lacking, and the types of interventions that would be most useful for the community and which also lead to the greatest impact.

In this program design phase, market analysis is critical to choosing the appropriate commodity and planning the delivery schedule. It is required in all food aid programs but is more extensive in monetization programs. A Bellmon determination or disincentive analysis is required for both food monetization and distribution to make sure that the commodities chosen will not interfere with local production and marketing and that there is adequate storage for the commodities provided. PVOs add value to food security programs by strengthening the management capabilities of local institutions and developing community leaders, providing a network of contacts and relationships, encouraging entrepreneurships and private sector development and developing programs that have lasting impact.

All PVOs participating in food aid programs are audited according to U.S. Government requirements and have well-established mechanisms for reporting on the use of commodities from the point of departure for the U.S. to the ultimate recipients. In the case of

monetization, where funds have been provided for program support, itemized records of the bidding process and funds generated and use of such funds are maintained and presented in regular reports to USAID and USDA. We also keep records to assess the ultimate impact of the program on the intended beneficiaries.

Mr. Chairman, we thank the Congress for its support of food aid over the years. Food aid is our Nation's principal program supporting food security in the developing world. We have provided several core recommendations for the 2007 Farm Bill to improve the reliability and timeliness of food aid programs and to assure adequate amounts are available for both chronic and emergency needs. I would like to highlight a few of these in particular.

First, the Bill Emerson Humanitarian Trust holds commodities and funds for emergency needs. We believe that the Bill Emerson Humanitarian Trust should be assured that it has a more reliable mechanism for replenishment, and that can be used to provide commodities immediately when emergency funds under Title II are insufficient to meet critical needs.

Second, from 2001 to 2006, as you know well, U.S. developmental or non-emergency food aid fell by 42 percent. This is counterproductive. Non-emergency food aid programs are often conducted in areas where poverty, unpredictable or unfavorable climate and remoteness have made it very difficult for people to improve their lives without help from the outside. These programs leverage resources and create benefits beyond the targeted recipients, increasing the impact per dollar spent. Giving the people the means to improve their lives also provides hope for a better future and helps stabilize vulnerable areas.

Valuable expertise of PVOs to help these communities and to respond to food crises is being lost, as they must stop their food aid activities, leave our local partners, and lose our strategic networks in these vulnerable areas. As an example, a World Vision Title II program in Kenya targeted 1,528 pastoralist families in the Turkana region, an arid environment that is plagued by recurring droughts. Before the program, these families were dependent on emergency food aid nearly every year.

Some of the commodities provided were distributed as payment for participation in training and for working on projects that improved irrigation, infrastructure, cultivation techniques and land management. Other commodities were sold through open tenders, and the funds generated support the food for work projects. Within 6 years, even though there had been droughts, income increased from a baseline of $235 per year to $800 per year per family, and families could afford to send their children to school, and the communities no longer depended on emergency relief.

PVOs were hoping to replicate this successful model in other areas of Kenya, where pastoralists are still dependent on emergency rations nearly every year. However, USAID is phasing out non-emergency programs in Kenya as part of a larger effort to limit the scope of developmental food aid programs. Meanwhile, Kenya remains a recipient of emergency food aid, and pastoralists are particularly at risk.

Similarly, programs in Bolivia by Food for the Hungry, Adventist Development and Relief Agency and other organizations target

nearly 300,000 people living in remote areas, where 70 percent of the population lives under the poverty line and infant mortality rates are 116 per 1,000 live births. Over a 3-year period, malnutrition in children in this program area decreased by 35 percent, and household incomes increased substantially.

As is the case with Kenya, developmental food aid is being phased out of Bolivia at a time when the country is declining toward a fragile state status.

Thus, we recommend establishing a safe box under the Title II emergency program that assures 1.2 million metric tons will be made available for non-emergency food programs each fiscal year. This will not incur additional outlays, as the funding is subject to appropriations and would come out of the total Title II budget. In value terms, this would be approximately $600 million or about 40 percent of recent Title II program levels.

Current law directs USAID to make available 1.8 metric tons of commodities for Title II non-emergency programs each fiscal year. They are permitted to waive this requirement after the beginning of the fiscal year if there are sufficient requests for programs or the commodities are needed—I am sorry, insufficient requests for development programs or the commodities are needed for emergencies. This implies that USAID should seek proposals for the full non-emergency minimum tonnage and only waive the minimum under extraordinary circumstances. Instead, months in advance of each fiscal year, USAID decides that non-emergency programs will be limited to about 750,000 metric tons and does not make the minimum tonnage available.

Fourth, improve administrative procedures through early program approvals, spreading out procurement throughout the year and improving product quality and oversight and requiring the submission of annual reports. As the largest food aid donor in the world, it is critical that government agencies collect and make available sufficient information to show how these programs work and their impact.

The Government Accountability Office noted in a recent report that cost savings of 12 to 14 percent may be possible if commodity orders can be spread out more evenly throughout the program year, rather than bunched toward the end of the year. We recommend increasing the minimum level of Food for Progress to 500,000 metric tons from the current 400,000 metric ton level. To accommodate the additional tonnage, the amount available for transporting the commodities would have to be lifted or increased.

The Food for Progress Act provides assistance to developing countries that are introducing market reforms and supporting private sector development. Many poor developing countries are undergoing economic reform; and, therefore, the demand for Food for Progress programs is great. Forty-six different PVOs apply for Food for Progress programs. For fiscal year 2007, 100 proposals were submitted by PVOs and 16 by governments, and only 11 new proposals were approved, and three other programs were provided second year funding.

Mr. Chairman, thank you for supporting these life-giving programs. I would be pleased to answer any questions.

Mr. PAYNE. Thank you very much.

[The prepared statement of Mr. Evans follows:]

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Alliance for Food Aid

WRITTEN TESTIMONY OF DAVID EVANS, VICE CHAIR, ALLIANCE FOR FOOD AID

Before the
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON AFRICA
AND GLOBAL HEALTH
UNITED STATES HOUSE OF REPRESENTATIVES
May 24, 2007

Mr. Chairman, thank you for this opportunity to testify before the Subcommittee, today, on U.S. food aid programs. My name is David Evans and I am testifying today as the Vice Chair of the Alliance for Food Aid (AFA or "Alliance"). The Alliance is comprised of 15 private voluntary organizations and cooperatives (jointly called "PVOs") that operate humanitarian and development assistance programs in 130 countries, are partners in USDA and USAID food aid programs, and conduct both emergency and non-emergency food aid programs.

The members range from some of the largest charitable organizations in the United States that implement a wide variety of projects all over the world to smaller organizations that specialize in particular regions of the world or have expertise in particular types of programs. What they have in common is that they focus their efforts on communities that lack the wherewithal to meet their basic food needs on a regular and sustainable basis. They use participatory methods that emphasize local initiative, provide technical assistance and training, and focus on building local capacity, institutions and leaders. Most of our members also conduct emergency programs, as well, where food aid is needed to save lives and help people regain their health and strength.

Mr. Chairman, we thank the Congress for its unrelenting support of food aid over the years. Food aid is our nation's principal program supporting food security in the developing world. It contributes to meeting the Millennium Development Goal of cutting hunger in half by 2015 and is critical for saving lives in the face of disaster. Some improvements and upgrades are needed in administrative programmatic procedures and greater efficiencies can be built into procurement and transportation procedures. However, most important for the 2007 Farm Bill is assuring predictable levels for both chronic and emergency needs in order to support good program planning and implementation and to reverse the downward trend in multi-year developmental programs.

The Alliance has three core recommendations for the 2007 Farm Bill –

- Assure adequate amounts of food aid are available from the Bill Emerson Humanitarian Trust and it is available to respond quickly in the face of food shortages, civil unrest, and other crises.
- Increase resources for multi-year programs that improve the food security, health and welfare of populations that suffer from chronic hunger by (1) making available at least 1,200,000 MT of food aid each year for Title II non-emergency programs that promote food security and protect against the erosion of health and incomes, and (2) lifting the transportation cap on Food for Progress so 500,000 MT can be provided to developing countries that are implementing reforms in the agricultural economies.
- Improve administrative procedures through early program approvals, spreading out procurement throughout the year, improving product quality oversight, and requiring the submission of annual reports from administrative agencies that include information about program targeting and implementation, including monetization and distribution results.

Role of PVOs in Food Aid

Identifying populations in need is part of the initial program planning process for PVOs. Alliance members use data from nationwide and regional surveys provided by recipient countries, the United Nations, and other recognized sources. Such data may include mortality rate of children under the age of five, infant mortality rates, prevalence of malnutrition among children, percentage of people living under the poverty line, susceptibility to drought, and prevalence of disease, such as HIV/AIDS.

Once areas of greatest need are pinpointed, PVOs meet with local administrators and community groups to determine what types of services are already being provided, which services are lacking, and the types of interventions that would be most helpful. They use focus groups, rapid surveys, and other methods to narrow down the target population to those with greatest need. To avoid stigma programs often target the community and not just particular households and individuals. The next step is working with local partners to design and implement programs. For your reference, Attachment A summarizes the program planning and approval process for PL 480 Title II non-emergency programs for FY 2007.

PVOs are audited according to US Government requirements and have well-established mechanisms for monitoring and reporting on the use of commodities from the point of departure from the US to the ultimate recipient. In the case of monetization or if funds have been provided for program support, itemized records of the bidding process, funds generated and use of such funds are maintained and provided in regular reports to USAID and USDA. They also keep records to assess the ultimate impact of the program on the intended beneficiaries. Value is added to programs by strengthening the management capabilities of local institutions and building community capacity; providing a network of contacts and relationships linking people overseas with Americans; encouraging entrepreneurship and private sector development; and creating programs that have lasting benefits.

Why Change is Needed

Food security is negatively affected by a wide range of issues, including poor agricultural productivity; high unemployment; low and unpredictable incomes; remoteness of farm communities; susceptibility to natural disasters, civil unrest and instability; wide discrepancies between the well-off and the poor; chronic disease; and lack of basic health, education, water and sanitation services. Thus, rather than just distributing food to needy people, US food aid has evolved into a multi-faceted program that addresses the underlying causes of hunger and poverty. This mixture of food and support for local development is the program's strength and was reinforced in the 2002 Farm Bill. However, the Administration was given wide berth to set priorities and waive requirements, which has taken food aid down a different road than anticipated in 2002.

Policy changes over the past five years have essentially reduced overall food aid levels (particularly by eliminating Section 416 surplus commodities and Title I appropriations), shrunk development-oriented programs to 42% their 2001 levels (according to an April 2007 GAO report) , and exposed the lack of contingency planning for food emergencies. While the 2002 Farm Bill called for increased levels of PL 480 Title II development programs to 1,875,000 metric tons, instead these programs were reduced and are now about 750,000 metric tons.

The 2002 Bill also called for upgrades and improvements in governmental management and information systems, but instead the level of programming has become less predictable; program priorities and proposal review processes have become more opaque; the "consultative" nature Food Aid Consultative Group process has deteriorated; Title II procedures are making it more difficult for PVOs to access funding; and commodity quality control systems have not been renovated to modern standards.

Meanwhile, the world's efforts to meet the Millennium Development Goal of cutting hunger in half by 2015 is far from reach – the number of people suffering from chronic hunger increased from 1996 to 2004 from under 800 million to 842 million -- and international appeals for emergency food aid are under-funded. While US food aid alone cannot resolve this sad and complex problem, it is a critical component of an international food security strategy and is particularly effective in countries with chronic food deficits and for vulnerable, low-income populations.

Several food aid statutes set tonnage minimums – to assure that food is provided in times of high prices. These requirements are important, but they need to be updated and supported by sufficient appropriations.

Finally, Doha Round international trade negotiators, the Food Aid Convention and the UN Food and Agriculture Organization all have particular roles in international food aid policies and procedures. They are examining the use of food aid by donors and are looking critically at certain modalities and methodologies, including in-kind food aid, monetization and non-emergency programs. While US programs are typically well-focused and food security oriented, this is often unclear or misrepresented to others. As the largest donor in the world, Americans should be proud of their food aid program. It is critical that government agencies collect and make available sufficient information to show how these programs work and their impact.

With these factors and trends in mind, we offer recommendations to improve the quality and predictability of food aid, and to assure the United States has a plan and effective methods to address both chronic and emergency needs.

PL 480 Title II – the Core US Food Aid Program

1. Administrative Upgrades: Adequate Funding at the Start of the Fiscal Year, Predictable Tonnage Levels, Early Program Approvals, and Sufficient Reporting:

Administered by the US Agency for International Development (USAID), Title II provides food aid donations for development programs and emergency needs through "eligible organizations," which are PVOs and the UN World Food Program. The law sets a minimum commodity level for the program of 2,500,000 MT, of which 1,875,000 MT is for non-emergency programs that address chronic hunger.

From FY 1999 through FY 2002, the Section 416 surplus commodity program provided significant amounts of food aid, and much of it was for emergencies. This was a source of supplemental funding for the Title II program. As the attached funding chart shows, availability of Section 416 surplus commodities was phased out starting in FY 2002. While Title II funding increased over the same period and enough is provided to meet the 2,500,000 MT minimum commodity level set by law, this increase has been insufficient to make up fully for the loss of Section 416 commodities. Current funding levels are not maintaining adequate levels for both emergency and non-emergency requirements. This has resulted in cutbacks in developmental food aid programs, uncertainty about the levels of food aid each year and increased reliance on supplemental appropriations to fill gaps in emergencies.

The Government Accountability Office (GAO) noted in a recent report that cost savings of 12-14% percent may be possible if commodity orders could be spread out more evenly throughout the program year, rather than "bunched" toward the end of the year. A variety of factors contribute to the "bunching" of commodity orders, including piecemeal appropriations, unreliable levels and late program approvals. From the perspective of implementing organizations, these practices have also created a series of other unfavorable consequences: commodity distribution and sales overseas cannot be well planned when dates of delivery are not reliable or when commodities are not made available throughout the year. This causes concern about the potential for disrupting commercial markets and having the food arrive at the wrong time in the program cycle.

While some emergencies, such as sudden natural disasters and outbreak of civil war, cannot be predicted in advance and can occur any time during a fiscal year, other emergency needs are ongoing and can be factored into the regular budget request and appropriations process. For example, areas such as the Horn of Africa that are prone to drought, flooding, locusts or other natural disasters are monitored through a variety of early warning systems. Other emergencies, such as the ongoing conflict in Sudan, are expected to continue until the source of the problem is resolved. Because the Administration does not ask for adequate funding to meet these anticipated emergency needs, funds have been withheld from the nonemergency programs for several months as USAID adjusts its budget and waits to see if there will be supplemental funding.

As a result, there are gaps in food aid deliveries for both emergency and nonemergency programs, PVOs must cover local costs while programs are on hold and some programs are, de facto, cut back. Later in the year, the Administration often receives supplemental appropriations for the extra emergency needs or uses commodities from the Bill Emerson Humanitarian Trust. Because the actual amounts needed are not requested upfront as part of the regular budget cycle and the Administration only uses the Trust as a "last resort," commodity orders are concentrated in the last months of the fiscal year.

The Alliance has several recommendations for improving the reliability and timeliness of food aid programs.

- Assure that minimum tonnages are taken seriously and incorporated into USAID's planning and budgeting. Our recommendation for a 1,200,000 MT "safebox" for non-emergency programs, described under point 2, would help to achieve this goal.
- Require USAID to approve non-emergency programs and commodity levels two months in advance of the beginning of the fiscal year. This would allow the first commodity orders to be placed in time for delivery during the first few months of the fiscal year. Since all agreements are subject to appropriations, early approval would not override the budget process. In addition, the Title II account holds extra funds at the end of each fiscal year that are typically carried over and these funds can be used to secure the early orders.
- While we recognize that the Committee on Agriculture may not be in the position to effect this change, on-time appropriations and sufficient appropriations at the beginning of the fiscal year would allow orderly program planning and more timely and efficient delivery of commodities throughout the year, without program disruptions. When adequate sums are available, more commodities can be pre-positioned off-shore for more timely deliveries if an emergency arises. The procurement can be spread out throughout the year, which will allow USDA to plan its procurement to get the best prices possible for commodity and inland transport.
- As described later in our testimony, clarify that the Trust should be used rather than curtailing developmental food aid programs to shift the funds to emergencies.

With these procedures, commodity ordering and delivery would be more reliable, which agricultural processors are seeking so they can plan their inventories, which PVOs are seeking so the commodity arrives when needed, and which saves money because commodity purchases and shipping can be spread out throughout the year rather than spiking during the last three months of the year.

2. A Safebox for Developmental Food Aid Programs:

Establish a safebox for Title II non-emergency programs that assures 1,200,000 metric tons will be made available each for non-emergency Title II programs each fiscal year. This amount would not be subject to waiver.

Section 204(a)(2) of PL 480 directs USAID to make available 1,875,000 metric tons of commodities for Title II non-emergency programs each fiscal year. The law permits USAID to waive this minimum after the beginning of the fiscal year if there are insufficient requests for programs or the commodities are needed for emergencies. This implies that USAID should seek proposals for the

full non-emergency minimum tonnage and only waive the minimum under extraordinary circumstances. Instead, months in advance of each fiscal year USAID acknowledges that non-emergency programs will be limited to about 750,000 MT and does not make the minimum tonnage available.

We therefore recommend only allowing USAID to waive up to 675,000 MT of the non-emergency minimum tonnage level, which would assure that USAID makes available at least 1,200,000 MT each year for multi-year food for development programs – reestablishing America's commitment to help those suffering from chronic malnutrition and hunger. This is less than the minimum tonnage required under law for these programs (1,875,000 MT), but more than the amount USAID is actually providing (750,000 MT).

Programs that address the underlying causes of chronic hunger include mother-child health care, agricultural and rural development, food as payment for work on community infrastructure projects, meals in schools and take-home rations to encourage school attendance, and programs targeting HIV/AIDS-affected communities. Chronic hunger leads to high infant and child mortality and morbidity, poor physical and cognitive development, low productivity, high susceptibility to disease, and premature death.

Reducing these programs has been counterproductive, as developmental food aid helps improve people's resilience to droughts and economic downturns. Giving people the means to improve their lives also provides hope for a better future and helps stabilize vulnerable areas. Valuable expertise of PVOs to help these communities and to respond to food crises is being lost as they must stop their food aid activities, leave their local partners and lose their strategic networks in these vulnerable areas. Giving people the means to improve their lives also provides hope for a better future and helps stabilize vulnerable areas.

We also note with alarm that due to budget constraints, in 2006 USAID established a policy to limit non-emergency food aid to fewer countries in order to "focus" the remaining resources. Under this policy, non-emergency programs are being phased out in 17 countries and cutback in others and programs will be allowed in only 15-18 selected countries. Concentrating food aid resources in areas where there is high prevalence of food insecurity and vulnerability is appropriate and was anticipated in the USAID Food for Peace Strategic Plan, 2006-2010. However, the current policy eliminates too many areas where chronic hunger is prevalent and was driven by the decision to reduce the budget for non-emergency programs. Many poor, vulnerable populations will be excluded from receiving food aid, even though their needs are as compelling as those populations that will be served. The capacity of PVOs to serve populations in non-eligible countries will be lost, making it more difficult to respond effectively at the early signs of an emerging food crisis, which runs counter to the intent of the Strategic Plan.

The two examples below are in phase out countries, Bolivia and Kenya. They show how food aid programs are often conducted in areas where poverty, unpredictable or unfavorable climate, and remoteness have made it very difficult for people to improve their lives without help from the outside. These programs leverage resources and create benefits beyond the targeted recipients, increasing the impact per dollar spent.

Bolivia: Adventist Development and Relief Agency International (ADRA), Food for the Hungry (FH) and several other PVOs are conducting multi-faceted, 6-year programs in Bolivia using food distribution (corn-soy blend, lentils, green peas, soy-fortified bulgur, wheat-soy blend and flour) and proceeds generated from the monetization of flour to support individual, community and municipal efforts to overcome development constraints and to enhance household food security.

In the targeted rural areas over 70% of the population live in poverty and infant mortality rates are 116 per 1000 births. These communities must rely on their own agricultural production as they are remotely located, have poor roads and lack transportation.

The current PVO programs focus on addressing their lack of access to markets, health care, schools and social services by increasing production and incomes and improving nutrition among vulnerable groups. Food aid is distributed (1) for Maternal and Child Health and Nutrition (pregnant and lactating mothers, infants and children under five, the most critical stages for cognitive and physical growth) and (2) in conjunction with training and technical assistance for improved agricultural production, diversified crops to improve the diet, and marketing of agricultural products. Concurrent activities included increasing access to clean water, improving health and sanitation practices, natural resource management, building greenhouses, and improving marketing roads and irrigation systems.

In FH's midterm evaluation (2006, three years after the program began, compared to 2002 baseline data), they found a 35% decrease in chronic malnutrition in children (height/weight or "stunting") and household incomes had increased by 270% or more. The direct beneficiaries of the FH program, alone, were 212,292 people and indirectly, 410,000 people benefited. Because of program efficiencies and FH's ability to raise more matching funds after the program began, the number of beneficiaries was 283% greater than originally planned.

Kenya. A World Vision Title II program in Kenya targeted 1528 pastoralist families in the Turkana region, an arid environment that is plagued by recurring droughts. Before the program, these families were dependent on emergency food aid nearly every year.

Some of the commodities provided were distributed as payment for participation in training and for working on projects that improved irrigation infrastructure, cultivation techniques and land management. Other commodities were sold through open tenders and the funds generated supported the food for work projects. Within 6 years, even though there had been droughts in between, income increased from a baseline of $235 per year to $800 per year, families could afford to send their children to school, and the communities no longer depended on relief. In fact, the program was turned over to the participants and they have spread their knowledge to 475 other farmer families.

PVOs were hoping to replicate this successful model in other areas of Kenya where pastoralists are still dependent on emergency rations nearly every year. However, USAID is phasing out non-emergency projects in Kenya as part of a larger effort to limit the scope of developmental food aid programs. Meanwhile, Kenya remains a recipient of emergency food aid and pastoralists are particularly at risk.

