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Press Statement on Food Aid Reform from the Alliance for Global Food Security

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1. **This statement is written in anticipation that when President Obama submits his FY 2014 Budget Request to Congress on April 10th, he will propose significant changes in U.S. food aid programs, which are being called “reforms.”** To truly fit the meaning of that word any such changes should reflect careful consideration of what the programs are intended to achieve, then discern what is working and what is not, and ultimately maintain the effective and proven elements of the programs, while also making room for innovation. In the case of food aid the Alliance believes the stakes are very high since the decisions will affect the lives of millions of vulnerable people.
2. **We support greater flexibility and efficiency, but do not believe that effective food aid programs, Food for Peace and Food for Progress, need to be dismantled or bypassed to achieve that goal, which we understand is part of the President’s proposal (see #3).** Improvements are needed and a range of program options are necessary (see #7), but we must remember that the United States has the most comprehensive, transparent and responsive food aid system in the world (see #4). Some of the criticisms leveled at food aid border on hyperbole and overlook the improvements made over time and successful systems and program approaches that are now in place (see #5). Thus, to assure we do not lose programs that are truly having a positive impact on people’s lives, be wary of claims that great sums will be saved and recipients will be better served by shifting to all food aid funds to a flexible cash account (see #6 below).
3. **According to information we received, the President will ask Congress to eliminate funding for Food for Peace (PL 480) and Food for Progress based on the rationale that the government should not have to buy U.S. food aid commodities because purchasing commodities overseas would be more efficient and offer more programming flexibility.** As described, the President’s proposal would:
 - a. Eliminate funding for PL 480 Title II (\$1.4 billion) and Food for Progress (\$170 million) programs.
 - b. Transfer \$1 billion of Title II funds to the International Disaster Assistance (IDA) Account for local/regional procurement, US commodity procurement and cash transfers to local populations during emergencies. Apparently, this would be in addition to IDA funds already used for those purposes, which totaled \$375 million in FY 2012.

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- c. It would also transfer about \$200 million to the Development Assistance (DA) Account to support a “Community Reliance and Development Fund” that, similar to the current Title II development programs, would provide assistance to chronically hungry and poor communities, but would not provide food aid. This would be half the size of the current Title II development program and there would be no additional agricultural development programs to make up for the loss of Food for Progress.
 - d. Lastly, it would create a \$75 million contingency fund for emergencies and provide \$25 million to a maritime-related program as a partial offset for decreased use of US-flag vessels to carry food aid cargoes.
4. **The United States has many options for providing food aid, including providing U.S. commodities and buying food overseas and access to a variety of commodities and fortified food products, so programs can be tailored to meet local needs.**
- a. The U.S. food aid procurement process includes an early warning system, regularized tenders to buy commodities through competitive bidding, an internet-based systems for monitoring orders and deliveries, and prepositioning of commodities overseas, which enables the U.S. Government to contain costs and provide a steady pipeline of appropriate commodities.
 - i. During the early phase of a crisis, the approach is to use IDA’s local/regional procurement for early response, then Title II commodities that are prepositioned overseas. Commodities destined for overseas prepositioning warehouses are often diverted on the high seas to an emergency before reach the warehouse and can be the first food assistance to arrive
 - ii. After assessing the extent of the needs and the types and amounts of commodities required, arrangements are made for a steady supply of food commodities from the United States..
 - b. There is flexibility, now, to increase the amount used for local/regional procurement for emergencies from the IDA Account. For example, despite the difficult budget climate, the amount used for those purposes increased from \$232 million in FY 2011 to \$375 million in FY 2012.
 - c. Commodities from the United States are greatly needed since recipient countries do not produce enough food to meet their needs, with an estimated 12 million metric ton shortfall across the 70 most food insecure countries. Add to this poverty, poor infrastructure and recurring cycles of floods and droughts and it becomes sadly apparent why one out of every seven people has too little to eat.
 - d. The United States offers a variety of commodities, allowing programs to be tailored to meet the needs of children under the age of two who participate in maternal-child health and nutrition programs; to provide several different staple foods as payment for work on public works projects during the lean months, when food supplies are lowest; and to increase availability of food in low-income countries struggling with economic challenges and food deficits. Grains, rice, dry beans, peas and lentils, as well as ready-to- use therapeutic and supplementary foods and fortified cereals and vegetable oils are available.
5. **Even though the level of need is no less than it was in 2000, the amount of food aid provided by the United States has decreased by one-half. Thus, a fundamental premise of food aid reform should to maintain the funding level, identify what works and build on lessons learned – but the proposed changes miss the mark.**
- a. The President’s proposal would cut food aid by \$570 million by eliminating funding for non-emergency programs. However, evaluations of Title II programs show that, in addition to providing food aid commodities, developmental programs hit the trifecta – they uniquely improve child nutrition, livelihoods and resilience in poor communities. Foods for Progress programs transform agricultural systems through innovative, low-cost technical assistance.
 - b. The proposal only seeks to offset 35% of that funding loss by adding \$200 million to the USAID DA Account, and the fact remains that food aid would no longer be available as part of the assistance package or to fill food gaps in least developed and net food-importing developing countries. This is much less funding and much less flexibility than what we have today.

