

Opening Remarks of Chairman Donald M. Payne
Hearing of the Subcommittee on Africa and Global Health
Local and Regional Purchases: Opportunities to Enhance U.S. Food Aid
Thursday, June 4, 2009
10:30 a.m.
2172 Rayburn House Office Building

Let me welcome all of you to the fourth hearing of the Subcommittee on Africa and Global Health this year. Today's hearing is entitled *Local and Regional Purchases: Opportunities to Enhance U.S. Food Aid*. The hearing will be followed by a briefing of the same title.

This is the third in a series of hearings we've held on U.S. food aid programs and food security. The hearing will focus on the results of a Government Accountability Office (GAO) report, which I requested last year, related to the role that purchasing food locally or regionally can play in improving efficiency and effectiveness of U.S. in-kind food aid. A 2007 GAO report had shown that there was great room for improvement within our traditional in-kind food aid programs.

This committee is very interested in learning how to improve both food aid for emergencies and long-term food security as a critical element of sustainable development in Africa and other regions. Local and regional procurement (LRP) is the purchasing of food commodities in countries with emergency food needs or in another country within the region to be provided as food aid. As we will hear later today, this approach is already being put to use to some extent in U.S. programs and is used extensively by the World Food Programme (WFP).

The U.S. is the largest food aid provider in the world. In 2008, the U.S. gave \$2.1 billion in U.S. commodities for WFP emergency food operations. Almost all U.S. food aid is provided in the form of U.S. commodity donations and has been for the last 50 years. Other donors such as the EU, the second largest provider of food aid, have switched over almost entirely to cash donations to WFP to purchase food aid. In 2008, the WFP purchased more than \$1 billion worth of commodities, or 2.1 million metric tons, worldwide. More than half of those commodities were purchased in developing countries.

In recent years LRP has been discussed as a cost-effective, time-saving option to be employed to meet emergency food needs and it has been explored through several programs. The food aid budget request for Fiscal Years 2006 through 2009 included language authorizing the U.S. Agency for International Development (USAID) to allocate up to 25% of funds for food aid (Title II of P.L. 480, or the Food for Peace Act) to local or regional purchase. The justification for this request was that it would increase timeliness and effectiveness of our response to emergency food aid needs. This language did not make it into the final bill.

The former administration's farm bill proposal also authorized P.L. 480 funds for LRP. The 2008 farm bill did include a five-year \$60 million U.S. Department of Agriculture (USDA) pilot project for LRP.

The U.S. Agency for International Development (USAID) provided \$125 million to implement LRP in developing countries through the Fiscal Year 2008 Supplemental Appropriations bill. There are currently several LRP initiatives before the 111th Congress.

President Obama's FY 2010 budget proposal has, in addition to other food security related items, \$300 million in International Disaster Assistance (IDA) funds for LRP, cash transfers, and cash vouchers to meet emergency food needs. Additionally, the President announced at the G-20 meeting in April his plans to double agricultural assistance towards helping nations around the world reach and sustain food security. Secretary Clinton has begun the plans for this and we look forward to holding a hearing and working closely with the administration on this critical initiative.

Also under consideration are the Lugar-Casey Global Food Security Act and a similar measure in the House, to be led by Congresswoman McCollum, on which I am collaborating.

Some of the questions which have been raised about LRP include the following:

- Could the U.S. respond to emergency food needs at lower cost and in a more timely manner if commodities were purchased in locations closer to where they were needed?
- What risks could be associated with LRP that would make it a less effective response to emergency food needs than provision of U.S. commodities?
- Could LRP contribute to agricultural development (increased production, productivity, development of markets) of smallholder or low-income farmers in developing countries?
- Could LRP adversely affect agricultural development and make poor consumers more food insecure?

The GAO report found that overall LRP is more cost effective and arrives quicker than U.S. in-kind donations. In fact, 95% of WFP's local procurement in Sub-Saharan Africa cost roughly 34% less than similar food purchased by USAID which was shipped from the U.S. to the same countries between 2001 and 2008. This is quite remarkable.

The report also mentions, however, some of the challenges that prevent wider use of LRP. These include a lack of reliable suppliers, poor infrastructure, and logistical capacity, weak legal systems, timing and restrictions on donor funding, and quality considerations. There are also questions about the disruption factor on local markets by LRP, a feature of the in-kind approach which we have long decried. These issues highlight the need for greater U.S investment in these areas in Africa, particularly in infrastructure and legal systems, for long-term development.

Other issues include the limitations on LRP due to cargo preference requirements that 75% of the gross tonnage of agricultural foreign assistance cargo be transported on U.S. flag vessels. These and other issues have been addressed in the GAO report and will be discussed in this hearing.

It is my belief that we must begin to think more creatively about our food aid programs. Ultimately, the objective should be the eventual elimination of food assistance. However, food aid, including in-kind aid, will likely be a feature of US government programs for a very long time for several reasons: there will always be emergencies which occur, leaving millions of people in dire hunger situations; the global population is set to increase dramatically over the coming decades; and increasing industrialization across the globe will lead to more urbanization and less agricultural production. In other words, there will likely always be the need for food assistance somewhere in the world.

It is incumbent upon our generation to think strategically about how to strike the balance between meeting the world's emergency food needs and working towards long-term food security and the elimination of chronic hunger among the world's poor.

I welcome the testimonies of our distinguished panel today. We will hear from Tom Maleto of the Government Accountability Office, Jon Brause of the U.S. Agency for International Development, Burnham "Bud" Philbrook of the U.S. Department of Agriculture, and Jean McKeever of the U.S. Department of Transportation.

Following their testimonies and Members' questions we will be briefed by Allan Jury of the World Food Programme.

The Committee thanks each of you for your participation today.

Thank you.