Reports accompanying appropriations bills for the past 5 years admonish the Administration to meet the Title II non-emergency minimum tonnage and to rely on the Bill Emerson Humanitarian Trust

for urgent needs. However, this language has had no perceivable effect. This follows the general trend indicated in a recent GAO's report – from 2001 to 2006 developmental food aid fell by 42%.

3. Maximize use of the Section 202(e) Support Funds:

Make 10% of the Title II program level available for Section 202(e) support funds and allow these funds to be used to support complementary activities associated with food aid programs.

Section 202(e) funds are provided by USAID to Title II eligible organizations to support (A) the establishment of new programs and (B) specific administrative, management, personnel and internal transportation and distribution costs associated with carrying out programs in foreign countries. The law provides no less than 5 and no more than 10% of "funds made available in each fiscal year" under Title II for these purposes. The Alliance proposes the following changes:

- Allow Section 202(e) funds to be used to cover costs for development-related activities conducted under a Title II program by an eligible organization. Monetization is often used for these purposes and Section 202(e) is not sufficient or intended to replace monetization. However, monetization is not appropriate in all target countries and in some countries the ability to monetize varies year-to-year based on the market situation. Thus, flexibility is needed so Section 202(e) funds may be used for activities that monetization funding often supports, such as materials, technical assistance and training for agricultural, materials for mother-child health care, and food-for-work infrastructure programs.
- Allow USAID to provide funds to eligible organizations to improve methodologies, such as needs assessments for identifying target populations and monitoring and reporting on the impact of monetization and other aspects of their programs. These are activities that will benefit program implementation overall and are not associated with one particular program.
- Provide not less than 10% of total Title II funding for Section 202(e) purposes. Currently, the law allows between 5 and 10% of Title II funds for this purpose, but when developing its 202(e) allocations, USAID does not want to overshoot the 10% maximum. USAID therefore limits 202(e) use to about 7-8% of the regular appropriations level; as it cannot predict how much money may be provided later in the year through supplemental appropriations, carry in funds, or maritime reimbursement. As a result, about 5-6% of the Title II program level is being provided for Section 202(e) (approximately $90 million) Setting a minimum of 10% of total funding provided from all sources will provide the additional funds needed for meeting costs associated with program implementation and improving program methodologies.

Before the early 1990's, when most non-emergency food aid was provided to Latin America and Asia, there were other ways to obtain support funds. For example, the Government of India contributed to some large-scale Title II food for education and early childhood development programs. In some countries, such as Bolivia and Bangladesh, proceeds generated from sales of commodities under government-to-government PL 480 Title III programs were available.

However, Title III programs were phased out more than a decade ago, so those funds are no longer available. Now, most Title II food aid is provided to sub-Saharan Africa, where the infrastructure is poorly developed. While non-emergency programs can be coordinated with recipient country developmental or food security plans, the governments themselves generally do not provide direct

financial or logistical support. Instead, they look to the PVO to fill gaps in areas of poor coverage. Thus, over the past 10 years PVOs have relied, primarily, on monetization to generate funds to cover program costs and, secondly, on Section 202(e) funds.

4. Update Food Quality Systems and Product Formulations:

Title II funds should be provided to bring the food aid quality enhancement project to completion over the next 3-4 years.

Both the quality and formulation of food aid products are crucial to delivering safe, wholesome products to undernourished populations, particularly vulnerable groups such as infants and young children, women of child-bearing age and people living with HIV/AIDS. Formulations for the value-added products used in Title II have been static for decades and food aid distribution overseas has sometimes been disrupted due to quality concerns. Through private funding, SUSTAIN (a non-profit that provides technical assistance for food systems and was referenced in the 2002 Farm Bill), has made progress to address these issues in a scientific, systematic and impartial manner. As neither USDA nor USAID has provided funding to support these reforms, if necessary, we support the use of Title II funds for this purpose.

Assure Timely Use of the Bill Emerson Humanitarian Trust

To maintain the Trust as a contingency reserve for emergencies replenish the Trust with $60 million per year until it is full and assure it is available to respond to emergencies in a timely manner and without interfering with the provision of Title II non-emergency programs each year.

Administered by USDA, the funds and commodities in the Bill Emerson Humanitarian Trust (BEHT or "Trust") are needed to supplement P.L. 480 Title II when there are urgent humanitarian food aid needs. The commodities are provided by the Trust and CCC covers the ocean freight and delivery costs. The Trust can hold up to 4 million metric tons or cash equivalent, but currently only holds about 915,000 metric tons of wheat and $107,000,000 (which is available to buy commodities when needed). Because a diversity of commodities is needed for emergencies, it is best for the Trust to be replenished with funds that can be used to procure the appropriate commodities when needed.

Two mechanisms need to be improved to make the Trust more readily available for emergencies: the "trigger" for releasing commodities and the level of reimbursement. We urge you to make the needed changes in the 2007 Farm Bill.

Trigger: Section 302(c)(1)(c) of the Bill Emerson Humanitarian Trust Act states that a waiver of the Title II non-emergency minimum tonnage is not a prerequisite for the release of commodities from the Trust. Nonetheless, the Administration has taken the stance that it will only use the Trust commodities as a last resort after all other avenues, including the Title II waiver, are considered. This may partially be driven by the 500,000 metric ton limitation on BEHT tonnage that can be provided in any fiscal year, although if the Trust is not used one year the 500,000 metric tons for that year can be added to future year releases. Another reason may be the term "unanticipated" emergencies, which is how the BEHT Act refers to releases for international humanitarian crises

versus "emergencies," which is how the BEHT Act refers to releases in case of short supply of a commodity. Thus, we have several recommendations for fixing the language.

First, create safebox for 1,200,000 metric tons (about $600 million total cost) for Title II non-emergency programs that cannot be waived. This takes away the confusion about whether the waiver is used before the Trust can be accessed. Second, eliminate the part of the Trust that refers to "short supply," as it is a vestige of a time when food aid was considered "surplus" and is outdated now that the Trust can hold funds. Third, change the terminology and allow commodities or funds to be released when there are emergency food aid needs. And, forth, allow up to 1,000,000 metric tons to be released in any fiscal year.

Replenishment: Currently, the Trust may be replenished either through a direct appropriation or by capturing $20 million of funds reimbursed to CCC from PL 480 as repayment for previous use of the Trust. The Administration has never requested a direct appropriation, but Congress provided $67 million for replenishment as part of the FY 2003 Iraq supplemental appropriations act. In addition, USDA has twice captured $20 million from PL 480 reimbursements. Thus, the Trust now holds $107,000,000. This amount plus the 915,000 MT of wheat held in storage makes up the total value of the Trust, which is about 1,500,000 metric tons in wheat equivalent prices. To bring the Trust to its full 4 MMT wheat-equivalent level, we urge that the $20 million be raised to $60 million per year.

Expand Food for Progress

Increase the Food for Progress to 500,000 metric tons for programs that improve private sector agricultural, food and marketing systems in developing countries that are implementing market reforms.

The Food for Progress Act directs USDA through the Commodity Credit Corporation (CCC) to provide a minimum of 400,000 metric tons of commodities each year to developing countries that are introducing market reforms and supporting private sector development. These programs may be implemented by PVOs, the World Food Program and recipient country governments. The amount actually provided through CCC falls short of 400,000 metric tons because there is a cap on the amount of funds that CCC can provide for delivering the commodities and administering the programs overseas.

USDA has authority to use PL 480 Title I funds in addition to the CCC funds to implement Food for Progress programs. In FY 2006, about 75 percent of Title I funds were used for this purpose. As no funds were appropriated for Title I in FY 2007, and the Administration seeks no funding in FY 2008, this means a cut in funding in Food for Progress.

Many poor, developing countries are undergoing economic reform and, therefore, the demand for Food for Progress programs is great. Forty-six different PVOs apply for Food for Progress programs. For FY 2007, 100 proposals were submitted by PVOs and 16 by governments, but only 11 new proposals were approved and 3 other programs were provided second year funding.

We therefore recommend increasing the minimum to 500,000 metric tons and assuring that this amount is available for proposals submitted by PVOs. To accommodate the additional tonnage the amount available for transporting the commodities would have to be lifted or increased.

Example: International Relief & Development (IRD), Azerbaijan
Commodities: 10,000 MT soybean meal; Total value: 2,125,467 (one year)
Beneficiaries: 26,899

IRD targeted Ganja, Goranboy, and Khanlar in western Azerbaijan, because in these regions there is a high concentration of internally-displaced persons (IDPs), the level of unemployment is close to 70%, and the local farmers and IDPs are poor and are not able to support their basic needs. Soybean meal monetization was chosen because of shortages of feed grains in the country. IRD trained farmers in crop and livestock production and market development and distributed small grants to start-up local businesses. HIV/AIDS awareness was also conducted in the targeted communities.

Results:

- Business development classes were provided for 1,532 farmers, in the town of Ganja and four local regions (Kahnlar, Geranboy, Samukh and Zakatala). As a result, farmers submitted business proposals to IRD, and IRD funded 106 of them.
- IRD published two leaflets, "Raising chickens in your backyard" and "Chicks' diseases and their prevention"; five handbooks on various agricultural topics: "Recommendations for sheep keepers", "Recommendations for cattle keepers", "Recommendations for beekeepers", and "Recommendations for chicken keepers".
- The total number of people who benefited from the small grants was 26,899. The farmers and small entrepreneurs formed several groups that were eligible for receiving grants. Recipients included 16 cattle breeding groups, 22 women poultry groups, 38 sheep breeding groups, two women geese groups, 19 agro-service groups, two harvesting groups, and seven beekeeping groups. Within a year, monthly income of beneficiaries at least doubled. Each of the 19 agro-service groups received approximately $5,090 and in the first year members provided services in their communities valued at $46,421.

Monetization's Continued Contribution

Monetization is an important component of food aid programs and we support its continued use where appropriate, based on market analysis.

Monetization is the sale of commodities in net food-importing, developing countries and the use of proceeds in projects that improve local food security. It can have multiple benefits and is appropriate for low-income countries that must depend on imports to meet their nutritional needs. Limited liquidity or limited access to credit for international purchases can make it difficult for traders in these countries to import adequate amounts of foodstuffs and monetization is particularly helpful in such cases. In all cases, the proceeds are used to support food security efforts or the delivery of food in the recipient country.

Monetization can also be an effective vehicle to increase small-scale trader participation in the local market and financial systems, can be used to address structural market inefficiencies, and can help control urban market price spikes. The commodity can also be integrated into agricultural processing operations, helping to establish and expand feed mills, fortified foods, and other locally-important products. For example, International Relief & Development used bulk wheat and soy flour provided through Food for Progress to establish small noodle production plants in Cambodia and the soy-fortified products were incorporated into school feeding programs. ACDI/VOCA used soybean meal donated by USDA to help reestablish the feed industry in Indonesia after the economic crisis. Both of these activities expanded local enterprise, increased jobs, and had a long-lasting food security benefit.

Market analysis is an important element of all food aid programs, but is more extensive for monetization programs. A "Bellmon Determination" is required for both monetization and distribution to make sure the commodities chosen will not interfere with local production and marketing and that there is adequate storage for the commodities provided. Commodities chosen for monetization are not locally produced, are produced in small amounts or are available only during certain times of the year. Therefore, the likelihood of creating local disincentives to production is small. However, some countries in a region have linked markets, so the analysis must also consider inter-country trade. For example, there is a Bellmon analysis that covers all the countries in West Africa.

As the potential disincentive effect of food aid is oft cited, but little researched, one study worth noting is by Abdulai, Barrett and Hoddinott [October 2005], which looks at disincentive effects of food aid provided in Ethiopia, the largest food aid recipient country in Africa over the 10-year review period. It received food for distribution and monetization. The study found no disincentive effect and note on page 1701 of the article: "In rural Ethiopia, simple test statistics…suggest that the disincentive effects of food aid on household behaviors are many, large in magnitude and statistically significant. *However*, when we take into account household characteristics…--that can affect behaviors and on which food aid is commonly targeted—many of these adverse effects vanish. In fact, there is some suggestion in these data that food aid leads to increases in labor supply to agriculture, wage work, and own business activities."

Save the Children and World Vision prepared a review of the PVO monetization programs under Title II, covering 6 commodities in 30 countries and 48 programs from 2001-2005. They found that the commodity choice and quantities avoided competing with local production and marketing and therefore diminished potential disincentive effects. As the commodity levels provided were small in comparison to needs and required imports, the potential for commercial import disruption was also small.

Example: Africare's PL 480 Title II Development Program in Guinea

Africare began implementation of a five-year *Guinea Food Security Initiative (GnFSI)* in the Prefecture of Dinguiraye in the Upper Region of Guinea in September 2000. This program represents an expansion of a very successful first phase program (1995 – 2000). This multi-sector program is currently operating in 50 of 84 districts of the Prefecture providing support to a population of 107,750 people.

Africare's program focuses on decreasing post-harvest storage losses, improving the nutritional status of children under the age of five, and increasing the capacity of District Development Committees to understand and address the challenges to food availability, access and utilization. Dinguiraye is an area that prior to Africare's intervention, received no outside assistance and limited support from its own governmental ministries. Chronic malnutrition of under-5 children was in excess of 50% and the amount of food available to households was adequate for less than four months per year.

The program's positive impacts due to the introduction of improved storage techniques include adding a month to post-harvest storage without damage to commodities, and doubling the months when adequate food is available in the households.

Working with the Ministry of Health, Africare's nutritional program reduced chronic malnutrition rates from 50% to 21% and the number of caretakers of under-5 children that participate in growth monitoring, food demonstrations and guided health discussions increased to more than 90% of the population. The prospective for these activities to continue under the auspices of the Ministry of Health is strong, because they are low cost and very popular with the beneficiaries themselves. More importantly, the target population has had an active role in improving the methodology by which more nutritious foods are identified and made available.

The financial resources for the program are generated by monetization of Title II food commodities (approximately 4,600 MT's of vegetable oil during FY 05 for Africare and two other PVOs). This innovative program promotes private sector development and broadening of local markets, both for producers and consumers, independently of the food security activities funded with the sales proceeds.

Vegetable oil was chosen for monetization because little is produced in country. The amount imported for monetization was small in comparison to import needs, which minimizes the likelihood of interfering with commercial imports. Further, vegetable oil availability is concentrated in the main city, not the outlying areas. Africare therefore arranged for the sales to reach the outlying areas through the sale of small lots to multiple buyers.

Africare worked with the Guinean government and private sector to increase the involvement of small-scale distributors to have access to vegetable oil, which is usually sold at the high end of the local market. A consequence has been the increased distribution of vegetable oil throughout the country, outside of the capital and principal urban markets to key rural areas that had never been served. Cost recovery was at or above local prices and averaged about 87% of the full cost of US procurement and shipping. This methodology included private sector sales techniques (e.g. closed tender bids, bank guarantees reflecting local interest rates and payment of required taxes by the buyer), and generated the following benefits:

1. Higher prices received from the buyers compared to if it was just sold to regular importers, which translates into a larger amount of sales proceeds to support the development activity.

2. Increased sophistication and understanding of commercial business practices by the private sector, especially the small-scale operator who was often unable to participate in these types of transactions (or even the formal financial system).
3. Increased availability of high quality commodities throughout the national market.

Example: Joint Aid Management Processing Plants in Africa, USDA Programs

One Alliance member, Joint Aid Management, is a Christian humanitarian organization based in South Africa that focuses on nutrition programs in schools and for the needy, assistance to orphans and vulnerable children, water and sanitation, skills development and community training. It established food processing plants to produce corn soya blend and other blended and fortified foods for use in its nutrition programs, including sales to the UN World Food Program and distribution through their own programs. While much of the food it uses is locally procured, it also participates in USDA food aid programs, processing donated commodities that are then used for nutrition programs. This is one of the ways that food aid programs allow the creative use of monetization to support local processing while also contributing to targeted food security programs.

Pilot Program for Local/Regional Purchase

We recommend a field-based, pilot program for local purchases for famine prevention and relief.

In-kind food aid continues to be the most dependable and important source of food aid. Commodities committed by and sourced directly from donor countries, which have more than adequate production to meet their domestic needs, is required to assure that sufficient levels food aid are available each year. However, there are situations where purchases closer to the area of need could provide more timely response, diversity of the food basket, and benefits to local agricultural development.

Members of the Alliance were under the impression that Title II gives broad discretion to the Administrator of USAID under section 202(a) to provide commodities under any terms or conditions deemed necessary for an emergency. Therefore, we assumed local purchase was already possible, albeit not meant to be used on a regular basis. However, we understand that USAID interprets this section differently.

The Administration has proposed to provide up to 25% of Title II funds for local or regional purchase for emergencies. Many of the areas where food aid is delivered need additional commodities from imports to meet their needs and there may little room to expand on the local/regional purchase, considering the large amounts that the UN World Food Program is already procuring. Therefore, we recommend assuring adequate US commodities are assured to meet the minimum tonnages under Title II and to add a field-based pilot program for local purchase.

While PVOs have experience using privately-raised funds and, to a limited degree, USAID International Disaster and Famine Assistance account funds for local purchases, information from these programs has not been systematically collected and therefore is inadequate to use for developing appropriate methodologies and best practices for future programs. Thus, as part of the 2007 Farm Bill we recommend a pilot program for local purchases for famine prevention and relief –

(1) Within recipient countries or nearby low-income countries,
(2) In cases where the procurement is likely to expedite the provision of food aid,
(3) Where the procurement will support or advance local agricultural production and marketing, and
(4) Conducted by PVO implementing partners that have experience with food aid programming in the recipient countries and are fully audited according to US Government regulations.

To assure that accepted practices for food aid programs are followed and to identify appropriate methodologies and best practices for future programs, each PVO implementing a pilot program shall:

(1) Prior to implementing a local purchase program, conduct an analysis of the potential impact of the purchase on the agricultural production, pricing and marketing of the same and similar commodities in the country and localities where the purchase will take place and where the food will be delivered;
(2) Incorporate food quality and safety assurance measures and analyze and report on the ability to provide such assurances;
(3) Collect sufficient data to analyze the ability to procure, package and deliver the food aid in a timely manner;
(4) Collect sufficient data to determine the full cost of procurement, delivery and administration; and
(5) Monitor, analyze and report on the agricultural production, marketing and price impact of the local/regional purchases.

McGovern-Dole Food for Education

The McGovern-Dole Program provides incentives for poor families to send their children to school. Requiring an appropriation of no less than $100,000,000 each year will give certainty that funds are available for multi-year programs. These types of programs used to be included in Title II, but with the establishment of McGovern-Dole in 2002, such programs under Title II are being phased out. Increased funding would allow more multi-year programs, improve program impact, and allow broader use of the authority in the law to support both educational programs and programs for children under the age of five, which is when malnutrition can have its most devastating impact on child development.

Eliminate Objectives that Link Food Aid to Expansion of Export Markets

Policies and programs for U.S. and other international food aid should be established and operated based on the food security needs of recipient countries and vulnerable populations rather than donor country objectives to expand its export markets. In practice, US food aid programs do not include objectives to expand US markets and their success is not measured on this basis, but there are provisions in current law that state market expansion as an objective. Changes are needed to correct this problem: (1) Eliminate the statement in the preamble to PL 480 that it is the policy of the United States to use food aid to "develop and expand export markets for United States agricultural commodities." (2) In PL 480 Title I, eliminate the priority for countries that "have the demonstrated

potential to become commercial markets for competitively priced United States agricultural commodities" and other references to using Title I for market development purposes.

Conclusion:

In conclusion, Mr. Chairman, we can see the many benefits US food aid programs are now creating for poor communities, improving incomes, living conditions and nutrition and sowing the seeds for a promising future.

Thank you for supporting these life-giving programs. I would be pleased to answer any questions you may have.

Attachments:

Attachment A, PL 480 Title II Program Request and Approval Process, FY 2007
Attachment B, PL 480 and Section 416(b) Title II Funding Chart, 2001-2008

ATTACHMENT A
ALLIANCE FOR FOOD AID

Summary of PVO/Cooperative ("Cooperating Sponsor") Proposal Planning Process for PL 480 Title II Multi-Year Assistance Programs (MYAPs) for FY 2007 (These are commonly called "non-emergency" or "development" programs.)

FY 2007 Title II Proposal Time Line:

February 22, 2006 -- Title II Draft FY 2007 MYAP Guidelines for Cooperating Sponsors (CSs) were provided for submitting new program proposals. The Guidelines list 8 evaluation criteria that will be used for grading proposals.

The Guidelines state that activities must fit within the Food for Peace (FFP) Strategic Plan 2006-2010, which focuses on reducing food insecurity in vulnerable populations and is available on the USAID/FFP website. A variety of activities may fall under this overall objective, such as natural resource management, income security and social services, community development, agriculture development, employment-labor-training, food and nutrition, disaster prevention and relief. Proposals must clearly describe each objective, its rationale and implementation plan, and the method for tracking and measuring impact.

There is a section in the Guidelines called "legislative mandates for type of commodity, programming and program size," but no mention is made of the 1,875,000 metric ton minimum requirement for non-emergency programs. No information is provided about the amount of funding available or the tonnage level available for MYAPs. However, simultaneously, the USAID FFP Office issued a ***"priority country plan"*** that made clear that there would be little, if any additional commodity available overall and it the amount available for all non-emergency programs would be approximately 750,000 MT ($350 million).

The priority country plan was introduced at meetings between the FFP Office and CSs. USAID informed CSs that for FY 2007, new programs will only be accepted in 15 "priority countries," while for FY 2006 there were 32 countries. Multi-year programs that were underway in the 17 countries not on the priority list would be phased out over the next 2-3 years, requiring changes in many of the already-approved program plans.

CSs were advised to check with the USAID Missions in each country and the USAID/Food for Peace Office (FFPO) to find out how much commodity would be available. However, the amount available was not clear in any case, as USAID kept adjusting the levels downward over the next 6 months.