- c. There may be a flawed analysis that led to this decision, which could actually make communities less resilient and more prone to insecurity and would also cut off an avenue for supporting countries with chronic food deficits. The Alliance would welcome a discussion with the Administration, Congress and other practitioners in this regard.
 - i. Just providing food aid in response to emergency needs will not help people overcome the hunger cycle. Over half of emergency food aid is provided to the same regions for two years or more.
 - ii. This is why Title II has a strong non-emergency component to help areas that are prone to food crises build resilience and move beyond subsistence.
 - iii. As an example, the Title II Ethiopian productive safety net program is praised for reducing food aid needs by \$100 million during the last drought through reforestation and terracing hillsides, construction of water catchments, and the adoption of conservation farming and improved access to inputs and markets through cooperatives.
 - iv. In low income African and Asian countries, Food for Progress has strengthened cocoa, coffee and dairy food systems, benefitting communities through higher incomes, economic growth and providing essential commodities that are in short supply. Perhaps one of the most rewarding aspects is that even after the project is completed, income levels and the number of people benefiting continue to grow.
 - d. From an aid effectiveness and congressional accountability standpoint, once funds are shifted to IDA and DA accounts, it is not possible to ensure that in the future they will continue to be used for the purposes stated in the President's budget proposal. Instead, it becomes a year-by-year process, eliminating the surety and oversight provided by the Food for Peace Act and Food for Progress Act – both of which have statutory objectives, publicly-vetted guidelines, procedures and regulations, and a track record. While we understand this is not the Administration's intent, it is discernible, for example, that with the many demands on the DA Account and the extended humanitarian crises in Syria, Yemen, the Horn of Africa, northern Mali and elsewhere, these funds could easily be diverted for other purposes.
6. **The proposed food aid reforms are not necessarily more efficient.**
- a. Experience shows that local-regional procurement, food vouchers and cash distribution are important options, but are not necessarily less costly or more efficient than providing U.S. commodities.
 - i. For FY 2012, the cost per metric ton for the IDA local/regional purchase program was \$2,836, while the cost per metric ton for Title II emergency food aid was \$1,188. [See: <http://www.usaid.gov/what-we-do/agriculture-and-food-security/food-assistance/quick-facts/fiscal-year-2012-emergency-food>]
 - ii. The independent evaluation of the *"USDA Local and Regional Food Aid Procurement Pilot Project"* found that, other than vegetable oils, buying locally or regionally was generally less costly per metric ton when compared to similar commodities provided under Title II, although it was not always possible to identify imported food aid for comparison. The 20 programs evaluated were small, averaging \$2,467,967 and total expenditures over four years was \$60 million. That pales in comparison with typical Title II expenditures for emergency programs of \$1.1 billion or more per fiscal year. Thus, while the pilot provided useful information about different methodologies, the findings cannot be used make assumptions about would happen at scale. The researchers conclude: "The relatively small number of projects, and the limited range of contexts in which they were observed, mean that the evaluation results do not necessarily represent LRP experience beyond the observed data." [See p. 25 of the study at: <http://www.fas.usda.gov/info/LRP%20Report%2012-03-12%20TO%20PRINT.pdf>]
 - b. The Administration may still plan to buy some commodities from the United States, but from a cost accountability standpoint, it is critical to point out that smaller shipments are much more expensive.
7. **Therefore, during the appropriations and authorization ("Farm Bill") process, the Alliance proposes the following alternatives to the President's food assistance reform proposal:**

