United States Government Accountability Office

GAO

Report to Congressional Committees

September 2009

INTERNATIONAL FOOD ASSISTANCE

Key Issues for Congressional Oversight

GAO

Accountability * Integrity * Reliability

GAO-09-977SP

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GAO
Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

September 30, 2009

Congressional Committees

The number of individuals experiencing hunger has grown to more than 1 billion worldwide in 2009, up from a record 963 million in 2008, according to the United Nations (UN) Food and Agriculture Organization (FAO). FAO attributes this upsurge in hunger to the global economic crisis, which followed rising food and fuel prices from 2006 to 2008. However, even before these crises, the number of undernourished[1] people had been increasing annually in sub-Saharan Africa—where some of the world's food needs are greatest—underscoring the need to improve international food assistance.

International food assistance includes both emergency food aid and long-term food security programs. Due to rising food prices, increasing conflicts, poverty, and natural disasters, in 2007, a record 47 countries—27 located in Africa—faced food crises requiring emergency assistance, according to FAO.[2] To address these emergencies, countries provide food aid as part of a humanitarian response to address acute hunger through either in-kind donations of food or cash donations. In-kind food aid is food procured and delivered to vulnerable populations, while cash donations are given to implementing organizations, such as the UN World Food Program (WFP), to procure food in local and regional markets, also referred to as local and regional procurement (LRP). International food assistance also includes a development-focused response to address long-term chronic hunger through food security programs.[3] While food aid has helped to address the immediate nutritional requirements of some

[1]FAO defines "undernourishment" as the condition of people whose food consumption is continuously below a minimum dietary energy requirement for maintaining an acceptable minimum body size, living a healthy life, and carrying out light physical activity. While we recognize that there are different technical definitions for "chronic undernourishment," "food insecurity," and "hunger," we use these terms interchangeably in this report.

[2]The 27 countries in Africa requiring emergency assistance in 2007 represents an 80 percent increase in the number of countries requiring such assistance from 1993 to 2000, or 15 countries.

[3]According to FAO, food security occurs when all people at all times have both physical and economic access to sufficient food to meet their dietary needs for a productive and healthy life.

vulnerable people in the short term, it has not addressed the underlying causes of persistent food insecurity.

As the largest donor to international food assistance, contributing over half of all food aid supplies to alleviate hunger and support development, the United States plays an important role in responding to emergency food aid needs and ensuring global food security. However, GAO has previously reported that U.S. agencies' efforts to reduce global food insecurity[4] in sub-Saharan Africa have been fragmented and uncoordinated.[5] For decades, the U.S. government has set goals to improve the effectiveness of U.S. food aid by reaching global targets for reducing hunger, malnutrition, and poverty.[6] Global targets were set at the 1996 World Food Summit and reaffirmed in 2000 with the Millennium Development Goals, when the United States and more than 180 world leaders pledged to halve the total number and proportion of undernourished people reported worldwide from the 1990 level by 2015.

The U.S. administration continues to commit to international food assistance by pledging U.S. leadership in developing a new global approach to hunger and the Secretary of State has emphasized the importance of a comprehensive approach to sustainable systems of agriculture in rural areas worldwide. In July 2009, the United States and assembled leaders at the Group of 8 (G8) Summit in L'Aquila, Italy, agreed to a $20 billion, 3-year commitment to increasing food security.[7] The U.S. share of this commitment, or $3.35 billion, includes $1.36 billion for agriculture and related programming to establish food security in fiscal year 2010, representing more than double the fiscal year 2009 budget request level.

[4]Food insecurity—the lack of access of all people at all times to sufficient, nutritionally adequate, and safe food, without undue risk of losing such access—results in hunger and malnutrition, according to FAO.

[5]GAO, *International Food Security: Insufficient Efforts by Host Governments and Donors Threaten Progress to Halve Hunger in Sub-Saharan Africa by 2015*, GAO-08-680 (Washington, D.C.: May 29, 2008).

[6]U.S. Agency for International Development (USAID), *U.S. International Food Assistance Report* (2008).

[7]Members of the G8 are Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States. In addition, the European Union is represented within the G8.