May 1, 2006, a final set of Guidelines was published, which were similar to the February 22 draft, but specifically reference the "priority country plan" for phasing out 17 countries and identifying the 15 countries where programs will be allowed.

May 15, 2006 -- Proposals are due. [They were originally due on March 15th, but this was extended to May 15th.]

September 11, 2006 -- 120 days after proposal submission and according to the law, the deadline for USAID/FFP to send approval or disapproval letters to CSs. Disapproval letters must include reasons and what needs to be corrected to be eligible. In the past, the CS and FFP would discuss the outstanding issues in a disapproval letter and after clarification, the proposal was often approved. An approval letter does not guarantee a program agreement will be signed. A Transfer Authorization (TA) must be signed before a CS can "call forward" (order) commodities and receive funds under the agreement.

CS Program Planning (typically starts 4 months or more before submission)

1. ***Decision to write proposal.*** CS headquarters and country office staff discuss whether a Title II program would be appropriate for a particular country. CS staff meets with the FFP representative at the USAID Mission in the recipient country or regional office to determine the Mission's views about Title II programs and whether the USAID Mission received notice from USAID/FFP that non-emergency (e.g. multi-year) food aid will be made available for that country. A CS will also confer with other CSs operating in the country.

2. ***Proposal preparatory work.*** A team is developed to work on the proposal, which may in HQ and field staff as well as consultants. The skill sets include: (a) Ability to conduct a Bellmon analysis (e.g. to determine which commodities can be provided as food aid without having a negative impact on the local market or creating a disincentive to local production and to assure availability of adequate storage). Bellmons may be conducted through the USAID mission or in conjunction with other CSs working in the recipient country. (b) Technical skills in collecting baseline data, assessing nutritional and other information indicative of food security status, and knowledge of program interventions. (c) Country-specific knowledge and relationships.

3. ***Needs assessment.*** Identify the target population and needs broadly by available nationwide data and more specifically through a variety of techniques such as informant interviews, focus groups and weighing children. Collected data are combined with information and input from the USAID Mission, national and local governments, community-based groups and others to determine (a) which areas and populations the project will target and (b) what information to collect in the baseline survey (which, if the proposal is approved, is updated at the project start-up when the detailed implementation plan is developed.) Baseline survey data may include percentage of children under age 5 with stunting or underweight (the primarily measures of poor nutrition), adequacy of household food supplies, agricultural productivity and sales, and other indicators of food security. These indicators are also measured at intervals during the 5-year tenure of the typical program. Comparisons of baseline data to mid-term or final data are used to determine whether the program is making the progress intended, whether adjustments are needed in methodologies and to measure impact.

4. ***Develop the core elements of the proposal.*** Compile all data collected and begin to determine the following:

    a. **Activities** that will address the constraints to food security, e.g. the situations and risks that threaten availability of food (such as the types and amounts of food available in local markets during different times of the year), access to food (such as household income levels), and utilization of food (such as the degree of malnutrition/under-nutrition among children and women of reproductive age). As 100% monetization programs are no longer allowed, even if these types of programs are considered well suited to the needs, they cannot be proposed. Typically, a mix of monetization and commodity distribution activities are selected to achieve identified objectives.

    b. **Commodity choice and frequency of deliveries** is based on the local context (what are people eating that is also available from the US or what is needed to supplement diets), market analysis (what is appropriate to provide considering local market availability and conditions – reflected by the Bellmon analysis), and what other organizations may be distributing or monetizing. In addition, a nutritional analysis (i.e. number of calories and other nutrients in the food basket) is conducted based on the proposed commodities for distribution versus the nutritional value of the current typical food intake of the target population.

    c. **Coordination of monetization with other CSs.** Sometimes CSs conduct monetization jointly and each of their corresponding proposals will have the same description of the monetization process. The commodity for monetization is determined based on the usual marketing requirements (e.g. patterns of commercial imports of the same or similar commodities) determined by USDA and the Bellmon Determination (e.g. identification of commodities that can be provided that will not interfere with local production and marketing and for which adequate storage is available) conducted by CSs and in some cases the USAID Mission.

    d. An **Initial Environmental Estimate** is prepared, which accounts for potential environmental hazards the project may encounter and conforms to USAID/FFP Guidelines.

    e. The **program implementation plan** that will be used, including the evaluation and monitoring methodology and impact indicators that will be measured.

5. ***Prepare a rough draft and present it to the USAID Mission*** for feedback to ensure that the program continues to be in line with the USAID Mission objectives.

6. ***Finalize proposal***. This is often done at HQ and includes:

    a. Collect **letters of support** from the USAID Mission, local government, relevant non-governmental organizations and other entities that are counterparts in the project and

are important for sustainability or may provide services such as supervision and/or storage for commodities.

b. Prepare the **Annual Estimated Requirements (AER)**, which reflects the commodities and tonnage levels for each activity and schedule of delivery, is the basis for "call forwards" (commodity orders) and must be approved by the USAID Mission.

c. Complete and **submit the proposal** in accordance with USAID Guidelines, which are available on the USAID/Food for Peace website.

7. ***Approval and call forwards***. The signing of the Transfer Authorization (TA) by USAID is the official approval of the program. Then, the CS is permitted to send call forwards for commodities based on the approved AER through the electronic Commodity Tracking System, which is monitored by FFP and USDA. Prior to the 4th of each month, FFP informs a CS whether its call forward is accepted or denied. If approved, it will be included in that month's USDA/KCCO commodity purchase. Once the call forward is approved, typically the freight forwarder for the CS becomes engaged in monitoring USDA commodity procurement; tendering for shipping; seeking USAID/Transportation approval for the freight fixture and whether it is flagged US or foreign (based on lowest landed cost of the commodity and freight combined and 75% cargo preference); and tracking the loading at US port and the vessel's progress until the commodities are delivered to the destination port. Specific regulations govern the tendering, awarding and contracts for ocean freight.

8. ***The CS's responsibility for the commodity begins when the commodity crosses ship's tackle as it is being loaded at US port.*** The CS has a marine survey conducted at the delivery port to assess any losses or damages. The survey must be submitted to USDA and used as the basis for any claims against the vessel owner. The CS is responsible for receiving and using the commodity according to the terms of its agreement with USAID.

9. ***Monitoring progress against baseline data is required throughout the tenure of the program and annual reports are submitted to USAID with information about the levels received and used, monetization, progress to date and estimated requirements for the upcoming year.*** In addition, evaluations are conducted mid-term and at the end of each program and PVOs are subject to OMB Circular A-133 audit requirements for non-governmental organizations.

Mr. PAYNE. Ms. Reilly?

STATEMENT OF MS. ANNEMARIE REILLY, CHIEF OF STAFF, CATHOLIC RELIEF SERVICES

Ms. REILLY. Thank you.

Good afternoon, Chairman Payne, and thank you for inviting Catholic Relief Services today to testify on our recommendations for strengthening food aid in the Farm Bill. The reforms that we propose today we hope will improve our ability to address acute hunger, while especially contributing to longer term reduction in chronic hunger.

I wish to underscore at the outset that the Foreign Affairs Committee plays a key role in writing the food assistance provisions of the Farm Bill. Your predecessor committee, the International Relations Committee, included significant food aid reforms in the 2002 Farm Bill, yet as you yourself have pointed out in your opening remarks, more has to be done.

Over the past several years, support to development programs has dropped significantly as food aid resources have been diverted to meet emergency needs. Catholic Relief Services and other private voluntary agencies support the U.S. Government's commitment to emergency response, but we should not help those suffering from acute hunger at the expense of the chronically hungry. Instead, making the Title II food program more effective and more efficient will promote total food security in the partner nations where we serve.

I would like to share with you three recommendations that Catholic Relief Services has developed in collaboration with our sister PVOs, CARE, Mercy Corps and Save the Children.

First, we believe that improving the operation of the Bill Emerson Humanitarian Trust will bolster our response to emergencies. The current mechanism for utilizing the Emerson Trust is far too cumbersome. Delays and red tape create more food insecurity, instead of curbing it. We propose when Title II emergency resources have been exhausted in a given fiscal year additional emergency funding would automatically come from the Emerson Trust. Of course, we would also need to insure that the Emerson Trust is replenished in a timely fashion through immediate refunding from the Commodity Credit Corporation.

Second, we propose a bridging mechanism to insure that there are no funding breaks in the food aid pipeline. We believe the USAID administrator should be authorized to draw on CCC funds to contract for commodities and freight to meet programming needs in the next fiscal year if the Agriculture Appropriations Bill has not become law by October 1st of the new fiscal year. The CCC would be reimbursed promptly upon enactment of the regular appropriation or permanent continuing resolution. This reform would avoid the need to make small-scale commodity purchases and shipments under continuing resolutions early in the year. Such arrangements push up both commodity and freight costs. They generally force PVOs to scale back and stretch out program resources to try to minimize food insecurity, and they harm participants enrolled in planned and approved programs.

Third, Catholic Relief Services and our partners have determined that if more cash were available through Title II we could better fight world hunger. We recommend that Section 202(e) Title II cash resources be increased to 25 percent of the overall Title II budget and that the law be amended to allow greater flexibility in its use for food aid program support.

Catholic Relief Services would make three additional recommendations to share with you today.

First, we ask that Congress appropriate in a timely way a realistic annual target of $2 billion per year for Title II. This amount reflects the actual average of total annual appropriations in the past 5 years. While this committee can't drive the appropriations schedule, it can intervene by authorizing the bridge financing noted before.

Second, we propose that a minimum of $600 million or 50% of total Title II resources, whichever is greater, be dedicated exclusively to developmental food aid to address chronic hunger. In a word, a safe box to insure that developmental food aid is not routinely diverted to emergency needs.

I would like to share a brief anecdote from when I was the regional director in southern Africa, which illustrates how developmental food aid can address long-term, chronic hunger needs. In Lesotho, CRS worked with our local partners to meet the urgent food needs of vulnerable populations suffering from a devastating drought, while implementing simple, but effective, measures to address longer-term food security.

For example, some of the most vulnerable in Lesotho were those affected by HIV and AIDS. The chronically ill do not have the strength they used to when healthy. But instead of relying solely on food aid distribution, our program took the additional step of building simple keyhole gardens. These were a type of kitchen garden in the shape of a skeleton key on a raised platform that allows the grower to cultivate vegetable crops from a standing position. It also uses household waste compost systems to provide cheap but effective fertilizer. This kind of developmental activity contributes to longer-term food security, diminishing the need for food aid over time.

Third, Catholic Relief Services supports the administration's request for flexibility in the use of a portion of the Title II budget for local or regional purchases of food. Local purchases from local producers can bolster local food security in certain circumstances and contributes to a faster and more appropriate response to an emergency.

I do not suggest that these reforms alone will end chronic hunger. For example, we must marry these reforms with other innovative development aid, increased access to clean water, and link nutrition with HIV and AIDS care and support.

Once again, your subcommittee can play a pivotal role in integrating our total foreign assistance program with a full-fledged promotion of food security and in tailoring our programs to meet the development challenges in Africa.

In conclusion, I want to once again express my appreciation to you, Chairman Payne, and to all the members of the subcommittee for hearing proposals to make a potent program even more power-

ful in wiping out world hunger. By adopting these recommendations, you will enable CRS and other organizations to better promote food security, alleviate hunger, and save lives.

Thank you, and I would be happy to respond to any questions.

Mr. PAYNE. Thank you very much.

[The prepared statement of Ms. Reilly follows:]

PREPARED STATEMENT OF MS. ANNEMARIE REILLY, CHIEF OF STAFF, CATHOLIC RELIEF SERVICES

Good afternoon Chairman Payne, Ranking Member Smith, and members of the Subcommittee. Thank you for calling this hearing and for providing Catholic Relief Services the opportunity to share our insights based on our long experience of delivering and programming food aid for long-term development and emergencies.

I am delighted that the Subcommittee on Africa and Global Health of the House Committee on Foreign Affairs is holding this early hearing on food aid in the Farm Bill. Five years ago during the last revision of the Farm Bill, it was this committee that worked most closely with Private Voluntary Organizations in enacting the modifications we were seeking to make food aid work better for the world's hungriest people.

My name is Annemarie Reilly, Chief of Staff for Catholic Relief Services (CRS). Operating in 98 countries around the world, CRS is the international relief and development agency of the U.S. Catholic Community. For more than half a century, we have worked with Food for Peace in a partnership that has expressed the goodwill and compassion of the American people. The reforms we propose will improve our ability to reduce chronic hunger, unlocking the power of food security aid. I would like to note that I have presented these reforms in testimony I delivered earlier this month before the Subcommittee on Specialty Crops, Rural Development and Foreign Agriculture of the House Committee on Agriculture. I have also forwarded copies of my written testimony to the Senate Agriculture and Foreign Relations committees.

According to the World Food Program, more than 850 million people on our planet are suffering from chronic hunger. The American people should be proud that the US government, through PL480 Title II resources, is the largest food aid donor in the world. These programs assist millions of people living on the edge to meet their daily food needs. In addition, the complementary cash support dedicated to strengthening livelihood systems improves their ability to feed themselves in the long term.

For example, with five years investment of Title II food and funds, CRS worked through a local partner to reverse severe environmental degradation and improve the livelihoods of 570 poor households in Legedini, a rural community in eastern Ethiopia. Through support provided by USAID and CRS, this community has been able to use small-scale irrigation to grow marketable vegetables. They have also used this investment to develop small livestock herds and increase sales of milk, improve water and sanitation management, increase the engagement of women in micro enterprise, and improve the nutritional content of family meals. Participants in a women's group have begun to save and to invest their savings in business activities that diversify their assets. One woman, Nuria Umere, has been able to purchase an ox, a cow and seven goats, and she is able to send one of her three children to school and help her husband meet their household food needs. The success of this program is a direct result of the effective combination of food aid to meet immediate needs and cash to support complementary livelihood support activities.

Title II resources are used to set up feeding programs in desperately poor communities around the world and are often coupled with agriculture projects, village banking schemes or other livelihoods enhancement efforts. Social safety net programs feed orphan-headed households and people who are too old or too sick to function in the local economy. Title II also provides food for maternal/child programs that combine food aid with prenatal and postnatal education and support. This is only a small sample of the variety of programs Title II supports to fight chronic hunger. Title II programs are extremely important to the families, communities and even nations that they serve.

Although these are significant efforts, there remains a huge unmet need. According to Food for Peace, the US government feeds only about 50 to 70 million of those 850 million chronically hungry people. We don't expect the US government to feed all of the world's hungry. CRS is working on recommendations for improvements to the Food Aid Convention, due to be renegotiated, which could ensure that more resources will be made available worldwide to fight hunger. We also invest significant private resources and funding from other donors to support livelihood systems that

address chronic food needs. But given the enormity of the hunger program, more must be done. Yet, more and more of our Title II resources are being diverted away from programs that address chronic hunger in order to fund an increasing number of emergencies around the world.

Catholic Relief Services and other private voluntary agencies are very supportive of the US government response to emergencies. But this should not be done at the expense of the chronically hungry. We are offering some proposals to continue this vital work in responding to food emergencies, while at the same time protecting resources for programs that address chronic hunger and the underlying causes of that hunger.

As you are well aware, current law requires that 75% of Title II food aid resources be devoted to development (non-emergency) programs. Over the past several years, however, the Administration has consistently used the emergency provision to waive the 75% rule. The program percentages have now been reversed as development food aid programs are diminished or eliminated in many countries so that about 75% of commodities are used for emergencies year to year, while only about 25% remain for development.

I. RECOMMENDATIONS FROM CRS, CARE, SAVE THE CHILDREN, MERCY CORPS

I would like to share with you three recommendations that CRS has developed in collaboration with sister PVOs CARE, Save the Children and Mercy Corps.

First, we believe that with some adjustments, the Bill Emerson Humanitarian Trust (BEHT) could become an invaluable tool in addressing food emergencies. Catholic Relief Services, along with our PVO colleagues CARE, Mercy Corps and Save the Children, propose that Congress change both the way the Bill Emerson Humanitarian Trust is used and the way it operates. When Title II emergency resources have been exhausted in a given fiscal year, additional emergency funding would automatically come from the Emerson Trust. We also propose that the resources available for emergencies be increased to 50% of Title II. Using the Emerson Trust first as an emergency back-up will also protect non-emergency developmental programs.

Of course, to make this system work, we need to ensure that the Emerson Trust is replenished in a timely fashion. Catholic Relief Services is currently drafting specific proposed fixes for the Emerson Trust that would make it a more effective component in the food aid arsenal in our fight against global hunger. The current mechanism for realizing the benefits of the Emerson Trust is cumbersome, the underlying authority is vague, long-term availability is uncertain, and the legal and policy constraints on accessing the Trust may conflict with long-term economic development goals. The Emerson Trust is in need of reform and the overall goal of such reform should be to make it a reliable source of food resources in emergency situations and one that may be accessed easily to mitigate the detriment to planned non-emergency development funding under Title II.

CRS is working with others to design the following changes to the Bill Emerson Humanitarian Trust:

(1) Provide for the orderly liquidation of current stocks in the Emerson Trust, so that it will hold only cash to acquire U.S. commodities as needed;

(2) Establish a true trust by allowing the Commodity Credit Corporation (CCC) to invest the cash in the Emerson Trust in conservative short-term instruments for an appropriate return;

(3) Once Title II funds designated for emergencies have been depleted, the Administration should be mandated to use the Emerson Trust until it is exhausted thus avoiding the need to used development food aid to fund emergencies;

(4) When Emerson Trust Fund are drawn down, they must be automatically replenished. Provide limited authority to Commodity Credit Corporation to replenish the Emerson Trust in a fiscal year;

(5) The funding in the Emerson Trust should set at a level appropriate to current needs;

Second, as a bridging mechanism to ensure there are no funding breaks in the food aid pipeline, authorize the Administrator to draw on CCC funds to contract for commodities and freight to meet programming needs in the next fiscal year prior to the actual enactment of an appropriation. The CCC would be reimbursed promptly from the Title II appropriation or continuing resolution when it becomes available. This would avoid the small scale commodity purchases and shipments under continuing resolutions early in the year, which push up both commodity and freight

costs, and generally force PVOs to scale back and stretch out program resources to try to minimize harm to participants enrolled in planned and approved programs.

Third, it is our position that if more cash were available through Title II, we would have greater flexibility in carrying out our programs to fight world hunger, both chronic and in emergency settings. The real causes of global food insecurity and hunger are complex and cannot be solved over the long term by the provision of food assistance alone. Responding more appropriately means that additional resources in the form of cash, both within and outside of Title II, are essential to support a variety of targeted activities that can more effectively address the root causes of vulnerabilities and risks that afflict hungry and food insecure populations. Current Section 202 (e) law permits a small percentage of Title II to be used for program logistics, management and related costs. However, these allowable uses do not go far enough to serve as an effective critical cash support mechanism. Section 202(e) needs to be amended to allow greater flexibility in the use of the funds to include administrative, management, technical and program related costs to enhance the effectiveness of Title II commodities. The percentage of funding in an expanded Section 202(e) also needs to be increased to no less than 25% of the Title II program levels.

We could more flexibly use commodities and/or cash in Title II by using language patterned after the McGovern/Dole Food for Education and Child Nutrition Program. The McGovern/Dole Food for Education and Child Nutrition Program addresses the issue of cash resources with simple language that allows for a mix of commodities and cash for implementers to use to carry out the program. This has worked well as implementers are discouraged from monetizing commodities because it is much easier and more cost effective to use cash.

II. ADDITIONAL RECOMMENDATIONS FROM CRS

CRS has two additional recommendations.

First, we ask that Congress appropriate a realistic annual target of $2 billion per year for Title II. Furthermore, we propose that a minimum of $600 million or 50% of total Title II resources, whichever is greater, be dedicated exclusively to development food aid to address chronic hunger—in a word, to put this money for developmental food aid in a "safe box." The $2 billion figure is consistent with the U.S. share of annual needs for the last several years. Full funding of food aid needs up front in the initial appropriation would avoid "bunching" of Title II export shipments late in a fiscal year following supplemental appropriations—a change that the GAO noted could save 12–14%. Late additional funding, while welcome, causes delays and increases both commodity and shipping costs due to higher demand. Sufficient funding up front would simplify programming in the field, eliminate delays and extra storage and transportation expenses, and ensure more effective and dependable links with partners who look to the U.S., above all others, for life-saving aid. Designated funding would guarantee that we don't lose the fight against chronic hunger by diverting almost all food aid to emergency uses.

Second, CRS supports the Administration's request for flexibility in the use of a portion of the Title II budget for local or regional purchase of food. CRS endorses and undertakes the local purchase of commodities as a cost-effective tool for some emergency and non-emergency programs, when analysis of markets indicates it is feasible. CRS also engages in the use of vouchers to promote beneficiary acquisition of local food. CRS believes local purchase is an option worthy of congressional support in situations where it can bolster local food security and/or contribute to faster and more appropriate response to an emergency. It can be a more effective and efficient use of American resources.

The reforms we propose today will improve our ability to reduce chronic hunger and unleash the power of food security aid. Despite Title II's success, it has not fully realized its potential to build food security in developing countries. The right response to this challenge is not to throw out food aid, but to transform it into food security aid. I do not suggest that these proposals alone will end chronic hunger. For example, we must marry these reforms with other innovative development aid, increase access to clean and healthful water, and link nutrition and HIV/AIDS treatment. We must also bar food aid in export promotion and retool the cargo preference program.

In conclusion, I want to once again thank you Chairman Payne and all members of the subcommittee for holding this hearing to respond to the needs of the hungry throughout the world. Our proposed changes to US food aid programs are a sincere effort to help make a great program even greater. By adopting these recommendations CRS, and other organizations that implement U.S. international food assistance programs, can better promote food security, alleviate hunger, and save lives.

Thank you, Mr. Chairman. I would be pleased to respond to any questions that the Committee may have.