- a. Maintain the Title II program budget and food aid pipeline for addressing emergency and chronic needs and maintain the Food for Progress program for improving agricultural systems in countries implementing economic reforms.
 - b. Ensure a minimum budget of \$400 million for developmental Title II programs that focus on addressing the underlying causes of chronic hunger by building self-reliance and improving nutrition, livelihoods, land and water conservation, and agricultural productivity and marketing in crisis-prone communities, thereby reducing reliance on emergency food aid and making communities more resilient to humanitarian crises.
 - c. Improve the efficiency of monetization programs by assuring that both the commodity and the funds generated from the commodity sales create value, essentially increasing the return per dollar spent.
 - i. This is achieved by choosing a commodity that needed to fill a food shortfall in the recipient country and that will also have other benefits that cannot be derived from direct cash funding, such as addressing credit or hard currency constraints that limit procurement of sufficient food supplies on the international market. [See pp.5-6 of *"The Value of Food Aid Monetization: Benefits, Risks and Best Practices,"* Informa Economics, November 2012 at <http://foodaid.org/news/wp-content/uploads/2012/11/Informa-Economics-Study-Value-of-Food-Aid-Monetization-November-2012.pdf>]
 - ii. And, as now, use the funds generated from commodity sales to support development activities that improve agricultural systems and food security.
 - d. Allow a portion of Development Assistance funds (called the "Community Development Fund") to be used to support Title II development programs where monetization is not feasible or appropriate.
 - e. Provide flexibility for emergency response by continuing to use the IDA account for cash transfers, food vouchers and regional procurement of emergency food aid. Increase those levels, as needed.
 - f. Establish a "developmental" local-regional purchase program to build the capacity of small farmers and processors in food insecure areas of the developing world to improve the quality, safety and quantity of food aid for local programs.
 - i. Current impediments to local procurement of food aid include low productivity, insufficient and substandard food processing, and poor post-harvest and warehousing systems. This results in limited supplies, poor quality products, and contamination (such as aflatoxin contamination, a poison produced by fungi in the soil and that is prevalent and poorly controlled in many corn, peanut and sorghum growing areas of Sub-Saharan Africa).
8. One of the criticisms leveled at American-sourced food aid is that it has a strong U.S. constituency in the agricultural, transportation and labor sectors, as well as many of the PVOs and cooperatives that implement these programs overseas. However, this U.S. constituency is a plus, not a minus. Secretary of State John Kerry gave sound advice about explaining foreign aid: "First, it's about telling the story of how we stand up for American jobs and businesses – pretty practical, pretty straightforward, and pretty real on a day-to-day basis. And second, it's about how we stand up for our American values..." [Speech given at University of Virginia, February 20, 2013]

Alliance members are private voluntary organizations and cooperatives that are committed to addressing hunger, malnutrition and food insecurity. They operate in over 100 developing countries, implementing emergency and development programs that build the capacity of local communities, enterprises and institutions. For further information, please see www.foodaid.org.

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