Enclosed are a series of papers highlighting key issues to assist in developing this new global approach to hunger and to help shape oversight agendas to evaluate these efforts. Our objectives were to (1) update U.S. agencies' responses to GAO's previous international food assistance recommendations and (2) identify potential oversight questions for congressional consideration. Since 1996, we have published 18 products that provided insight, many with recommendations, on international food assistance. Specifically, in the past 3 years, we issued four reports with 16 recommendations to improve the efficiency of U.S. food aid and food security programs.[8] Over the course of our work, we also identified improvements that were needed, as well as obstacles that affect the success of program planning and implementation. As a result, we have identified five issues for Congressional consideration to ensure more efficient and effective international food assistance: (1) coordination and integration, (2) needs assessments and market information, (3) transportation and logistics, (4) nutrition and food quality control, and (5) monitoring and evaluation.

- *Coordination and integration:* In 2007 and 2008, we reported a lack of coordination and integration among food aid stakeholders. In 2007, we reported that U.S. food aid is funded under four program authorities and delivered through six programs administered by the U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA). The programs serve a range of objectives, including humanitarian goals, economic assistance, foreign policy, market development, and international trade.[9] We found inadequate coordination between U.S. agencies in tracking and responding to food delivery problems. In 2008, we found that interventions designed to mitigate the factors that contribute to food insecurity—such as low agricultural productivity, limited rural development, government policy disincentives, and poor health—have been fragmented and uncoordinated across the U.S. government.[10] For example, the U.S. Presidential Initiative to End

[8]GAO, *Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid*, GAO-07-560 (Washington, D.C.: Apr. 13, 2007); GAO-08-680; *International Food Assistance: Local and Regional Procurement Can Enhance the Efficiency of U.S. Food Aid, but Challenges May Constrain Its Implementation*, GAO-09-570 (Washington, D.C.: May 29, 2009); and *International Food Assistance: USAID Is Taking Actions to Improve Monitoring and Evaluation of Nonemergency Food Aid, but Weaknesses in Planning Could Impede Efforts*, GAO-09-980 (Washington, D.C.: Sept. 28, 2009).

[9]GAO-07-560.

[10]GAO-08-680.

Hunger in Africa was limited to USAID programs, although it purported to be a governmentwide strategy.[11] As a result, we made two recommendations to the Administrator of USAID: (1) develop an integrated governmentwide U.S. strategy for achieving food security in sub-Saharan Africa that includes improved collaboration with host governments and other donors and (2) report to Congress annually on the progress of implementing this strategy. Although U.S. agencies have met regularly to develop a governmentwide food security strategy, the strategy has yet to be published and reporting on its status is premature.

- *Needs assessments and market information:* Ensuring that food aid reaches the most vulnerable populations is critical to enhancing its effectiveness. Emergency needs assessments include analyses of various factors, among them the effects of the crisis on vulnerable populations, strategies used by these populations to deal with the crisis, and its impact in terms of food insecurity. They are usually carried out as a joint effort by several organizations, including FAO, WFP, and nongovernmental organizations (NGO), in response to a request from the government of an affected country. In 2007, we found that estimates of emergency food needs have differed significantly and, in some cases, have resulted in delays in appropriately responding to crises with sufficient food and complementary assistance.[12] In 2009, we also found that unreliable market information and poorly functioning or unintegrated markets can cause adverse impacts on local or regional markets where food aid is purchased.[13] Therefore, we made recommendations to (1) enhance the reliability and use of needs assessments, (2) determine ways to provide adequate nonfood resources when it will enhance the effectiveness of U.S. food aid, and (3) improve market information collected in areas where U.S.-funded LRP occurs. Although U.S. agencies have addressed the first two recommendations with new guidelines, it is too soon to tell how plans to address the third recommendation will be implemented.