Attachment:

Attachment A: Catholic Relief Services Title II Countries, FY2006—FY2008 (Proposed)

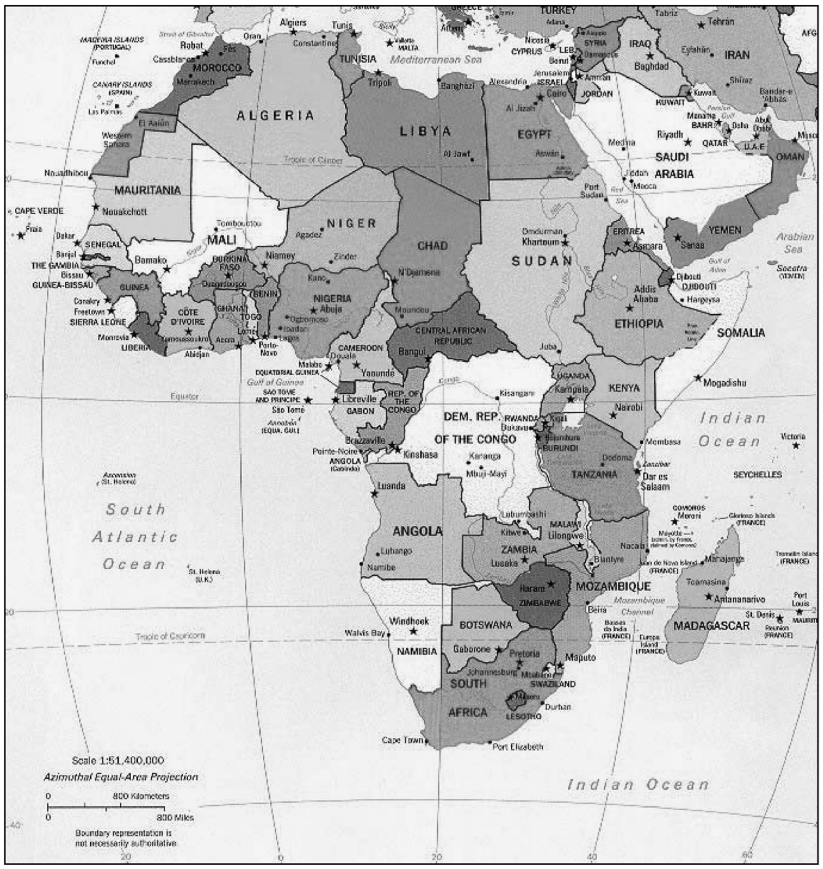
ATTACHMENT A

CATHOLIC RELIEF SERVICES TITLE II COUNTRIES, FY2006 – FY2008 (Proposed)

	CRS Title II Countries (2005-6)	Current CRS Title II Countries (FY 07)	Proposed New Title II Countries
1	Angola	Burkina Faso	Burundi
2	Benin	Ethiopia	Chad
3	Burkina Faso	Ghana (phase-out by 2008)	DR Congo
4	Eritrea	Guatemala	Mali (planned multi-year program)
5	Ethiopia	Haiti	Uganda
6	The Gambia	India (phase-out by 2011)	
7	Ghana	Indonesia (phase-out by 2009)	
8	Guatemala	Lesotho (single-year emergency)	
9	Haiti	Liberia	
10	India	Madagascar	
11	Indonesia	Mali (single-year emergency)	
12	Kenya	Malawi	
13	Lesotho	Nicaragua (phase-out by 2008)	
14	Liberia	Niger	
15	Madagascar	Rwanda (phase-out by 2009)	
16	Malawi	Sierra Leone	
17	Nicaragua	Sudan	
18	Niger	Zambia	
19	Peru	Zimbabwe (single-year emergency.)	
20	Rwanda		
21	Sierra Leone		
22	Senegal		
23	Sudan		
24	Uganda		
25	Zambia		
26	Zimbabwe		

These include both emergency and non-emergency programs.

Until recently, CRS had Title II in 26 countries, of which 20 were in Africa. We have closed or are closing Angola, Benin, Eritrea, The Gambia, Ghana, Kenya, Rwanda, and Senegal in Africa alone. Fourteen of our nineteen current programs are in Africa, and we hope to add another four to five next year.



Mr. PAYNE. We will take a very short break. Mr. Mutombo has to leave, and so I might ask the young lady to escort him to the room so I can wish him good-bye.

Then I have a quick question for both of you, and then we will conclude by hearing Mr. Sitoe, our final witness. We will be back in one moment.

[Recess taken.]

Mr. PAYNE. Thank you very much.

Ms. Reilly, you state in your testimony that you support the administration's proposal to use cash for local purchases. Do you also support the amount the administration has proposed, up to 25 percent of Public Law 480 Title II funds?

Ms. REILLY. Yes, we agree; and we believe that there should be an effort to explore this much more deliberately. And if it is a pilot program, we are very supportive. We think that there are limitations and we do need to be extremely careful in terms of market implications but that there are cases where this can be a very useful response.

Mr. PAYNE. Would CRS participate if a pilot project could be developed?

Ms. REILLY. Yes. We have actually spent over $6 million over the last 5 years of our own private resources doing local and regional purchases. We would be very happy to participate in something like that.

I would like to make a point, though, Chairman Payne, that we would also like to see local purchase considered for development programs. We think it could actually be more effective, given that you can take a bit more time in doing it right rather than an emergency situation, perhaps going down a road that you might not want to go down.

Mr. PAYNE. All right. That is very good. Well, we appreciate that.

I wonder, Mr. Evans, as I understand it, Food for the Hungry supports a pilot project to determine if cash for local or regional purchase is a good use of taxpayers' money. According to Congressional Research Service, 60 percent of all food aid is purchased locally. The World Food Program engages in local purchase, Canada allows 50% of its food aid to be purchased locally or regionally, and most of the food aid supplied by the European Union is purchased in developing countries. How would you evaluate their programs? And if you could tell us, what are lessons learned that the United States could apply? And what do you expect to learn through a pilot that we cannot learn through the experience of others?

Would you like to take a stab at those?

Mr. EVANS. Gladly.

Yes, the Food for the Hungry, as part of the Alliance for Food Aid, does support a pilot for local regional purchases of food for emergencies.

With regards to some of the reasons behind why a pilot and, you know, some of these reasons I believe need to be talked about, particularly with regards to World Food Program and other things. In other words, what types of evaluations and assessments have occurred?

We believe that local purchase programs must be designed and monitored to avoid distortions in and disruption of local agricultural production and marketing. So that is one key piece that a pilot would need to look at. What sort of disruptions does local purchase have with regards to those two things?

The second area is to assure the quality and safety of products provided. So with local purchase, part of the pilot would need to be looking at food quality compared to the quality of U.S. products that are normally shipped.

Thirdly, to avoid harmful price increases in local markets, as you know, while the local purchase is happening, that might have a great boom effect, which might turn into a bust effect after it is over. So looking at price increases on local markets and the impacts there and to meet applicable U.S. Government regulations and audit requirements.

To introduce a cash for overseas purchase program, we recommend a pilot that tests various approaches for purchases: Number one, within the recipient country or a nearby low-income country; number two, in cases where the procurement will expedite the provision of food aid and could be linked to advancing local agricul-

tural production and marketing. So that would be a second thing we would be looking at in the pilot.

And then outcomes from the pilot, plus review of other cash purchase programs, which you mentioned should be used to develop appropriate methodologies and best practices for any ongoing programs.

So, again, we feel as an Alliance that it is important to not just rush into this without really looking at it well, looking at all these areas mentioned; and we believe the best way to do that would be in a pilot way.

Mr. PAYNE. Well, let me thank both of you for your testimony. We will study it and incorporate your recommendations as we move forward to try to make our programs more effective. We certainly will take into account what you have told us today. So, once again, thank you very much; and we apologize, like I said, for the break in the votes that came up.

Now what we will do at this time is officially adjourn the formal meeting. When we have a representative from a foreign country or from a United Nations or international organization we call it a briefing. But everything for all intents and purposes are the same. However, we will adjourn the hearing, and we will move into——

Ms. JACKSON LEE. Mr. Chairman?

Mr. PAYNE [continuing]. A briefing.

Oh, I am sorry. Let me ask our final witness, and then I will open with you, to ask Mr. Sitoe if he would come forth. Because I am afraid votes will come, and he has been here. So I will yield all my time to you.

Ms. JACKSON LEE. Very good. Thank you.

Mr. PAYNE. Thank you.

All right, Mr. Luis Sitoe?

Mr. Sitoe joined the Embassy of the Republic of Mozambique in Washington as a commercial counselor in July, 2006. Prior to his posting to the United States, Mr. Sitoe served in the Ministry of Industry and Trade successively as Director for Commerce, Director for Industries, and Director for International Relations. As Director for Commerce, he led the Inter-Ministerial Working Group on Food Aid and negotiated several memoranda of understanding and agreements on food aid, including with USAID and USDA. He was a trade chief negotiator for his country in the Southern African Development Community, SADC, and the regional integration process. He worked as well with the SADC EU Economic Partnership Agreement, which was related to the European Union. So it is certainly a pleasure for us to have you here, your Excellency.

STATEMENT OF MR. LUÍS SITOE, COUNSELOR (COMMERCIAL), EMBASSY OF THE REPUBLIC OF MOZAMBIQUE

Mr. SITOE. Thank you, Chairman.

Mr. Chairman—I see there aren't members no longer here—and members of the subcommittee, thank you for this opportunity to testify about the critical and changing role that the United States food aid and other assistance has played in Mozambique's recovery from short-term emergencies and in the longer process of social and economic development following decades of conflict.

As we speak, Mr. Chairman, today we are engaged in discussions of the Millennium Challenge Compact with Mozambique with the United States. This is an extremely important program for Mozambique, which we believe will play a major role in stimulating economic growth and lifting hundreds of thousands of Mozambicans out of poverty.

These are my key points of my statement.

Mozambique is grateful to the people of the United States for their generous donations of food aid and other assistance over the years. The United States has provided, just to give an example, 424,000 metric tons of food aid to Mozambique from 2002 through 2006. Food aid provided by the United States has been critical in Mozambique's recovery from times of crisis, such as severe flooding in recent years. Food aid has also been important in Mozambique's long-term recovery from decades of conflict beginning in 2002. This support has helped to lay the foundation for Mozambique's strong economic growth. In 1992, Mozambique's economy grew at 2 percent. Last year, our GDP grew at 8.5 percent, one of the highest rates in Africa.

United States food assistance to Mozambique has been effective because it has evolved in ways that met Mozambique's constantly changing needs. Through 1992, the United States provided a great deal of humanitarian assistance and a multi-year Title III program with policy conditions that helped Mozambique move toward a free market in basic food crops.

I was directly involved in Mozambique's transition from heavy state involvement in markets, including price setting and import and export controls, to a market economy free of controls. We have found that allowing private sector-managed import markets to work has been the best way to stabilize consumer prices for food.

Through the '90s and continuing today, the U.S. has made available food for direct feeding programs, food assistance programs. Food assistance has also been monetized, with proceeds going to NGOs that serve the most vulnerable, including AIDS orphans.

Monetization also funded programs that forced the Mozambican population's long-term recovery from conflict. These programs provided research and training that have increased Mozambique's food security over the long term, increasing the agriculture production and household income, strengthening markets and improving diets.

In recent years, the United States has also supported the development of Mozambique's own capacity to plan for and implement emergency programs, including innovative cash assistance programs. During the recent floods in 1999 and 2000 and in 2007, for example, Mozambique's Disaster Relief Agency took the lead role in coordinating assistance from tens of nations. In 1999 and 2000, USAID worked with the Mozambican leaders to plan and implement an innovative program which distributed about $92 in cash to 160,000 flood-affected families. The cash grant enabled the families to move back into their homes more quickly and helped them to revive local businesses and traders from whom the flood victims purchased necessities, including building materials, pots and pans, clothing and livestock.

Mozambique has seen good economic progress during the last 15 years, but we face important challenges in providing an integrated

approach to food security. We need to put measures in place to address crises, collaborate with humanitarian organizations and civil society to put in place a targeted safety net that insures that the needs of the very poor are met, and a forward-looking agricultural development agenda that takes into account market factors and that will, over time, enable Mozambique to make productive use of its many agricultural resources. This requires investment in agriculture, new technologies, infrastructures, and continued development of people's ability to use the new technologies—new pest-resistant and drought-resistant varieties of crops, for example.

Lessons learned from Mozambique's experience for the current discussion about food aid reform.

We need the continued the strong commitment of the United States to food aid and emergency assistance programs. However, recipient countries need to take increased responsibility for how food aid is programmed, especially when it is developmental or non-emergency food aid, but also when a limited amount of assistance is available to meet a relatively high level of hunger and poverty.

The case of Mozambique indicates the importance of program flexibility and innovation to craft food and other assistance programs that meet local humanitarian and developmental needs best in the short, medium and long term. We support the efforts to provide flexibility and resources for many kinds of program innovations, such as the cash assistance program that was successfully implemented during the floods in 1999 and 2000.

We also welcome the President Bush administration proposal to allow up to 25 percent of food aid funding to be used for local and regional purchase of food aid. Our development experience has made us champions of local and regional market development and integration. Because of Mozambique's unique geography, we import food from our neighbors for the southern cities, where most of the population is concentrated. We export commodities from our northern producing areas to other countries in the world. Local and regional procurement will help strengthen Africa's own market, vital steps to boosting rural farms and non-farm income.

Monetized food aid has provided significant resources for United States NGO programs in Mozambique that helped families to boost agriculture productivity, learn how to work with the market, and improve their diets. Monetization of food aid in Mozambique has not disrupted commercial markets to our best knowledge. It is well recognized that monetization of food aid is an efficient way to provide cash resources. We are very concerned about the possibility of losing the cash resources for critical agricultural and other local development programs altogether should monetization disappear.

In concluding, I want to thank you, Mr. Chairman, for this opportunity to appear before this committee and to present our views on food aid and food security. The challenge of assuring the food security of all our citizens is one that the Government of Mozambique takes very seriously. We recognize the complexity of the challenge. We are confident that working together we can assure that the financial, food and technical assistance of the United States will help us to meet these challenges successfully.

I thank you very much.

Mr. PAYNE. Well, thank you very much for your testimony.

[The prepared statement of Mr. Sitoe follows:]

PREPARED STATEMENT OF MR. LUÍS SITOE, COUNSELOR (COMMERCIAL), EMBASSY OF THE REPUBLIC OF MOZAMBIQUE

Mr. Chairman, Ranking Member and Members of the Sub-Committee:

Thank you for this opportunity to testify about the critical, and changing, role that U.S. food aid and other assistance has played in Mozambique's recovery from short-term emergencies and in the longer process of social and economic development following decades of civil war.

I represent the Republic of Mozambique, and serve as Commercial Counselor in my country's diplomatic mission to the United States. I am an economist by training. Before coming to the United States, I spent my entire professional career in Mozambique's Ministry of Industry and Trade working to develop Mozambique's domestic markets and international trade. I have served in various positions, including Director for Commerce, Director for Industries, and Director for International Relations. Throughout my career, I have worked closely with the Embassy of the United States in Mozambique and with the United States Agency for International Development in the design and implementation of food aid and other assistance programs for Mozambique. I am also currently engaged in the ongoing discussions of my country's Millennium Challenge Compact with the United States. This is an extremely important program for Mozambique which we believe will play a major role in stimulating economic growth and lifting hundreds of thousands of Mozambicans out of poverty.

These are the key points of my statement:

- *Mozambique is grateful to the people of the United States for their generous donations of food aid and other assistance over the years.* The U.S. has provided 424,000 tons of food aid to Mozambique from 2002 through 2006. Food aid provided by the United States has been critical in Mozambique's recovery from times of crisis, such as severe flooding in recent years. Food aid has also been very important in Mozambique's longer-term recovery from decades of civil war beginning in 1992. This support has helped to lay the foundation for Mozambique's strong economic growth. In 1992, Mozambique economy grew at 2.0%—Last year, our GDP grew at 8.5 %, one of the highest rates in all of Africa.
- *U.S. food assistance to Mozambique has been effective because it has evolved in ways that met Mozambique's constantly changing needs.* Through 1992 the United States provided a great deal of humanitarian assistance and a multi-year Title III program with policy conditions that helped Mozambique move toward a free market in basic food crops. I was directly involved in Mozambique's transition from heavy state involvement in markets—including price-setting, and import and export controls—to a market economy free of controls. We have found that allowing private sector-managed import markets to work has been the best way to stabilize consumer prices for food.

  Through the 1990s, and continuing today, the US has made available food for direct feeding programs. Food assistance has also been monetized, with proceeds going to NGOs that serve the most vulnerable, including AIDS orphans.

  Monetization also funded programs that fostered the Mozambican population's longer-term economic recovery from civil war. These programs provided research, equipment and training that have increased Mozambique's food security over the long term, increasing agricultural production and household incomes, strengthening markets, and improving diets.

  In recent years, the U.S. has also supported the development of Mozambique's own capacity to plan for and implement emergency programs, including innovative cash assistance programs. During the devastating floods of 1999 and 2000, and in 2007 for example, Mozambique's Disaster Relief Agency took the lead role in coordinating assistance from tens of nations. In 1999–2000 USAID worked with Mozambican leaders to plan and implement an innovative program which distributed about $92 in cash to 106,000 flood-affected families. The cash grants enabled the families to move back into their homes more quickly, and helped to revive local businesses and traders from whom the flood victims purchased necessities including building materials, pots and pans, clothing and livestock.
- *Mozambique has been good economic progress during the last 15 years, but we face important challenges in providing an integrated approach to food security.*

We need to put measures in place to address crises, collaborate with humanitarian organizations and civil society to put in place a targeted safety net that ensure that the needs of the very poor are met, and a forward-looking agricultural development agenda that takes into account market factors and that will, over time, enable Mozambique to make productive use of its many agricultural resources. Many families still have too little income to purchase all the food they need for their nutritional well-being on the markets. Mozambique still has a large farming population that is still not as productive as they should be. Our farmers are not producing enough food for their families or are country. Therefore it is very important for us to boost agricultural productivity to improve food security. This requires investment in agriculture, new technologies, infrastructure, and continued development of peoples' abilities to use the new technologies—new pest-resistant and drought-resistant varieties of crops, for example. Part of Mozambique's food security strategy also involves boosting agricultural exports where the country has a competitive advantage, such as cashews, and this links Mozambique's food security interests to continued access to global trading opportunities.

- *Lessons from Mozambique's experience relevant for the current discussion about food aid reform:*
  - We need *the continued strong commitment of the United States to food aid and emergency assistance programs*. However, *recipient countries need to take increasing responsibility for how food aid is programmed*, especially when it is developmental or non-emergency food aid, but also when a limited amount of assistance is available to meet a relatively high level of hunger and poverty.
  - The case of Mozambique illustrates the *importance of program flexibility and innovation* to craft food aid and other assistance programs that meet local humanitarian and development needs best—in the short, medium and long term. We support efforts to provide flexibility and resources for many kinds of program innovations, such as the cash assistance program that was successfully implemented during our 1999–2000 floods. It is also important to allocate sufficient resources to track the impact and results of pilot programs so that we can learn from the experience and incorporate the lessons into permanent programs.
  - We also *support the Bush Administration's proposal to allow up to 25% of food aid funding to be used for local and regional purchase of food aid*. Our development experience has made us champions of local and regional market development and integration. Because of Mozambique's unique geography, we import food from our neighbors for our southern cities where most of the population is concentrated. We export commodities from our northern producing areas to other countries and the world. Our experiences, and recent studies, suggest that in many cases local and regional purchase offers a faster, less expensive way to meet emergency and other food needs. In addition, local and regional procurement will help strengthen Africa's own markets—a vital step for boosting rural farm and non-farm incomes.
  - *Monetized food aid has provided significant resources for U.S. NGO programs in Mozambique that have helped families boost agricultural productivity, learn how to work with the market, and improve their diets*. Monetization of food aid in Mozambique has not disrupted commercial markets to our knowledge. It is well recognized that monetization of food aid is an inefficient way to provide cash resources, we are very concerned about the possibility of losing the cash resources for critical agricultural and other local development programs altogether, should monetization disappear.

Mr. PAYNE. I will await the gentlelady from Texas, a member of the committee, Congresswoman Sheila Jackson Lee.

Ms. JACKSON LEE. Thank you very much, Mr. Chairman.

Challenges to this series of programs, looking at this from a distance—I happen to be a new member—are always in the effectiveness of the program. And I consider the longevity of the program.

Let me, before I ask a question, thank the witness for his testimony, and the witnesses previously as well, and just make a brief statement.

We don't want to view food and the ability to establish food security as a carrot for friendship. We want it to be seen as a sincere commitment by the United States for improving the lives of people around the world. However, many times we have come to understand that many times our aid given through food is not even understood to be—I shouldn't say a gift but to be part of the foreign policy of the United States.

In addition to the issues dealing with food security, Mr. Sitoe, if you would, can you tell us how to be an effective—and if you are the wrong person, please correct me—but to be effective with spreading the message and the tools for food security? But also having the food aid and the support of food security being effectively utilized to build relationships, to show our depth of willingness of commitment and to make the program work right?

Would you care to answer?

Mr. SITOE. Thank you for the question. I am not certain if I am the right person, but I have my own thoughts on this——

Ms. JACKSON LEE. I welcome them.

Mr. SITOE [continuing]. Issue.

I see food aid and food security as things that can go and should go together. Speaking of our own experience, there was a time when we couldn't produce enough food because of the conflict. We couldn't—or we couldn't produce all the food we wanted, and we were very heavily dependent from donations. That goes back to the '80s and '90s.

Then, when we reached peace in '92, we saw a possibility of Mozambique starting producing, to a large extent, its own food; and what I have seen there is that we shifted in some crops, we shifted from heavy dependence from food aid to local production.

And here we saw also the role played—because when we had that situation where the PVOs started sending food aid not for free distribution but to sell, and we saw them using the proceeds to improve the roads, to using the proceeds to acquire technology for the peasants, we saw the PVOs helping to identify best crop variety that could yield more than what they were using—so here I wouldn't really—if food aid is well-coordinated, it can help to boost food security.

And I think the Congressperson is right by saying that one should send a message of food security. Food aid should be time-bound and short-term things to do, but aiming at helping countries to produce their own food. And I think that was also in the statement of the previous testimonies.

So that is the way I see it. And based on my own experience, you will need food aid, but food aid shouldn't be there for all the time. You should move to be capable to produce your own food, and food aid can be used to assist that process.

Ms. JACKSON LEE. Let me just deviate just for a moment, because I imagine you are talking about coordinated food aid, international organizations, and possibly the United States as it gives direct food aid. And my question, just a slight deviation, does an effective coordination of food aid and now moving toward food security help build friendship and alliances?

Mr. SITOE. Sure. I am certain it does. It does.

What I saw in my own country, which you know we are more to the side on the Cold War, what I saw is when we started having very important cooperation with the United States the first thing that was there was that agricultural equipment was given to the people, and we had that sign of two hands holding each other.

Ms. JACKSON LEE. Yes.

Mr. SITOE. They had that sign of two hands holding each other, and their comment was, oh, where is this thing coming from? And one would answer, from America. Oh, but Americans are being—or we are being told Americans are imperialists. How can they give us those things?

So I see really—taking from—that, yes, it does help to build a friendship. It does help to strengthen the people-to-people relationship.

Ms. JACKSON LEE. I understand.

Let me just raise this other point. I am a convert on this issue of food security, and I pay tribute to my predecessor whenever I mention the issue of food and hunger, and that is Congressman Mickey Leland who lost his life in efforts to feed Ethiopians during the extensive drought. Of course, we see that droughts come and go, so this whole question of irrigation, teaching how to irrigate, providing equipment which then allows the agricultural community in and on the continent to continue to grow during hazardous times or hazardous weather times, I am an enormous believer in those kinds of skills.

Mr. Sitoe, do you think a move toward those kinds of technology, the whole need for water, allowing farmers to farm during difficult times is an important direction that should be taken?

Mr. SITOE. I am certain that it is the right direction that one should take.

Again, what has proven to be difficult for us is that investment in infrastructure is that we haven't been much successful in mobilizing resources for irrigation or to put programs in place on a larger scale. Because I spoke about the PVO—what the PVOs are doing. It is limited. I have to recognize that. It is limited. It is not—they are not everywhere. They will choose certain areas where they can be more effective. But still their efforts are not enough.

So if one could really—and that is why we are saying, to reach food security, food aid will not be enough. Even if you are monetizing the food aid, it will not be enough, because heavy infrastructures cannot be funded through the proceeds that are coming from food. So that is what I think.

If you combine where, as it is now with the Millennium Challenge Account, with the Millennium Challenge Corporation and I say we are, as I speak, negotiating with them. If you can tackle that issue of infrastructures, then you can really improve food security in our countries. And also that will help to integrate the market, the domestic market, the original market if you have the infrastructures.

I will give you an example. The northern part of Mozambique is in produce surplus, but to bring this food to the needed people in the south costs a lot of money. Just because you don't have an infrastructure in place, it will cost more than bringing the food from

America. It will cost twice or more because of lack of infrastructures.

That is why in my testimony I say we sell the surplus in the north to the rest of the world; and we buy from neighboring countries, which economically has logic, from our neighboring countries in the south. But, still, infrastructure will help very much to integrate the market, the domestic market as well as the regional markets.

Ms. JACKSON LEE. I thank the chairman for his indulgence.

I am, as I said, a strong convert for the focus that we need to place on food security.

I yield back my time, and I thank you for instructive testimony.

Mr. PAYNE. Thank you for your participation.

Let me just say, in general, I really commend your country with the 8 percent plus growth that you have had in the past year. I think that your country was a good example of how combatants, when they decided that there had been enough war and they were tired, decided to go to Rome and to come up with a negotiated settlement; and immediately—with RENAMO and FRELIMO becoming political parties immediately and started to then take that energy into legislation for the benefit of the country. I think it was an outstanding example of the way that conflicts can end and that former combatants can then come together to develop the country.

And of course we all are very appreciative of the work that Graca Michelle, even though she has moved to the other country with Mr. Mandela, has really done a great deal for children around the world.

So let me just ask a quick question or two. We have about 3 or 4 more minutes.

Just in your opinion, what are some things that donors should be doing in your opinion to improve the delivery of food aid? If you have any suggestions.

Mr. SITOE. Thank you, Mr. Chairman.

I think there were suggestions made by previous testimonies made today, and I do agree with the suggestion. And I will mention the issue of timeliness, to provide food at the right time. How do you provide food at the right time? Because, as it was said, 6 months, if you are in crisis, it is too much time. In the time the food will arrive, no one will be there to take the food.

Mr. PAYNE. Mm-hmm.

Mr. SITOE. So if there is a way to shorten the time where they will be supplied, in the time that the food will be provided, the better. And these to me can be achieved by this concept of local origin purchasing of food. It will reduce the time. Not only the cost but also the time.

I think also this concept—I mean, one would have to work out what it means, the pre-positioning of food aid in the region or—it has to be looked at. But something that to me makes a lot of sense. Because it, again, shortens the time.

But it might have some other possibilities, like how do you store, how do you keep the quality of food? So I think this will be one of the things that should be looked at.

And I also think that, by providing food, one should consider that food, it is not a homogenous term. It has to do with the eating hab-

its, it has to do with the culture of people, and if you don't consider those, you might be—you might provide that food timely but not achieving yet your own goal. Because people will have to find a way to sell this food that you brought to them, and then go and look for what they really want to eat.

I am saying, it is not enough to say, okay, I have provided corn, yellow corn to people who don't even know or that they don't—it is not part of their eating habits. So you will have—that might hamper your objective of really providing the food.

I mean, in terms of crisis, yeah, people will not have a lot of choice. They will not maybe be willing to choose what I put in my stomach. But for this non-emergency food aid, one should really carefully consider what one includes as a food aid at a certain point in time.

Thank you.

Mr. PAYNE. Thank you.

Well, that kind of answers a question that I was going to wrap up with about whether you feel that there is a need—and I guess you would agree—for increased dialogue between the donors and the countries to attempt to be more effective in what they do, not only in delivery but also in what is delivered, as you mentioned, to try to accommodate as best as possible people's normal habits and foods that they consume. So I guess you would agree that there definitely should be increased dialogue——

Mr. SITOE. Sure.

Mr. PAYNE [continuing]. Between the donors and the donees.

Well, let me thank you once again for your briefing before the committee.

I ask unanimous consent that the following submissions for the record be a part of the hearing record: A statement from the Maritime Food Aid Coalition; a statement from Care USA; a statement prepared by David Beckmann, President of Bread for the World; and an FAO report titled, "The State of Food and Agriculture 2006: Food Aid for Food Security."

Hearing no objection, it is so ordered.

[The information referred to follows:]

STATEMENT SUBMITTED FOR THE RECORD BY MR. DAVID KAUCK, SENIOR TECHNICAL ADVISOR, CARE USA

Mr. Chairman and members of the Subcommittee, thank you for this opportunity to present CARE's perspectives on the performance of United States international food assistance programs. Ensuring that our nation's food assistance programs achieve success at reducing hunger around the world is a critical challenge for all of us. CARE shares your commitment to combat hunger by providing effective and accountable programming wherever it is needed. CARE would like to express its great appreciation for all the support that the Subcommittee has given to programs using food aid.

CARE has been a cooperating partner of the Food for Peace program since it was established in 1954. Over the past 53 years, CARE has programmed more than 18.5 million tons of food from Food for Peace (valued at over $7.4 billion) to reach more than 200 million people. CARE operates food assistance programs today in twenty-two countries in Africa, Latin America, and Asia[1]. In the half-century or so that

[1] In FY 08, CARE will program Title II non-emergency resources in about 12 countries. This reduction is primarily due to the Office of Food for Peace's decision to focus its non-emergency resources in 15 countries. CARE was consulted by the Office of Food for Peace before this decision was made. CARE supports FFP's efforts to concentrate its non-emergency programs in those countries that are the most food insecure.

U.S. food aid programs have existed in their current form, our work together has helped to save countless lives, and protect and improve the health and well-being of millions of people living on the edge of disaster. CARE is proud to be a part of this great effort.

CARE's approach to food assistance has evolved over the years. We began by focusing on the provision of food and other assistance to people facing the threat of famine. We still use food in this way, but we have learned that food resources alone, although valuable, are not enough to address hunger. To improve people's lives, we developed multi-year programs that combine food assistance with other resources. These programs target the neediest people, often before a humanitarian emergency is apparent. They are designed to address the underlying causes of hunger and to strengthen poor peoples' capacity to cope with misfortune.

When it uses food aid, CARE's central focus is on helping poor people overcome hunger. Our objectives are always to save lives and protect livelihoods—while minimizing any unintended harmful consequences that might result from the use of food resources.

CARE strives to use food only when and where it is appropriate[2]. Well-managed food aid continues to be an important component of a global strategy to reduce hunger.

While acknowledging the important contribution of U.S. food assistance programs, we also accept the challenges that we still face, and they are daunting. There are currently approximately 820 million undernourished people in the developing world.[3] Many of these people are now so poor that they lack the means to rebuild their lives following natural disasters or other humanitarian emergencies. These problems are particularly acute in sub-Saharan Africa, where, for at least the last three decades, hunger has steadily worsened, becoming more widespread and persistent over time. The growing numbers of highly vulnerable people who have fallen into extreme and intractable poverty help to explain the increased frequency and severity of humanitarian emergencies, and the exploding demand for emergency food aid. In parts of the Horn of Africa, the Sahel, and southern Africa, events that would not have triggered major humanitarian emergencies twenty-five years ago do so now.

While humanitarian crises have increased, the funding needed to adequately support food assistance demands worldwide has declined by nearly half in real terms since 1980[4]. We recognize that these resource constraints will not be easy to resolve in the current budget environment. This is why everything possible must be done to improve the efficiency and effectiveness of food aid practices so that we can achieve the greatest impact possible with the resources that we have. One important way to achieve this is to improve the timeliness and targeting of food aid. Food aid is especially valuable when it arrives on time and reaches the people who need it most. If it is late or poorly targeted, essential food aid can be wasted. Worse yet, untimely deliveries and poorly targeted food aid can have unintended, and sometimes harmful, economic consequences.

With these concerns in mind, CARE recommends several specific changes to current policies affecting U.S. food assistance programming.

Local Purchase

CARE endorses increasing procurement flexibility in the Title II program so that food may be routinely purchased locally or regionally in developing countries. Under the right circumstances, having a local purchase option can reduce delays and improve program efficiency and effectiveness, and therefore save lives.

Although local purchase can be a useful tool under the right conditions, this approach must be undertaken carefully. If not managed properly, local purchase can trigger price spikes that are harmful to poor people who must also purchase food in order to meet their basic needs. This is why we feel that a carefully monitored program would be a useful way to introduce this innovation.

Better Strategies are Needed to Provide Cash Resources for Food Security Programs

In addition to direct distribution of food, there is a need for a reasonable level of cash assistance for complementary activities intended to reduce hunger. Experience has shown that cash-supported activities are often critical to the success of programs using food. Although current law provides authority for limited cash assist-

[2] CARE–USA, "White Paper on Food Aid Policy," 2006.

[3] Food and Agricultural Organization of the United Nations, "The State of Food Insecurity in the World: Eradicating World Hunger—Taking Stock Ten Years After the World Food Summit," (Rome: FAO Information Division, 2006)

[4] Christopher B. Barrett, "The United States International Food Assistance Programs: Issues and Options for the 2007 Farm Bill," February, 2007.

ance, CARE recommends that Congress increase the total amount of cash assistance provided within the Title II program and consider new strategies on how best to make those resources available.

Currently, the Title II program provides three conduits for distributing in-country cash support: (1) Section 202(e) funds, provided primarily for administrative and operational costs; (2) funding for Internal Transport, Storage and Handling for logistics-related support; and (3) proceeds from the sale of monetized commodities made available for costs associated with enhancing the effectiveness of Title II programs. The practice of purchasing commodities here in the United States, shipping those resources overseas, and then selling them to generate funds for food security programs is far less efficient than the logical alternative—simply providing cash to fund food security programs.

As a step towards improving the efficiency and effectiveness of non-emergency food aid programs, we recommend: (a) increasing Section 202(e) funding levels to at least 25% of the overall Title II appropriation; and (b) expanding Section 202(e) flexibility to permit the use of funds to enhance the effectiveness of program efforts. Not only would this substantially improve the cost-effectiveness of non-emergency programs, it would also eliminate a source of unnecessary controversy that hangs over U.S. food assistance. Economic research supports the view that open market sales of imported food aid may in some cases create market distortions that are harmful to local farmers, traders and economies. It also shows that monetized food tends to displace commercial imports, both from the U.S. and from other countries. For this reason, monetization became an especially contentious issue during recent WTO negotiations.

Mr. Chairman, for the reasons just described CARE has made an internal decision to phase out of monetization. This transition should be completed by the end of fiscal year 2009. In the future, CARE will confine its use of food aid to emergency and safety net programs that involve targeted distribution to the chronically hungry.

The Bill Emerson Humanitarian Trust

The Bill Emerson Humanitarian Trust [BEHT] was intended to function as a reserve of food and food-associated assistance funding that can be drawn upon quickly to address unanticipated, rapid onset humanitarian crises. Unfortunately, at present the trust is difficult to access and is usually deployed as a last resort, rather than a first response. Several key changes to the Trust would help to make this important emergency asset a much more reliable response mechanism to urgent humanitarian food needs. To this end, we have been working with fellow NGO colleagues, CRS, Save the Children and Mercy Corps and other interested parties and would propose the following changes to the Trust :

1. Liquidate in an orderly manner current BEHT stocks which would result in the Trust holding only cash to acquire commodities as needed;
2. Establish a true Trust by allowing the cash to be invested in conservative short-term instruments—the interest gained would be put into the Trust;
3. Provide limited authority to the Commodity Credit Corporation to replenish the Trust automatically, in a fiscal year, when funds are drawn down from the Trust;
4. As soon as P.L. 480, Title II, funds designated as emergency resources have been obligated, mandate that the Administration go straight to the BEHT and use its resources until exhausted, thus protecting non-emergency Title II resources; and
5. Set the funding level cap in the BEHT at a level appropriate to current needs.

CARE believes that the Bill Emerson Humanitarian Trust is one of the most vital emergency assistance tools that the US has and is eager to work with the Subcommittee to see that such needed reforms strengthen the Trust and ensure that it is as an effective urgent response mechanism as possible.

Addressing the Underlying Causes of Food Insecurity and Hunger

Chronic hunger is often the result of multiple, deeply rooted causes. In the long term, achieving a lasting reduction in the incidence of chronic hunger will require: improvements in agricultural productivity; greater access to information, capital, basic education, health services, and technical training for the poor; and changes in the status of women and girls. This ambitious list obviously goes well beyond the mandates set forth in the Farm Bill. Indeed, it is beyond the means of any single donor government. But this crucial, broader objective is not impossible, and it is

fully consistent with the values of the American people to help others help themselves.

Addressing the underlying causes of hunger will require setting common goals and promoting coordinated action across programs and agencies, as well as with national governments, implementing partners and other donors. Within the U.S. government, there are several such initiatives underway. One example that CARE has direct experience with is Ethiopia's Productive Safety Net Program. Under this program, multiple donors, including the United States, engage in coordinated planning and action. All are working toward a common goal to reduce levels of food insecurity in a country where conditions for its poor have not improved, in spite of extraordinary levels of food aid since the 1980s. While food aid plays an important role, the program does not rely on food aid alone. Program objectives include building infrastructure, expanding markets, diversifying and expanding the assets of poor households, and increasing the Government of Ethiopia's capacity to provide sustainable safety nets for chronically vulnerable citizens. We ask the Chairman and Subcommittee members to consider this example as an encouraging model for coordinated action.

In closing, we must push ourselves to make food aid a more effective tool for reducing poverty and hunger.

CARE welcomes this opportunity to communicate our perspectives on U.S. food assistance policy at this important moment in the Subcommittee's work. The intolerable crisis of 820 million hungry people worldwide represents a moral and ethical challenge to us all. But with your help, Mr. Chairman, I am convinced that we have both the will and the means to make a difference. CARE looks forward to working with the Subcommittee in the months ahead to further strengthen the U.S. response to the problem of international hunger.

Mr. Chairman and members of the Subcommittee, thank you again for the opportunity to present our views. I would be pleased to submit answers to your questions or provide additional information.

STATEMENT OF THE MARITIME FOOD AID COALITION

Submitted for the Hearing Record
of the
Subcommittee on Africa and Global Health
Committee on Foreign Affairs
United States House of Representatives
May 24, 2007

Mr. Chairman, Members of the Subcommittee, this statement is respectfully submitted on behalf of the ad-hoc maritime food aid coalition[1] composed of the organizations listed below.

The coalition supports the continued vitality of our nation's food aid programs, and respectfully provides the following points in connection with proposals to permit the purchase of commodities overseas using P.L. 480, Title II food aid funding.

This foreign or "local" purchase proposal, with minor variations, has already been made by the Administration for FY 2006 and FY 2007 and rejected by the Congress each time. There is nothing new in the current proposals, global food aid requirements, or available resources to justify a different response by the Congress now.

Proponents of foreign purchase have argued that it is faster and less costly than the shipment of American commodities. However, the benefits of foreign purchase are unclear, and there are many serious risks.

I. Foreign Purchase Undercuts Support for P.L. 480 and Will Likely Result in a Decline in Food Aid

Saving lives for over 50 years, P.L. 480 is the workhorse of humanitarian assistance the world over. The program has endured for many reasons. Sharing their abundance with those in need overseas appeals to the generosity of the American people. Shipped from the Heartland to ports overseas in vessels flying the American flag, donated American commodities stamped "Gift from the American people" act as ambassadors, spreading goodwill towards our country and helping to address some of the root causes of international terrorism.

P.L. 480's longevity is also due in large part to the broad-based support from the many sectors of the economy it stimulates. Americans working on farms, in food processing, domestic inland transportation, ports, and the U.S. Merchant Marine, as well as many Americans in the

[1] The ad hoc coalition is composed of the America Cargo Transport Corp., American Maritime Congress, American Maritime Officers, American Maritime Officers' Service, APL Limited, Global Container Lines Ltd., International Organization of Masters, Mates & Pilots, Liberty Maritime Corp., Maersk Line, Limited, Marine Engineers' Beneficial Association, Maritime Institute for Research and Industrial Development, Sealift, Inc., Seafarers International Union, Sealift, Inc., TECO Ocean Shipping, Inc., TECO Transport Corp., Tosi Maritime Consultants, LLC, and the Transportation Institute.

broader U.S. economy, benefit from the direct and economic ripple effects of the program, and have helped ensure its sustained political support. Foreign purchase would cut the link between the American people, their economy, and P.L. 480, eliminating crucial support at a time when competition for budget dollars is already acute.

Experience shows that foreign purchase drains support for food aid programs and results in an overall drop in aid levels. In 1996, the European Union ("EU") passed a law leading to local food aid purchases.[2] The result has been a decrease in EU donations. The overall food security budget line decreased from approximately a half billion euros in 1997-98 to 412 million in 2005. Andrew Natsios, former AID Administrator and currently the President's Special Envoy for Sudan, cautioned against relying too heavily on cash transfers for foreign purchases: "Relying on cash food aid will not work," he said. "Look at the numbers from Europe: After the Commission and member states began moving to cash, their contributions fell by 40 percent."[3] He has also noted that their food aid has "declined really significantly from 4 million tons a year to 1.4 million tons a year"—a 60 percent decrease.[4]

The broad appeal of donating American commodities has allowed Food for Peace to thrive over the last 50 years. Converting this uniquely successful program into a pure welfare program whereby American taxpayers are asked to commit to a direct wealth transfer, with no corresponding benefit for the American economy, will likely undercut its support just as it undercut support in Europe.[5]

II. USAID Already has Authority and Funding for Foreign Purchase

Operating under the authority of § 491 of the Foreign Assistance Act of 1961,[6] USAID's Office of Foreign Disaster Assistance ("OFDA") responds to humanitarian emergencies overseas. OFDA uses this authority to purchase commodities locally and distribute them in

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[2] Edward J. Clay, European Food Aid: Untying and Budgetary Flexibility at 3 (Dec. 16, 2004) (citing Council Regulation (EC) no. 1292/96 of June 27, 1996 on Food Aid Policy and Food Aid Management and Special Operations in Support of Food Security, *Official Journal L* 166. Brussels July 5, 1996.).

[3] Will Lynch, InterAction: American Council for Voluntary International Action, "Making Food Aid Work" (May 22, 2006). *See also* James Lutzweiler, World Vision Food Security and Food Programming Advisor, Much ado about food aid: Misdirection in the midst of plenty (Jan. 19, 2006) (delivered at Overseas Development Institute Conference "Cash and Emergency Response") ("The EU has already demonstrated a cut in aid to any type of food aid program. Since shifting to a cash-based concept of food security, the EU's contribution to global food aid has decreased by 40 percent. Is there a correlation between cash-based aid and a reduction in food aid? The volume of food aid worldwide has plummeted from 15 million metric tons in 1999 to 7.5 million metric tons last year, and the portion of aid dedicated to agricultural development has dropped sharply from 12 percent in the early 1980's to roughly 4 percent today. Ironically, this has happened despite a dramatic increase in Overseas Development Assistance to nearly $80 billion annually.").

[4] Andrew S. Natsios, USAID Administrator & Karan Bhatia, Deputy U.S. Trade Representative, Press Briefing at the World Trade Organization, Hong Kong Ministerial Negotiations (Dec. 14, 2005) (Mr. Natsios speaking).