- *Transportation and logistics:* In 2007, we reported on U.S. food aid and highlighted several inefficient logistical planning and transportation

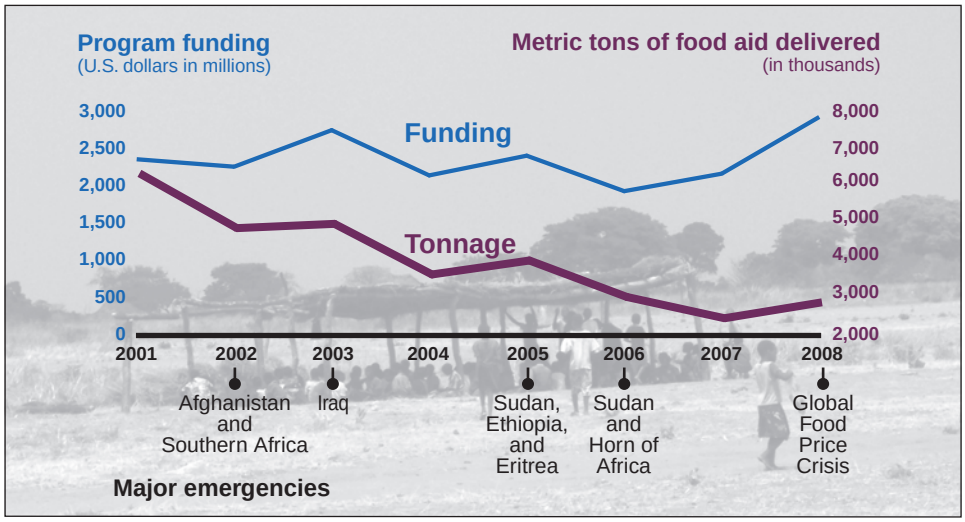
[11]Other U.S. agencies, such as the Millennium Challenge Corporation and USDA, provide substantial assistance that includes efforts intended to address agriculture and food security in sub-Saharan Africa, but these efforts are not integrated into the U.S. Presidential Initiative to End Hunger in Africa.

[12]GAO-07-560.

[13]GAO-09-570.

practices.[14] Specifically, we noted that despite growing demand for food aid, rising business and transportation costs contributed to a 52 percent decline in average tonnage delivered from 2001 to 2006. With the addition of 2007 and 2008 data, more recent trends indicate that, despite increases in U.S. funding for emergencies, the tonnage of food aid delivered continues to decline. From 2006 to 2008, U.S. food aid funding increased by nearly 53 percent, while tonnage delivered fell by 5 percent over that time period (see fig. 1).

Figure 1: Trends in U.S. Food Aid, Fiscal Years 2001 to 2008



Source: GAO analysis of USAID and USDA data.

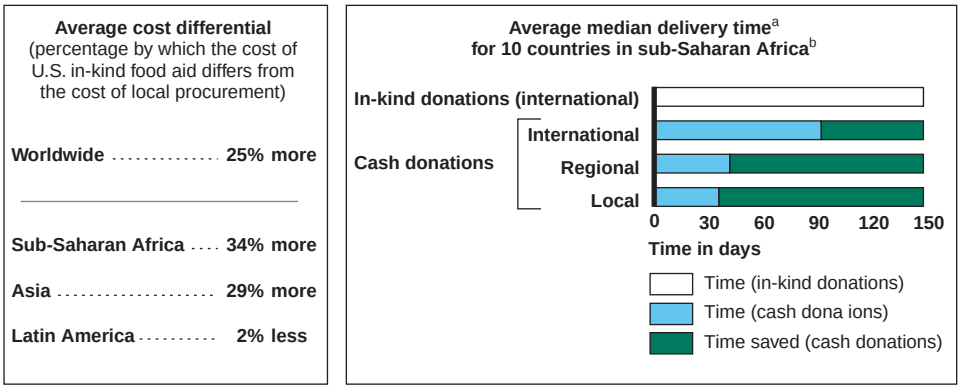
In 2009, we determined that LRP is generally more cost-effective and timely than U.S. in-kind food aid (see fig. 2).[15] However, certain legal requirements for U.S. food aid, such as the requirement to procure only U.S.-grown agricultural commodities and to transport those commodities on U.S.-flag vessels, known as "cargo preference," may constrain U.S. agencies' use of LRP. Therefore, we made the following recommendations: (1) improve food aid logistical planning through cost-benefit analysis, (2) work with stakeholders to modernize ocean transportation and contracting practices, (3) update implementation and reimbursement methodologies for transportation of U.S. food aid, and (4) update the

[14]GAO-07-560.