[5] For a broad discussion advocating the use of cash aid to establish a world welfare program, *see* Paul Harvey et al., *Cash Transfers—Mere 'Gadaffi Syndrome', or Serious Potential for Rural Rehabilitation and Development*, 97 Natural Resource Perspectives (Overseas Development Institute, March 2005).

[6] Pub. L. No. 87-195, 75 Stat. 424.

emergencies when appropriate.[7] There is no need for new legislation to provide authority for local purchases.[8]

Some advocate a new foreign purchase pilot program for emergency response inside Food for Peace. However, there is no need for a pilot program when there is already a government office dedicated to disaster emergency response through foreign purchase commodities.

III. The Benefits of Foreign Purchase are Doubtful

A. Is foreign purchase really faster?

Foreign purchase advocates argue that P.L. 480 commodities funding must be converted to cash for foreign purchases in order to assure timely delivery of commodities. However, numerous options exist for expediting the delivery of food aid provided under P.L. 480.

Every day of the year, food aid is moving through the pipeline and out across the world. Rapid response has been achieved in the past by diverting aid flows from less urgent projects. For example, this was done following the January 25, 2001 earthquake in Gujarat, India,[9] as well as during the floods of 2003 in West Bengal.[10] Following the Indian Ocean tsunami in late 2004, the United States was able to divert quickly an entire shipload of its food aid to needy survivors. In 2006, a shipment was diverted to Lebanon before it had physically left port in the United States, and was available to unload only 17 days later.

Time savings are also achievable through prepositioning. USAID has recently established a sizeable commodities prepositioning site at the Al Rashid terminal in Dubai, and has plans for another in Djibouti, East Africa. Ensuring reliable, secure storage of high-quality U.S.-donated commodities at the place of need offers significantly more promise than the abandonment of the Food for Peace program.

Cash is not necessarily faster than in-kind food aid. United Nations World Food Programme ("WFP") senior public affairs officer Gregory Barrow has explained that "in an ideal world," WFP would prefer the flexibility of cash donations. "The practical world," however, "is somewhat different. We have found in the past that even when there is a division in terms of donors—with those who give food aid in kind and those who give in cash—food aid has been quicker to arrive than cash," citing to the 2005 Darfur emergency when U.S. aid arrived ahead of European cash donations.[11]

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[7] The President's FY 2007 budget explains that OFDA distributes "supplementary food" along with other emergency relief and the OFDA 2002 Annual Report indicates that OFDA locally purchased 350,000 bags of wheat flour for airlift to Afghanistan.

[8] Notably, OFDA enjoys annual budget carry overs. *See, e.g.*, OFDA, Annual Report 2006 ($45 million budget carry over to FY 2007). Additionally, the USAID Budget Appendix for FY 2008 shows a $65 million balance carried forward at the end of FY 2007.

[9] Will Lynch, When to Purchase Food Aid Locally (Bread for the World, 2006).

[10] *Id.*

[11] Joel J. Toppen, Should the U.S. End In-Kind Food Aid? Assessing the Case for Cash at 7 (Oct. 2006) (quoting Gregory Barrow).

B. Purported cost savings of foreign purchase are dubious

Various academic commentators, other observers, and the Administration in its foreign purchase budget proposals maintain that converting food aid to cash aid will result in cost savings, freeing-up funding for more aid and saving more lives. Even assuming the unlikely outcome that aid funding would be the same for cash as it is for U.S.-grown commodities, the purported savings are unclear.

In its April 2007 report, *Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of Food Aid*, GAO presents WFP's program as a more efficient model and suggests that WFP transports food aid at an average of $100 per metric ton ("MT"), representing slightly more than 20 percent of procurement costs. In support of its $100/MT number, GAO cites WFP's "WFP in Statistics" published July 2006, which shows at Table 13 that ocean transportation costs per MT are $97. In comparison, GAO analyzes Kansas City Commodity Office ("KCCO") data regarding shipments of U.S. food aid and concludes that U.S. food aid administrative and freight costs are much higher.

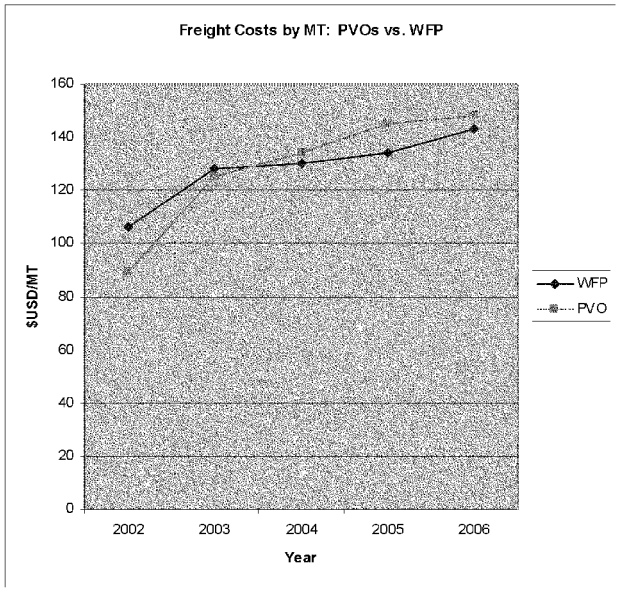
First, Table 13 is internally inconsistent and, on its face, not reliable in that it reflects both bulk and liner (bagged, containerized) shipments with $97/MT freight rates. Bulk and liner shipping are two entirely different systems of ocean transportation and cannot realistically have the same average cost per metric ton.

Second, GAO's comparison is really one of apples to oranges. WFP data cited at Table 13 of "WFP in Statistics" segregate overland transport costs from ocean freight, whereas the KCCO data upon which GAO relies for its U.S. food aid numbers include inland costs. Thus, the KCCO data numbers reflecting U.S. food aid shipments include significant additional costs that do not burden the WFP Table 13 freight rates of $97/MT. James Lutzweiler, World Vision's Food Security and Food Programming Advisor, recently explained: "Whether commodities are purchased locally or shipped internationally, transport is a significant cost of the overall program. Inland transport and storage can, at times, account for up to 35-40 percent of the overall program budget. When comparing a dollar-for-dollar exchange between international food aid and local purchase, the additional costs are not always included in the analysis. For appropriate program implementation, proper storage and handling of the commodity are essential for success."[12]

Third, WFP commodity shipment costs cannot be clearly compared to U.S. food aid costs because they overlap substantially. That is, many WFP food aid shipments overseas are U.S. food aid donations shipped by KCCO using the same facilities available to the other humanitarian relief organizations through which USAID/KCCO distribute commodities, i.e., private voluntary organizations ("PVOs"). Thus, it is not surprising that WFP and PVO shipment costs for KCCO donated commodities track one another closely:

[12] James Lutzweiler, World Vision Food Security and Food Programming Advisor, Much ado about food aid: Misdirection in the midst of plenty (Jan. 19, 2006) (delivered at Overseas Development Institute Conference titled "Cash and Emergency Response").

Statement of the Maritime Food Aid Coalition
May 24, 2007



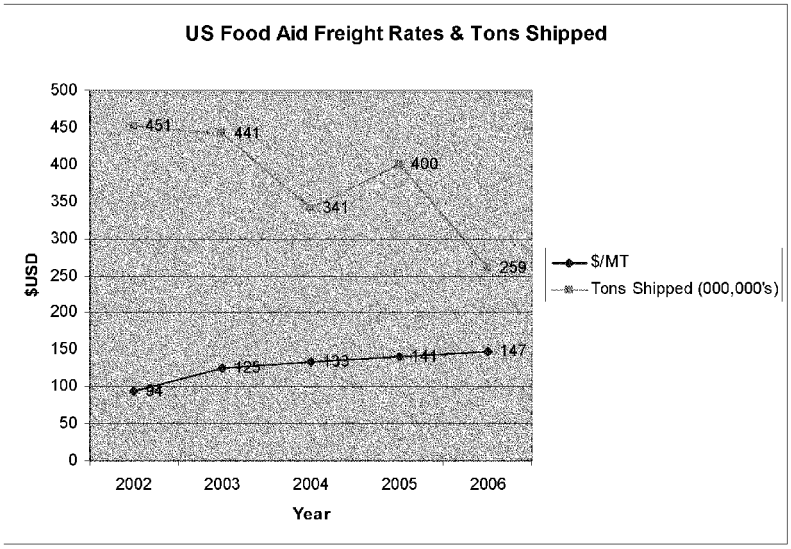
Source: Kansas City Commodity Office Procurement Database

Finally, if one looks strictly at the apples-to-apples KCCO shipment data, which is qualitatively consistent and does not labor under the same methodological infirmities as the Table 13 rates, PVOs paid an average of $125/MT whereas WFP paid an average of $127/MT.

GAO also states in its report that rising transportation and "business" costs have contributed to a 52 percent decline in average tonnage delivered over the last five years because ocean transportation has been accounting for a larger share of procurement costs. Specifically, GAO states that by 2006, U.S. food aid shipment costs rose to $171/MT, such that non-commodity expenditures rose to 65 percent of program costs.

The KCCO data do not support freight costs anywhere near $171/MT, and GAO does not explain to what extent the alleged increase in transportation and "business" costs have contributed to a decrease in commodities shipped. However, there is no clear correlation between food and freight costs and tons of food aid shipped. For example, total tons shipped increased from 3.4 million in 2004 to 4 million (17 percent) in 2005, even though freight rates increased from $133/MT to $141/MT (6 percent) over the same period:

Statement of the Maritime Food Aid Coalition
May 24, 2007



Source: Kansas City Commodity Office Procurement Database

Furthermore, it is not at all uncommon for transportation costs alone to absorb as much as 50 percent of the cost of a shipment—even in a commercial transaction.[13] And as for WFP, its non-commodity costs were 66 percent for 2006, which is even greater than the non-commodity costs incurred by U.S. food aid shipments.[14]

Some advocates of foreign purchase have unfairly targeted cargo preference, suggesting that it makes in-kind food aid more expensive and that its elimination through foreign purchase programs would make more funding available for commodities. These criticisms reflect a misunderstanding of the role of cargo preference and its impact upon food aid.

Cargo preference requires that 75 percent of food aid cargoes be shipped on U.S.-flag ships that tend to be more costly because of taxes, health and safety laws, and other U.S. regulations not imposed upon foreign-flag ships.[15]

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[13] USDA, Agricultural Marketing Service, Transportation Services Branch, Frequently Asked Questions, *available at* http://www.ams.usda.gov/tmd/TSB/faq.htm.
[14] World Food Programme, Annual Accounts (2006): Part I, No . WFP/EB.A/2007/6-F/1/1 at 6 (Apr. 27, 2007). If one excludes "programme support and administration," the percentage of costs for non-commodities is still 63 percent, virtually indistinguishable from the GAO number of 65 percent for U.S. food aid.
[15] 46 U.S.C. §§ 55305(b) & 55314(a).

Provisions of the Merchant Marine Act, 1936 prevent the additional cost of using U.S.-flag vessels, i.e., "Ocean Freight Differential" or "OFD", from draining funding for commodities from aid budgets. First, the law requires that MARAD reimburse USDA for that portion of OFD corresponding to the final third of preference shipments, from 50 percent to 75 percent of cargoes shipped U.S. flag ("incremental OFD").[16] Second, MARAD reimburses USDA to the extent that ocean freight (U.S. and foreign flag) and the incremental OFD noted above exceed 20 percent of the total cost of commodities, ocean freight, and OFD.[17] The cost of OFD and this cost as a percentage of program total commodity and transportation costs have declined substantially from FY 2000 to FY 2005, due to changing market conditions.[18] For example, foreign-flag rates have risen, driven by growth in demand generated in substantial measure by the expanding Chinese and Indian economies, which growth has been not been met by the relatively inelastic supply of large oceangoing cargo vessels. U.S.-flag rates have not increased apace.

The same legislation that authorizes cargo preference also caps the rates that may be charged. U.S. flag vessels are subject to "fair and reasonable rates" for the carriage of preference cargoes, as defined by the United States Government.[19] Therefore, just as U.S. maritime operators are protected from the bottom of the market by cargo preference, they are also prevented from scoring windfall profits.

C. Food aid provides needed donor flexibility

There is already global balance among donors of cash versus commodities. The EU gives predominantly cash aid, and Canada has now converted to 50 percent cash aid, such that WFP's income is approximately 80 percent cash, 13 percent commodities.[20] The United States is one of the few remaining donors that provides food. If the United States moved away from food and towards cash for local purchase, WFP would lose flexibility over all.[21] Indeed, many food aid managers and PVOs are quick to question why even more aid must be given as cash when the majority of aid is already given in that form.[22]

In 2006, WFP received $2.3 billion in cash (but only $376 million in commodities), carrying over $2 billion to 2007.[23] Rather than dismantle the world's most successful food aid program, some of this WFP cash could be made available for local purchase when absolutely necessary to avert an emergency and, in fact, this is exactly what happens.

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[16] 46 U.S.C. § 55316(a).
[17] 46 U.S.C. § 55316(b)
[18] MARAD, Office of Cargo Preference data, November 2006.
[19] 46 U.S.C. § 55305(b). The U.S. Maritime Administration enforces this requirement by, *inter alia*, reference to the average profits derived from Fortune's top 50 U.S. transportation companies.
[20] World Food Programme, Audited Biennial Accounts (2002-2003): Section I, No. WFP/EB.A/2004/6-B/1/1; World Food Programme, Audited Biennial Accounts (2004-2005): Section I, No. WFP/EB.A/2006/6-A/1/1. The remaining income, approximately 7 percent, comes from sources such as investment income.
[21] Tonetta Landis, InterAction: American Council for Voluntary International Action. The Food Aid Debate: What is it All About? (May 22, 2006).
[22] *Id.*
[23] World Food Programme, Annual Accounts (2006): Part I, No . WFP/EB.A/2007/6-F/1/1 (Apr. 27, 2007).

Statement of the Maritime Food Aid Coalition
May 24, 2007

IV. Dangers of Foreign Purchase

A. Corruption and market manipulation

Proponents of foreign purchase promise great things but little is said about its risks. Sending USAID into a developing country with millions of dollars to spend raises the specter of corruption and market manipulation. Aid agencies already experience a certain degree of "shrinkage" in the commodities they distribute. Consider the panoply of purchase fees, taxes, duties, and import licenses imposed upon rich donor countries when they arrive, lining the pockets of politicians, bureaucrats, and businessmen while cutting into the purported cost savings of foreign purchase.

Market manipulation is another serious problem. WFP routinely pays over-market, both because its massive demand spikes prices in smaller local/regional markets, and because traders know they can take advantage. Following the European move to local purchase in 1996, a study by the Ethiopian Ministry of Economic Development and Cooperation found that the aid agencies were charged 12 percent over prevailing market purchases.[24] The Ministry concluded that the likely result was windfall profits to grain traders without passing on any benefits to farmers and the expenditure of scarce resources that could have been used to create other benefits.[25] In the end, the Ministry found that the cost of local commodities was only "slightly below the landed imported cost of comparable quality grain."[26] Similarly, a recent review of WFP's local purchase program in Uganda revealed that a small group of bidders conspired to rig bids and manipulated prices for aid commodities. This was made easier by the tight oligarchical nature of traders having the wherewithal to meet tenders locally—even in a relatively developed market with a decade of local purchase history such as Uganda.[27]

B. Unreliable suppliers

WFP has also found local supply to be unreliable. Without functioning contractual enforcement and regulation, traders can and do simply walk away from contracts to take advantage of better opportunities.[28] Perhaps more disturbing, they have been found to withhold available grain while people starve in order to take advantage of expected increases in price as

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[24] Ethiopia Ministry of Economic Development and Cooperation, Grain Market Research Project, Market Analysis Note #4 at 4 (Mar. 1997); Ministry of Economic Development and Cooperation, Addis Ababa, Grain Market Research Project, Meeting Food Aid and Price Stabilization Objectives Through Local Grain Purchase: A Review of the 1996 Experience (May 1997).

[25] Ministry of Economic Development and Cooperation, Addis Ababa, Grain Market Research Project, Meeting Food Aid and Price Stabilization Objectives Through Local Grain Purchase: A Review of the 1996 Experience at ii (May 1997).

[26] *Id.*, Executive Summary.

[27] James Lutzweiler, World Vision Food Security and Food Programming Advisor, Much ado about food aid: Misdirection in the midst of plenty (Jan. 19, 2006) (delivered at Overseas Development Institute Conference "Cash and Emergency Response").

[28] Ugo Gentilini, World Food Programme, Cash and Food Transfers: A Primer at 9 (2007) ("Traders maximize profits. In some cases, it may be more lucrative for them to delay food deliveries to certain localities as part of a normal strategy based on price fluctuations over seasons. When crises hit it may therefore be risky from a humanitarian perspective to rely on markets. . . . In Ethiopia, a United Nations mission report warned that 'traders delivered [food] either too late or in the majority of cases not at all, putting their financial interest over the interest of the needy population.'").

the food emergency festers.[29] Lastly, there have been numerous accounts of sellers adding stones and other foreign matter into grain sold to WFP by weight. To counter these risks, purchasing agents must institute costly quality checking and supplier evaluation programs, further eroding any local purchase price advantage with an unwieldy administration to recreate the U.S. regulatory environment that is already bundled into safe, reliable, high-quality American commodities donated through Food for Peace.[30]

C. Market disruption

There is no disagreement that large-scale aid efforts cannot be undertaken locally without disrupting local markets.[31] Will Lynch, a 20-year veteran in international relief and development in Africa, Asia, and Europe, has explained: "It is simple economics that the local purchase of thousands of tons of commodities for emergency food aid will drive up the local price. Higher prices will force people who were not food insecure to either cut their consumption due to the price increase or become recipients of food aid themselves."[32] Even the most ardent supporters of local purchase do not deny the potential for disastrous effects upon local food markets.

Conversely, there is little to suggest that local purchase actually helps local markets. There has been no evidence that local procurement is having a positive effect on inter-annual price stability in the supplying countries.[33] Local suppliers do not store and allocate their commodities across harvests, and aid agencies do not time their purchases to soften the impact on local markets. Indeed, local purchases in Ethiopia were found to be the highest in 2003 when estimated market surplus was lowest.[34] Uganda experienced a major maize price crash in 2001, resulting from the combined effect of a bumper crop in Kenya and minimal WFP purchase for much of the year. In contrast, heavy WFP intervention in 2003 caused severe price rises in Kampala in the April-August period.[35] Ten years after the Europeans commenced their local purchase program in earnest, the problem persists, with local purchases peaking in the lean season or amidst drought and famine.[36] The result is that foreign traders benefit at the expense of

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[29] *Id.*; Will Lynch, When to Purchase Food Aid Locally (Bread for the World 2006).

[30] Will Lynch, When to Purchase Food Aid Locally (Bread for the World 2006); *See also* John Rivera & Conn Hallinan, *Food Aid or Band-Aid?*, Foreign Policy in Focus (Aug. 30, 2006) (relating problem of quality control with unregulated third-world traders, including presence of stones in grain sacks to increase weight and volume).

[31] Christopher B. Barrett, Food Aid and Commercial International Food Trade at 1 (2002) ("food aid clearly displaces commercial sales of food contemporaneously in recipient countries"); Will Lynch, When to Purchase Food Aid Locally (Bread for the World 2006); John Rivera & Conn Hallinan, *Food Aid or Band-Aid?*, Foreign Policy in Focus (Aug. 30, 2006) ("The local purchase of commodities for emergency food aid may drive up the local price. It may force people who were not food insecure to either cut their consumption due to price increase or to become recipients of food aid themselves."

[32] Will Lynch, When to Purchase Food Aid Locally (Bread for the World 2006). Lynch also reported that in the Sahel in 2005, local commodity traders anticipated that relief agencies would be buying locally available cereals to meet emergency feeding needs in Niger. From May through August, traders bid up the price of grain in the warehouses. This speculation had the double-edged effect of raising prices for the urban consumer and forcing aid agencies to reduce local purchases to avoid further market disruption, thereby limiting the commodities immediately available for the truly food insecure.

[33] David J. Walker et al., Policy implications arising from the development impact of local and regional procurement of food aid at 12 (Natural Resources Institute, Dec. 2005).

[34] *Id.*

[35] *Id.*

[36] *Id.* at 13.

farmers, food processors, transportation companies, ports and taxpayers in America and other donor countries.

And what of the future? It may be that USAID will forever spend millions of tax dollars in overseas commodities markets. If not, there will be significant market shock when donors do cease cash purchases locally. In this situation, farmers who have committed the investment to raise production and meet the artificial demand from overseas aid will suddenly find the bottom dropping out of the market, leading to widespread economic malaise. Of course, this effect is tempered if, as in the case of WFP, few aid dollars marked for so-called "local purchase" are actually spent in the less developed countries receiving aid.

The major food exporting countries are in the best position to capture the benefits of untied U.S. food aid. This is because they are still subsidized and enjoy numerous economies of scale and technological efficiencies not found in lesser developed countries. Most "local" purchases are not even purchased in the aid recipient country, but are triangular purchases from third countries and WFP reports that that "over the past five years there has not been a significant increase in purchasing from LDCs, despite cash being available. Instead, purchases have increased in other developing countries—mainly large exporters of cereals like Turkey and South Africa—who are better placed in terms of location and capacity to respond to the large and sudden demands of food aid that are typical of emergency situations."[37]

According to WFP, it procures only a third of its food in both least-developed countries and low income countries, combined.[38] WFP procures the next 40 percent in lower- and upper-middle income countries, and approximately a quarter of its food in developed countries.[39] Even putting aside developed countries, upper middle income countries such as Turkey and South Africa (which supplies nearly 60 percent of the cross-border food aid in Africa as "WFP's most important source of maize")[40] are agricultural competitors, not appropriate targets of humanitarian aid dollars in the same category as aid recipient countries.

Spending hundreds of millions of U.S. tax dollars with our agriculture competitors is not only bad policy, but bad politics.

V. Conclusion

We believe that the foreign purchase proposals are unwise. Their basic premises of increased efficiency, effectiveness, and speed of delivery remain unproven. There are also serious potential problems with the foreign purchase proposals including corruption, accountability, profiteering, quality, reliability, safety, market disruption, and loss of a visible

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[37] Sonali Wickrema, World Food Programme, Food Aid and Untying of Aid: Opportunities and Challenges for the Least Developed Countries at 4 & 6 (2004).
[38] WFP, Update on WFP Procurement, No. WFP/EB.A/2006/5-1 at 4 (May 23, 2006).
[39] *Id.*
[40] David Tschirley, "Local and Regional Food Aid Procurement: An Assessment of Experience in Africa and Elements of Good Donor Practice" at iv (2007); WFP, Update on WFP Procurement, No. WFP/EB.A/2006/5-1 at 6 (May 23, 2006). *See also* Update on WFP Procurement at 9 (The top two recipients of WFP procurement dollars were South Africa and Canada, respectively, in the first quarter of 2006). These countries, like Saudi Arabia, are in the "upper middle income" category on the DAC List of ODA Recipients.

symbol of American generosity when our nation's foreign policy and national security already face daunting global challenges.

Above all, we want to emphasize the risk these proposals represent to the entire U.S. food aid program and thus to recipients in need around the globe. There is no substitute for the current U.S. food aid program. We provide one-half of the world's food aid, 60 percent of WFP's total food resources, and three times the level of all EU food aid.

American food aid programs have endured because they appeal to a wide cross-section of interests. In-kind food aid provides jobs and stimulates economic activity at home while feeding the hungry overseas, and the domestic constituency has been an invaluable ally in the efforts of the Congress to sustain and increase food aid. When the EU discontinued in-kind food aid, donations dropped dramatically, proving that there is no constituency for sending cash welfare payments overseas. Today our Nation's vital security requirements and other pressing domestic priorities demand every dollar in the available budget. Cash aid, with no constituency to fight for it and competing with other pressing national priorities, would simply melt away.

We cannot see the logic in abandoning the five-decades of sustained public support, success, and effectiveness of American food aid for direct cash transfers abroad. In all likelihood, these proposals will not lead to more food for the hungry, but less. The in-kind food programs of P.L. 480 have been a bulwark of American food aid policy since the days of the Marshall Plan, and they deserve the strong support of your subcommittee, the Congress, and the entire nation.

Thank you, Mr. Chairman.

STATEMENT SUBMITTED FOR THE RECORD BY MR. DAVID BECKMANN, PRESIDENT, BREAD FOR THE WORLD

I appreciate the opportunity to submit written testimony on a subject very close to my own heart and a prime policy interest of Bread for the World.

Founded in 1974, Bread for the World is a Christian, nonpartisan organization supported by 45 denominations and more than 2500 churches that works to bring about public policy changes that address the root causes of hunger and poverty in the United States and overseas. Bread for the World's 58,000 members lobby Congress and the administration to this end, and mobilize a quarter of a million constituent contacts with members of the U.S. Congress every year. Bread for the World helps concerned people learn about policy issues that are important to poor and hungry people, and then helps them turn this knowledge into positive political action.

The dimensions of global hunger are well known: More than 850 million people—half of them children—live in a state of chronic hunger and food insecurity; 25,000 die daily due to hunger and related ailments. We are seeing the Millennium Development Goal of halving global hunger and poverty by 2015 slipping from our grasp. For such demeaning hunger and poverty to persist when we have the technological and economic means of ending it is a moral affront to American values.

Food aid has been an important tool in combating global hunger, and has saved many lives, and the U.S. can rightly feel proud of its role as the world's most generous donor of food aid. Its efforts have saved millions of lives. However, the food aid program has also been burdened with ancillary objectives that undermine its effectiveness and efficiency in meeting the needs of hungry people around the world.

Bread for the World has as its fundamental mission seeking justice for hungry people. And while we appreciate the political argument for maintaining a broad coalition of U.S. support for food aid, we are convinced by our own polling results that ending global hunger is a topic that resonates with the U.S. public. Americans understand that this is fundamentally an issue of social justice, and that meeting the real needs of hungry and malnourished people should be *the* overriding objective of a U.S. food aid program.

The food aid environment has changed significantly from when Food for Peace was initiated over 50 years ago, and changes in the food aid program are overdue. One need is to simplify and clarify the multiple and sometimes conflicting objectives and statutory requirements, which cannot all be met. Specific legislative objectives set for U.S. food aid include, in addition to combating world hunger and malnutrition, "promoting broad-based, equitable and sustainable development," "developing and expanding export markets for U.S. agricultural commodities," "fostering and encouraging the development of private enterprise and democratic participation," and "preventing conflict." On top of these are added operational requirements, including minimum tonnage (generally met), sub-minimum tonnage for non-emergency programs (not met since 1995), and value added (generally not met). It is time to clarify the mandate of food aid, giving unambiguous priority to combating hunger and malnutrition.

Bread for the World favors a transition to demand-driven food aid, based more on the needs and opportunities and less on supply and availability. Food aid is no longer a surplus disposal program, and the volumes involved are too small to affect commodity prices in any but exceptional cases. In fact, food aid tends be pro-cyclical, so that food aid volume tends to decrease in times of high prices—such as the present—when the food needs tend to be the greatest. This is exactly counter to the stated objective of meeting the nutritional needs of the world's hungriest people.

Bread for the World believes that the farm bill should ensure ongoing and consistent U.S. assistance to people in need of emergency food and nutrition support around the world. This means increasing the authorized funding levels for emergency food aid—especially in light of recent agricultural commodity price increases.

We also need to recognize that commodity food aid is not always the most appropriate response to food insecurity, whether chronic or emergency. One life-affecting consideration is that of timeliness, ensuring the quickest response to emergencies or windows of opportunity. Other considerations include market impact—whether the commodity food aid serves as an incentive or disincentive to local or regional production and commerce—and commodity composition—i.e., whether the needs are best served by commodities or products available from the U.S. In order to facilitate the most effective and efficient responses to food insecurity, Bread for the World strongly supports providing the Office of Food for Peace with the flexibility to procure food locally or in the region. We think the Administration's request in the farm bill principles for authority to use up to 25 percent of Title II appropriations for local or regional purchase is a step in the right direction, and urge the committee's

support. Local and regional procurement is not going to be appropriate in every case and needs to be carefully applied, but there is already sufficient information and experience on the part of the World Food Program, the NGO community and other donors to clearly demonstrate the circumstances under which this instrument can be effectively applied.

Along the same lines, we support loosening the restrictions that mandate the processing ("value added") of food aid and U.S. flag shipping. While these reflect legitimate interests, our main focus should be on meeting needs and saving lives, and employing the most appropriate and efficient means to that end. Surely, other means can be found for ensuring the viability of the U.S. merchant marine than by imposing onerous and costly restrictions on the shipment of food to meet the urgent nutritional needs of hungry people around the world.

The Bill Emerson Humanitarian Trust (BEHT) is another useful weapon in combating global hunger. We support changes that would render the BEHT more efficient and reliable in addressing food crises. These include making use of the BEHT easier and more transparent by clarifying the "trigger" for its utilization relative to Title II; increasing efficiency by directing it to hold reserves in the form of cash or options instead of commodities, thus reducing costs and increasing flexibility and responsiveness; and instituting provisions for regular replenishment.

The new Farm Bill could also open opportunities for poor countries to become more food self-reliant by reducing protectionist forms of assistance to U.S. farmers. Funding within the Farm Bill could be shifted from trade-distorting commodity payments to programs that would be much more helpful for rural America, especially for farm and rural families of modest means, and to nutrition assistance for hungry people in rural and urban America. These reforms, together with reduced protectionism in Europe and Japan, would remove significant obstacles to agriculture and food security for many of the world's poorest people.

Finally, we would like to encourage members of this committee to consider the problem of world hunger from the broadest perspective, recognizing that getting beyond chronic food insecurity requires developing recipient country capacity to produce and trade. Emergency commodity food aid is at one end of a spectrum of responses, and needs to be recognized as a temporary fix at best. The U.S. government, along with other donors, needs to put more resources into effectively addressing long-term food security. International aid for agricultural development has plummeted over the past 20 years, from 11 percent to just 3 percent of ODA. Increased crop yields in developing countries—something achievable with current technologies—would have a profound and lasting impact on global hunger.

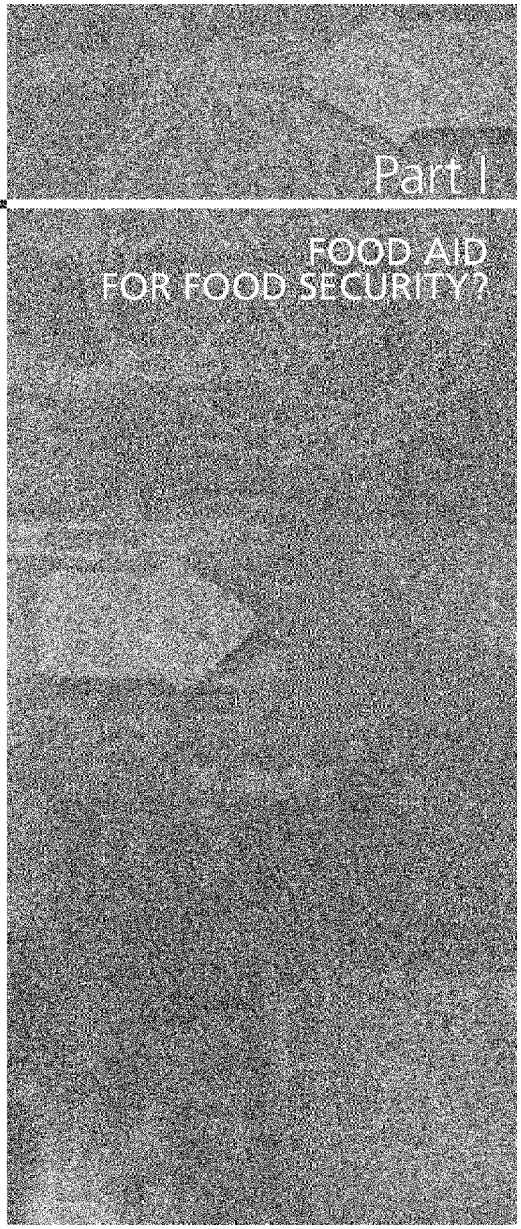
Growth in the developing world would also be good for U.S. agriculture. A 2006 study, commissioned by Bread for the World Institute and conducted by the International Food Policy Research Institute, showed that a seven percent GDP growth rate in the developing world would generate nearly $26 billion in additional U.S. agricultural exports between 2006 and 2020.

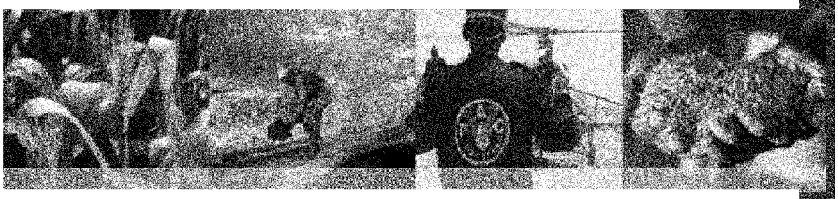
We have the obligation and the opportunity to end hunger. We need to take advantage of every means for doing so. The changes to the food aid portion of the farm bill noted above will, I am confident, move the U.S. closer, in concert with the NGO community, the WFP and other donors, toward meeting this urgent objective.

In closing, I would like to call attention to our policy paper on food aid, "Feeding a Hungry World," issued in April 2006, a copy of which is submitted with this testimony. We would be happy to provide further information on any of the above points.

Thank you.

[NOTE: Part I of the 2006 FAO report titled, "The State of Food and Agriculture: Food Aid for Food Security," follows. The full report is available in committee records and on the World Wide Web at: http://www.foreignaffairs.house.gov/35676adden.pdf]





1. Introduction and overview

Food aid is one of the oldest forms of foreign aid and one of the most controversial. Food aid has been credited with saving millions of lives and improving the lives of many more, but it was also a serious obstacle in the Doha Round of multilateral trade negotiations. Nothing seems more obvious than the need to give food to hungry people, and yet this apparently benevolent response is far more complicated than it seems. Does food aid do more harm than good? This issue of *The State of Food and Agriculture* seeks to understand the challenges and opportunities associated with food aid, particularly in crisis situations, and the ways in which it can – and cannot – support sustainable improvements in food security.

Questions about food aid's potential to depress commodity prices and erode long-term agricultural development in recipient countries were first raised by T.W. Shultz (1960). Since then, some development specialists have worried that food aid can destabilize local markets, create disincentives for producers and traders and undermine the resilience of food economies.

The possibility that food aid may create "dependency" on the part of recipients is a long-standing concern of policy-makers in the donor community as well as in recipient countries. The concern is that food aid, like other forms of external aid, has the potential to influence the incentives of recipients such that short-term benefits erode longer-term strategies for sustainable food security.

It has also been argued that food aid may make recipient governments dependent on foreign resources, enabling them to postpone needed reforms or to abdicate responsibility for the food security of their people. Like any other external resource, food aid may be captured by local elites who – through incompetence, corruption or malevolence – fail to channel it to the intended beneficiaries.

Food aid has been criticized as a wasteful means of transferring resources to needy people, not least because almost one-third of all food aid resources are captured by domestic food processors, shipping firms and other intermediaries in the donor countries (OECD, 2006). Such findings reinforce the widely held view of food aid as a donor-driven response, designed more to subsidize domestic interests in the donor country than to help the poor abroad.

Some critics even say that commodity food aid should be banned, except in clearly defined emergencies where it serves a legitimate humanitarian function (International Relations Center, 2005). Even in the case of emergency response, food aid policy is criticized as being inflexible and unresponsive to the particular contexts in which it is deployed. Emergency needs assessment is dominated by "food aid needs assessment", which presupposes that food aid is the appropriate response mechanism, often resulting in interventions that are too narrowly focused.

On the other hand, supporters believe that food aid is a uniquely effective mechanism for addressing both acute humanitarian needs and longer-term food security objectives such as mother and child nutrition, school attendance (particularly by girls), health interventions in households affected by HIV/AIDS and public works aimed at

building basic productive infrastructure (WFP, 2004). They advocate the use of food aid in response to food crises as well as to combat chronic hunger among targeted populations and to promote economic and market development in poor countries.

Some humanitarian workers believe that food aid is less likely to be misappropriated than cash because it is less fungible. Furthermore, within households, it is believed that women are more likely to retain control of food aid resources than cash, and are also more likely to channel the aid to the most vulnerable family members (Emergency Nutrition Network, 2004).

Researchers worry that food aid is an "additional resource", and that were food aid to be curtailed, donors would not replace commodities with an equivalent amount of cash; thus, eliminating food aid would reduce the overall amount of foreign aid. While acknowledging the need to discipline the misuse of food aid, they warn against excessive restrictions because even badly managed food aid saves lives (Young, 2005).

Supporters say that food aid management has improved dramatically in recent years and they are actively pursuing further improvements in procurement, distribution and monitoring to minimize the unintended negative consequences of food aid. But critics doubt whether any amount of planning can prevent the pervasive market disruptions associated with large food aid transactions.

Food aid and food security

About 850 million people in the world are undernourished, a number that has hardly changed from the 1990–1992 figures on which the World Food Summit and Millennium Development Goal commitments to halving hunger by 2015 were based. Lack of progress in reducing hunger and the growing number, complexity and duration of food security crises over the past few years have raised concern throughout the international aid system about the scope and nature of aid responses to food insecurity.

The total volume of food aid varies from year to year but has averaged about 10 million tonnes (grain equivalent) per year recently. This is equivalent to about 2 percent of world grain trade and less than 0.5 percent of world grain production. Food aid distributed by the World Food Programme (WFP) reaches about 100 million people at some point each year, and bilateral donors probably reach about another 100 million people. If all of the food aid in the world were distributed evenly among these recipients, it would provide only about 50 kilograms of grain per person per year. If this food aid were divided among the 850 million undernourished people in the world, it would provide less than 12 kilograms per person. Clearly, food aid is far too small to provide food security for all of the people in need.

Food aid is not distributed evenly among all vulnerable people. The relatively small volume of food aid available globally can be of major significance for certain countries in certain years. For example, in 2001–2003, food aid accounted for 22 percent of the total food supply, measured in caloric terms, of the Democratic People's Republic of Korea. For Eritrea, this figure was 46 percent.

While these are extreme examples, 19 other countries relied on food aid for at least 5 percent of their total food supply during this period. A decade earlier, in 1990–1992, the volume of global food aid was larger and more countries received a significant share of their total food supply in the form of food aid: 38 countries received more than 5 percent, and of these 10 countries received at least 20 percent (FAO, 2006a). Food aid is central to the immediate food security of many countries, but it is less clear how food aid in such volumes may influence longer-term strategies for food security.

Food aid in crisis contexts

A growing share of all food aid is provided to people suffering food crises. Emergency food aid now accounts for one-half to two-thirds of all food aid. As of October 2006, 39 countries faced food crises requiring emergency assistance (Figure 1) (FAO, 2006b). Over the past two decades, the number of food emergencies has risen from an average of 15 per year in the 1980s to more than 30 per year since 2000. Much of the increase has occurred in Africa, where the average number of annual food emergencies has tripled (FAO, 2004a).

As shown in Figure 1, food crises are rarely the result of an absolute shortfall in the availability of food; rather, widespread lack of access to food is more common.

Human actions are often an underlying cause or trigger for food crises, either directly (through wars and civil conflict) or indirectly through their interaction with natural hazards that would otherwise have been of minor importance. Of the 39 countries facing food crises in mid-2006, 25 were caused primarily by conflict and its aftermath, or a combination of conflict and natural hazards. The HIV/AIDS pandemic, itself a product of human and natural hazard interactions, is also frequently cited as a major contributory factor to food crises, especially in Africa (FAO, 2006b).

Human factors are particularly culpable in protracted crises. Approximately 50 million people worldwide live in an area marked by a protracted crisis that has lasted for five years or more. Ethiopia, Somalia and the Sudan, for example, have each been in a state of protracted crisis for over 15 years (FAO, 2004a). Providing humanitarian support for people living in such conditions is enormously difficult and fraught with ethical dilemmas.

While there is little controversy about the need to provide food aid and other assistance to people caught up in crisis situations, the management of external assistance in such situations is hotly contested. People do agree, however, that if food aid is to improve food security, needy populations must be properly targeted, shipments of appropriate foods must arrive in a timely manner (for as long as needed but no longer) and complementary resources must also be provided.

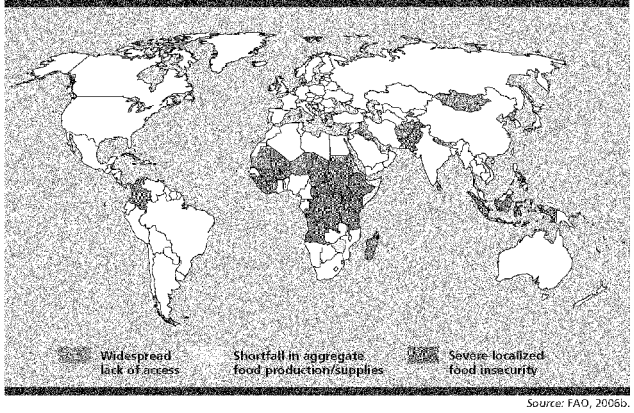
Overview and summary of the report

Food aid programming, governance and social protection

Food aid programming has changed significantly in recent years. Total food aid has declined relative to other aid flows and to the world food economy. Nonetheless, food aid remains very important for certain countries in certain years, sometimes accounting for more than half of the total cereal supply.

Food aid programming has become more responsive to recipient needs and less driven by donors' interests, although many controversial practices continue. Most food aid is now used in emergency situations and is targeted to vulnerable individuals and households. Nevertheless, about one-quarter of all food aid is still sold on recipient-

FIGURE 1
Countries in crisis requiring external assistance, October 2006



Source: FAO, 2006b.

country markets. At the same time, many donors are replacing commodity donations with cash, making it possible to procure more food aid locally or in neighbouring countries. About 15 percent of all food aid was procured in local or regional markets in 2005.

Some economists argue that, despite an increase in cash donations, as much as 60–65 percent of all food aid resources remain "tied" in one way or another. About half of all food aid is directly tied to domestic procurement, processing and shipping requirements in the donor country. Most cash donations are tied to other procurement and distribution requirements that may prevent the implementing agency from using the most efficient channels. Globally, tying requirements are responsible for an estimated 30 percent efficiency loss of all food aid resources (OECD, 2006).

Food aid governance mechanisms have long sought to balance the interests of donors and recipients, while reconciling the multiple objectives associated with food aid: commodity surplus disposal, price support, trade promotion, foreign policy and food security. Never able to reconcile these conflicting goals, food aid governance has kept pace neither with the recent changes in food aid programming nor with current thinking on food security and social protection. Calls for reform of the international food-aid system are increasing even as the demand for humanitarian intervention grows.

This report argues that food aid should be seen in the context of broader concepts and strategies supporting food security and social welfare. Social safety nets include a broad range of measures that aim to provide income or other consumption transfers to the poor and to protect the vulnerable against livelihood risks; food aid can be part of a social safety net aimed at supporting food security, but it is not always the most appropriate tool.

Understanding the proper role of food aid within a social safety net requires an understanding of the nature of food security and how it may be compromised. Food security can be said to exist when all people have access at all times to sufficient, nutritionally adequate and safe food, without undue risk of losing such access. This definition has four dimensions: availability, access, utilization and stability.

The availability of food in a country – from domestic production, commercial imports or food aid – is a necessary condition for food security, but it is not sufficient. People must also have access to food from their own production, purchases on local markets or transfers through social safety nets either of food itself or the means to acquire it. Utilization refers to an individual's ability to absorb the nutrients in food, and thus highlights the importance of non-food inputs to food security such as access to clean water, sanitation and health care. Stability underscores the dynamic nature of food security. Food insecurity may be manifest on a chronic basis, usually reflecting severe underlying poverty or situations recognized as "crises".

Whether food aid is appropriate in a given situation depends on which aspect of food security has been compromised and why. Where food is available and markets work reasonably well, food aid may not be the best intervention. Cash or vouchers may be more effective, more economically efficient and less damaging to local food systems.

Food aid is often essential in emergency situations but, even in these cases, four elements need to be considered when designing and implementing appropriate interventions: i) how the crisis affects the different dimensions of food insecurity over time; ii) the economic, social and political context of the crisis; iii) the nature, magnitude and extent of the crisis itself and how this affects the ability of local governments and institutions to respond; and iv) how short-term interventions may affect long-term food security.

Displacement, disincentives and dependency

The risk that food aid can displace commercial exports was recognized from the beginning of the modern food-aid era, in the years immediately following the Second World War. Concerns about the risk of food aid creating disincentives for domestic agricultural production and market development were raised. Development specialists have long worried that food aid

might create "dependency" on the part of recipients and governments.

Dependency occurs if the expectation of receiving food aid creates perverse incentives that cause people to take on excessive risk or to engage in self-defeating behaviour in order to receive aid. The empirical evidence shows that food aid flows are generally too unpredictable and small to create such dependency. Beyond a few isolated incidents, there is no established evidence that dependency is a widespread problem. Yet people ought to be able to depend on appropriate safety nets when they cannot meet their food needs on their own, both because food is a fundamental human right and because it can be an essential part of a broader strategy for hunger reduction and poverty alleviation.

Basic economic theory suggests that food aid can displace commercial trade. The empirical evidence on this point is surprisingly thin, however. Food aid can displace contemporaneous commercial imports by about one-third of the amount of aid. The literature suggests that the trade-displacing effect is short-lived; commercial imports recover quickly and may actually grow in the years following food aid flows.

The empirical record on the risk of food aid creating disincentives for local agricultural development is rather mixed. The evidence shows that large food-aid deliveries clearly depress and destabilize domestic prices in recipient countries, potentially threatening the livelihoods of domestic producers and traders and undermining the resilience of the local food systems. Given that most people, including the rural poor, depend on markets for their food security, this could have serious long-term consequences.

Whether these price effects create long-term disincentives for domestic production is less clear. Several studies have found a negative relationship between food aid flows and domestic production, especially in earlier decades when most food aid was untargeted (Lappe and Collins, 1977; Jean-Baptiste, 1979; Jackson and Eade, 1982). More recent work suggests that these studies may have had the direction of causality reversed. Because food aid tends to flow to communities that are already suffering from severe chronic poverty and recurrent disasters, food aid is correlated with low productivity – but it does not necessarily *cause* low productivity. Indeed, more recent studies find that any production disincentive effects may be quite small and would appear to be temporary (Maxwell, 1991; Barrett, Mohapatra and Snyder, 1999; Arndt and Tarp, 2001; Lowder, 2004).

Although measurable production effects are small, the empirical evidence suggests that commodity food aid can disrupt local markets and undermine the resilience of local food systems. Instead, where sufficient food is available in an area and markets work reasonably well, cash-based transfers or food vouchers can stimulate local production, strengthen local food systems and empower recipients in ways that traditional food aid cannot. Food aid is most likely to be harmful when: (i) it arrives or is purchased at the wrong time; (ii) it is not well targeted to the most food-insecure households; or (iii) the local market is poorly integrated with broader markets.

Food aid in emergency response

Food aid is clearly a valuable tool for ensuring the basic nutritional needs of people affected by humanitarian crises – earthquakes, hurricanes, droughts, wars, etc. – and has been credited with saving millions of lives over the past century. Equally important, the timely delivery of food aid to acutely food-insecure people can relieve the pressure they face to sell scarce productive assets, enabling them to resume their normal livelihoods as soon as the crisis passes.

Nevertheless, emergency response tends to suffer from a number of common problems. Food aid is usually the most readily available resource in crisis situations – donors know how to give it and agencies know how to deliver it – so it becomes the default response. While food aid is often essential, it is not always necessary and it is never sufficient to deal with the myriad needs of people affected by crises.

What is more, emergency food aid is a relatively expensive and slow intervention, especially if it is sourced in a donor country. Experience shows that timely deliveries of appropriate resources can enable people to manage shocks and avoid slipping into severe food insecurity. Early appeals for assistance are routinely ignored, however, so manageable shocks too often become full-scale crises requiring massive intervention

with incalculable human costs. Emergency measures commonly fail to appreciate the extent to which people rely on markets for their livelihoods and food security. Interventions aimed at rebuilding market infrastructure and restoring trade links can often achieve lasting improvements in food security without the need for massive food-aid shipments.

When crises occur repeatedly against a backdrop of chronic hunger, donors and recipients can find themselves caught in a "relief trap", in which development-oriented strategies are neglected. The longer and more complex an emergency becomes, the more difficult it is to respond with the right resources at the right time, and so the challenges of timing and targeting (so important in all food aid transactions) become even more intractable. Donors and agencies should consider a broader and more flexible range of interventions, beginning with better information and analysis to identify the real priority needs of affected populations.

Food aid may be part of the appropriate response when insufficient food is available in a region, many households lack access to sufficient food and markets are not functioning properly. But food aid is often used inappropriately for a variety of reasons: (i) food aid is the most readily available resource; (ii) inadequate information and analysis fail to identify the real needs of affected populations; and (iii) implementing agencies fail to appreciate the complex livelihood strategies of vulnerable households, particularly the extent to which they rely on markets for food security. In many cases, emergency food-aid interventions are used to address chronic food insecurity and poverty, challenges that can be met effectively only with a broader development strategy.

Policy gaps in protracted and complex emergencies

The number and scale of complex and protracted crises have risen sharply over the past decade, especially in sub-Saharan Africa. The growing prevalence of protracted crises has created particular problems for the international humanitarian community, because resources for addressing emergencies tend to wane after a short period. Food security interventions in protracted crises have tended to reflect a narrow range of standardized, supply-driven policy responses, with a bias towards short-term projects dominated by provision of food aid and agricultural inputs.

This policy failure partly stems from inadequacies in systems for generating up-to-date information and knowledge about the complex crises. It also arises from a lack of capacity to produce timely, context-specific policy responses using the considerable amount of information and knowledge available. This in turn reflects an aid system divided between agencies that focus on humanitarian emergencies and others that focus on development.

Because the humanitarian agencies command the greatest aid resources for protracted food security crises, traditional responses – food aid in particular – tend to dominate. In each crisis, the strengthening of food systems should be based on an analysis of the dynamics of food security resilience and vulnerability. The analysis should also address the causal factors in the evolution of the crisis.

Main messages from SOFA 2006

- Food aid should be seen as one of many options within a broader range of social protection measures to assure access to food and to help households manage risk. Whether to provide food directly instead of cash or food vouchers depends largely on the availability of food and the functioning nature of markets. Where adequate food is available through markets that remain accessible to crisis-affected people, food aid may not be the most appropriate resource.
- The economic effects of food aid are complex and multilayered, and solid empirical evidence is surprisingly limited. The existing empirical evidence does not support the view that food aid creates negative "dependency", because food aid flows are too unpredictable and too small to alter recipients' behaviour routinely or substantially. Concerns over dependency should not be used to deprive needy people of required assistance. Indeed, people ought to be able to depend on appropriate social safety nets.

- Food aid can depress and destabilize market prices in recipient countries. Food aid that arrives at the wrong time or is poorly targeted is especially likely to destabilize local prices and undermine the livelihoods of local producers and traders upon whom sustainable food security depends.
- Food aid tends to displace commercial exports in the short run, although under certain conditions it may have a stimulating effect in the longer term. The impacts of food aid on commercial trade differ by programme type and affect alternative suppliers differently. Well-targeted food aid can minimize the displacement effect on commercial trade.
- Emergency food aid and other social safety nets are essential to prevent transitory shocks from driving people into chronic destitution and hunger, but by themselves they cannot overcome the underlying social and economic causes of poverty and hunger. This challenge can only be effectively addressed as part of a broader development strategy. Donors should avoid falling into a "relief trap" in which so many resources are devoted to emergencies that longer-term needs are neglected.
- A policy gap between food aid and food security exists on many levels. Bridging this gap requires: (i) improving food security analysis to ensure that responses are needs-based, strategic and timely; (ii) incorporating needs assessment as part of a process linked to monitoring and evaluation, rather than a one-off event driven by resource requirements; and (iii) supporting national and regional institutions to make food security a primary policy concern, reinforced by interventions at the global level focused on reforms to the international food aid and humanitarian systems.
- Reforms to the international food aid system are necessary but they should be undertaken giving due consideration to the needs of those whose lives are at risk. Much of the debate on food aid is based on surprisingly weak empirical evidence; nevertheless, it is known that the consequences of food aid are closely linked to timing and targeting.

A few basic reforms could improve the effectiveness and efficiency of food aid while addressing legitimate concerns regarding the risk of causing adverse consequences. Desirable reforms include:

- *Eliminate untargeted forms of food aid.* Food aid that is sold on recipient country markets is likely to displace commercial imports or distort local markets and production incentives, with long-term negative impacts on food security. In practical terms, this means eliminating programme food aid and the monetization of project aid.
- *Untie food aid from domestic procurement, processing and shipping requirements.* About one-third of global food-aid resources are wasted due to such requirements. Many donors have untied food aid from domestic procurement requirements; others should consider doing so as well.
- *Use in-kind commodity food aid only where food insecurity is caused by a shortage of food.* Where food is available but vulnerable groups lack access to it, targeted cash assistance or food vouchers will be more effective and efficient in meeting their food needs without undermining local markets. Interventions that improve the functioning of markets (repairing roads, for example) may be more effective in supporting sustainable food security than direct, food-based interventions.
- *Use local and regional food-aid procurement where appropriate, but do not replace domestic tying with local and regional tying.* Such interventions may result in inflated food prices paid by poor consumers and may create unsustainable market incentives for food producers and traders. This point reinforces the need for careful monitoring of the impact of all food aid interventions.
- *Improve information systems, needs analysis and monitoring.* These reforms will ensure that appropriate and timely interventions are made and that negative consequences are minimized.

Mr. PAYNE. With that, the meeting stands adjourned. Thank you.
[Whereupon, at 6:10 p.m., the subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, I thank you for convening this hearing. Though some progress has been reported toward achieving the Millennium Development Goal of halving global hunger by 2015, hunger remains endemic in much of sub-Saharan Africa, as well as many other regions of the world. I commend the Chairman for his commitment to pursuing this issue. May I also thank the Ranking Member, and welcome our panel of witnesses: William P. Hammink, Director of the Office of Food for Peace, U.S. Agency for International Development; Dr. Thomas Melito, Director of International Affairs and Trade at the U.S. Government Accountability Office; Annemarie Reilly, Chief of Staff of Catholic Relief Services; and David Evans, Vice President of Government Resources and Programs at Food for the Hungry. I look forward to your testimony.

Mr. Chairman, as you and the committee are no doubt aware, 850 million people in the world are chronically hungry. Of these, a vast majority, or approximately 824 million, live in developing countries, particularly in South Asia and sub-Saharan Africa. While some progress has been made toward reducing the percentage of the global population suffering from hunger, these reductions have not been swift or large enough to reduce the overall number of hungry people. In particular, sub-Saharan Africa has seen a substantial rise in the number of individuals suffering from chronic hunger, from 169 million in 1990 to 206 million in 2003.

Particularly worrisome is the Central African region, where reports clearly indicate that both the total number of chronically hungry people and the proportion of the whole population that they represent are increasing. For example, in the Democratic Republic of the Congo, the number of undernourished people tripled between 1990 and 2003. The United Nations Food and Agricultural Organization (FAO) has attributed these increases, which have been observed in the Democratic Republic of Congo as well as its neighbors Burundi, Eritrea, Liberia, and Sierra Leone, to ongoing armed conflict.

Some nations have had greater success combating chronic hunger, and I strongly advocate examining what has allowed this success. The FAO has attributed reductions in the proportion and number of hungry people to an increase in the rate of economic growth coupled with a rising level of per capita agricultural production. Examples of relatively successful nations include Ethiopia and Ghana, both of which achieved reductions in both proportion and number of chronically hunger during a period of time in which both also achieved growth in the economy and per capita food production.

Mr. Chairman, these findings confirm that chronic food shortages are closely linked to a wide range of underlying factors. Some of these, like drought or storms, we have little control over (though I commend this Committee and its Chairman, Mr. Lantos, for yesterday approving climate change legislation, calling on the United States to take a leading role in working ensure that we are not worsening existing environmental dangers). Other factors, like persistent violence or limited economic opportunities, we have greater influence over. I believe that we, as a subcommittee, must look at global hunger, and responses to it, within the broader context of these other serious issues.

The United States has done a great deal to take a leading role in responding to alarming global hunger statistics, primarily by providing U.S. agricultural commodities to developing countries. In 2006, these deliveries totaled around $2.1 billion dollars, or more than 3 million metric tons, which reached 65 countries, over half of which were in sub-Saharan Africa. According to USAID estimates, this food aid

benefits 50–70 million people annually. U.S. food aid accounted for 59% of food aid supplements by major donors between 1995 and 2005, and the United States is the largest contributor to the United Nation's World Food Program (WFP).

Mr. Chairman, food aid alone will not solve global hunger problems, and it is not a long-term solution to food insecurity. Many politicians and practitioners have argued that food aid is inefficient and a poor use of resources, citing in particular the high cost of transporting American agricultural products to overseas destinations. In FY2006, to use an example, 55% of the funds allocated to P.L. 480 Title II, the largest of the U.S. food aid programs, went to transport costs. In addition, shipping commodities from the United States slows any response to acute emergencies, such as the 2004 Asian tsunami, which demand the ability to deploy relief immediately. Current programs make it difficult or impossible for us to rapidly respond to unexpected and urgent food shortages.

Likewise, the practice of monetization, or the selling of food aid in local markets, has been questioned by various groups. A substantial percentage of U.S. food aid is currently distributed using this method. CARE, to name one major international organization, has turned away from the practice, noting its legal and financial risks and branding it as economically inefficient. In addition, monetization can cause commercial displacement in local markets, and may, in the long run, actually cause significant harm to local farmers and merchants. Some economists and researchers have suggested that food aid actually harms residents of poor nations. I strongly urge this committee, and this Congress, to take a long term view toward combating food shortages, and to seriously consider these potentially serious implications.

Mr. Chairman, we are currently considering the farm bill, which authorizes most food aid programs, so now is the time to look at the effectiveness of these programs. I would like to echo the title of this hearing, which urges us to consider "options to enhance effectiveness," and urge this committee to consider whether we are making the best possible use of our funds to provide food relief to the strikingly high numbers of chronically hungry people worldwide. I hope that this committee will give serious consideration to the suggestions offered by USAID and the Department of Agriculture, the assessment conducted by GAO, and the recommendations made by private voluntary organizations and cooperatives.

Mr. Chairman, I believe the U.S. is to be commended for taking a leading role in providing food to hungry nations. However, if the way we are providing this aid is not effective, and particularly if it may be stunting the development of long-term solutions to food instability, I believe we must do a great deal more. I believe we must look beyond the eight programs currently employed to deliver U.S. commodities as international food aid, and show creativity and ingenuity as we work to make the Millennium Development Goals a reality.

Thank you, Mr. Chairman, and I yield back the balance of my time.

WRITTEN RESPONSES FROM MR. WILLIAM P. HAMMINK, DIRECTOR, OFFICE OF FOOD FOR PEACE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE CHRISTOPHER H. SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Question:

What is the status of the provision of food aid and other essential humanitarian assistance to the populations in need in the West Bank and Gaza in light of sanctions and restrictions that have been imposed with respect to the unity Palestinian government following its formation on the March 15, 2007?

Response:

The unity Palestinian government collapsed last month and now with a Quartet compliant Palestinian Authority (PA) government, the U.S. government has normalized relations with the PA. The United States is continuing its long-standing practice of supporting the Palestinian people and the legitimate Palestinian Authority under the direction of President Mahmoud Abbas and Prime Minister Salam Fayyad. Because Hamas has failed to accept the international community's principles of non-violence, recognition of Israel and acceptance of previous agreements and obligations between the parties, the United States has no direct contact with Hamas, a designated foreign terrorist organization. USAID maintains basic humanitarian assistance, including health programs and food assistance, to Palestinians in Gaza through the United Nations Relief and Works Agency (UNRWA), the World Food Program (WFP) and independent actors, including local and international nongovernmental organizations.

Question:

Is assistance reaching those in need, particularly children, and if not, why not?

Response:

Yes, basic humanitarian assistance of the UNRWA and WFP is presently reaching those in need, including children. Regular monitoring and reporting on childhood malnutrition and stunting is conducted by these organizations and shared with USAID.

Question:

What is your assessment of the long-term impact of United States and Israeli sanctions and restrictions on the Palestinian infrastructure and institutions?

Response:

With a Quartet compliant Palestinian Authority government under the direction of President Mahmud Abbas and Prime Minister Salam Fayyad, the U.S. Government has lifted financial restrictions and is in the process of resuming normal economic and government-to-government engagement with the PA. The PA government has agreed to the Quartet principles of renouncing violence, recognizing Israel, and accepting all previous agreements, including the Roadmap. President Bush and the Secretary have stated their support to provide aid to the government quickly with targeted and visible activities. USAID now will be able to start infrastructure projects and build institutional capacity in the West Bank. Projects include highly visible infrastructure projects (school, road construction, water supply); economic growth projects, such as expanding agribusinesses; supporting and equipping the health sector; working with municipalities on community driven projects to shore up support for moderates; and working with independent media to make them sustainable.

Question:

What other entities, including foreign governments, are providing humanitarian assistance in the occupied territories?

Response:

The European Commission, Canada, Japan, Norway, Malaysia, the World Bank, and the United Nations.

WRITTEN RESPONSE FROM MS. ANNEMARIE REILLY, CHIEF OF STAFF, CATHOLIC RELIEF SERVICES, TO QUESTION SUBMITTED FOR THE RECORD BY THE HONORABLE CHRISTOPHER H. SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Question:

How have the current sanctions and restrictions on dealing with the unity Palestinian government impacted the following:

- *Catholic Relief Services' operations in the West Bank and Gaza,*
- *the well-being of the civilian population, and*
- *the stability and long-term development of the Palestinian infrastructure and institutions?*

What other challenges does CRS face in providing assistance to these areas?

Response:

CRS Operations in Jerusalem, the West Bank and Gaza have been able to continue with a three-day interruption in Gaza only due to the Hamas-Fatah clashes there last month. We are conducting food distributions to more than 120,000 persons in the West Bank as part of the UNWFP Food for Work/Training project Protracted Relief and Recovery Program. We have also accelerated implementation of our youth and education programs with the arrival of the summer school break.

Today, with a divided Palestinian governance structure, **the well-being of the civilian population** is at a level not significantly different from what it has been for the last year. However, the prognosis for the people of Gaza is substantially less rosy than that of the people of the West Bank. In the West Bank, the release of millions of dollars in customs duties confiscated by Israel and the gradual restoration of salaries for civil servants will yield a pronounced, short-term economic boom. In contrast, Gaza's already deeply degraded economy faces the most serious challenge of its history. Israel is allowing basic foodstuffs to be imported into Gaza, but nothing more. The inability to import raw materials to support Gaza's industrial

and construction sectors, compounded by the abrupt loss of export outlets, has caused some 65,000 Gazan workers to be laid off (with up to 450,000 dependants affected as well). The combined value of UN and private sector construction projects that have come to standstill due to lack of supplies is estimated at over $370 million.

The UN and NGOs can easily predict the future: the people of Gaza, and particularly the poor, sick and old, will suffer more and more in the coming months. Then, they will probably suffer the horrors of war as Hamas and other militant groups take out their frustrations through terror acts or other aggression: against their perceived enemies in Gaza or against Israel and her backers through actions carried out outside of Gaza.

In terms of **the stability and long-term development of the Palestinian infrastructure and institutions**, we are deeply concerned about the direction of policy by the Quartet, by the new Fayyad Government in the West Bank, and by Israel in the aftermath of the Hamas takeover of Gaza. What concerns us most is that the current policies of divide and conquer are essentially the same approach that has in fact nurtured support for Hamas in the last few years.

While the political intentions of the United States after Hamas' electoral victory in January 2006 may have been guided by a principled opposition to terror, the fact is that for many years Hamas was aided by restrictive Israeli policies; abetted by short-sighted, instrumental politics on the part of the U.S. government; and cast in a favorable light by the corruption and mismanagement of the traditional Fatah leadership. And now, at a watershed period in Palestinian history, with perhaps the future of Palestinian national aspirations at stake, the Quartet seems to be pursuing the same policy with the same traditional leadership.

This is a very delicate situation, and an easy and effective policy framework does not exist. It is widely recognized that what is needed is some kind of national dialogue among Palestinians and a deep and thorough reform of the PLO along with all institutions of Palestinian government in the West Bank and Gaza. (I am leaving out the desperate—foundational—need for a dramatic change in Israeli policies vis a vis the Palestinians: this is the *sine qua non* of political change in the Middle East.) However, Hamas has committed heinous acts of terror and cannot be admitted into the fold of statesmanship easily. Yet for the good of the people of Gaza, it is necessary to engage Hamas. They cannot be defined entirely by terror and our interests as a moral actor go beyond the narrow strategy of increasing Israeli security.

It is deeply disturbing to see some in the US and Israeli political class celebrate the horrible affront to human dignity playing out in Gaza today, simply because it might lead to short term improvements for the people of the West Bank. While an economic recovery in the West Bank is very welcome, in the long run Hamas and what it represents cannot be quarantined and starved. The US Government should not support the continued degradation of Gaza by sequestering its people—physically or politically.

Gaza's war is a lesson we reject at the risk of seeing it repeated on a larger scale next time. Only through dialogue and diplomacy can we help restore sustainable order and facilitate adequate governance for people of the Palestinian territories.