[15]GAO-09-570.

Memorandum of Understanding (MOU) between U.S. food assistance agencies and the Department of Transportation (DOT) to minimize the cost of cargo preference regulations and resolve uncertainties associated with the application of cargo preference requirements to regional food procurement. Although USAID, USDA, and DOT have made significant inroads to improving logistical planning and modernizing ocean transportation and contracting practices, DOT has not updated its regulations pertaining to cargo preference, and the agencies have not signed a comprehensive MOU that addresses our concerns as recommended.

Figure 2: Cost Comparison of WFP Local Procurement and U.S. In-kind Food Aid by Region, 2001 to 2008, and Average of Median Delivery Times for 10 Recipient Countries in Sub-Saharan Africa, 2004 to 2008



Source: GAO analysis of USAID and WFP data.

[a]Time elapsed between the purchase order date and the date WFP takes possession of the food in the recipient country. Additional time is required for the food to reach intended beneficiaries.

[b]The 10 recipient countries are Burkina Faso, Democratic Republic of Congo, Kenya, Malawi, Mali, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe.

- *Nutrition and food quality control:*[16] In 2007, we reported that although U.S. agencies had 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 remained uncertain.[17] We also found that some impediments to improving the nutritional quality of U.S. food aid prevented the most nutritious or appropriate food from

[16]"Food quality" refers to the adherence of the food to product specifications and quality standards to ensure food safety and nutritional content.

[17]GAO-07-560.

reaching intended recipients. In 2009, we reported on concerns about the quality of food procured in developing countries and adherence to certain product specifications.[18] As a result, we recommended that USAID and USDA (1) establish a coordinated system for tracking and resolving food quality complaints; (2) develop an interagency mechanism to update food aid specifications and products; and (3) collect evidence on LRP's adherence to quality standards and product specifications. Although USAID and USDA have established a commodity quality "feedback loop" to resolve food quality complaints and both agencies have commissioned studies on food aid specifications, they have not yet initiated plans to collect evidence on LRP adherence to quality standards.

- *Monitoring and evaluation:* Monitoring and evaluation are critical oversight and program management tools that could help ensure that strategic objectives and intermediate goals of international food assistance programs are met. In 2007, we found that USAID and USDA did not sufficiently monitor food aid programs.[19] In September 2009, we determined that USAID lacks a comprehensive plan for monitoring and evaluating nonemergency food aid.[20] We also found that while USAID's Office of Food for Peace has initiated an upgrade of its information technology system, its plans lack a concept of operations document that communicates overall system characteristics. As a result, we recommended that USAID and USDA (1) develop an information collection system to track monetization transactions[21] and (2) improve monitoring of food aid to ensure proper management and implementation. In addition, we recommended that USAID (3) develop a concept of operations document to help reduce the risks associated with upgrading the Office of Food for Peace's information technology system and (4) develop an integrated monitoring and evaluation plan that links monitoring and evaluation to key USAID goals, establishes a systematic process for determining appropriate budget levels and staff resources, examines all available funding options, and establishes time frames for implementing and evaluating the plan. Although USAID and USDA have addressed the first two recommendations by developing an information collection system to monitor food aid and monetization transactions, most

[18]GAO-09-570.

[19]GAO-07-560.

[20]GAO-09-980.

[21]Monetization is the practice of using food aid to generate cash for development projects.

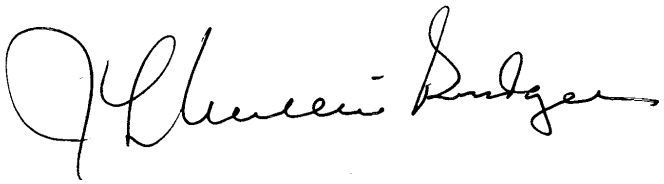
of USAID's planned monitoring and evaluation actions are still in progress and it is too early to assess their impact.

The issues discussed in the five enclosures—accompanied by potential oversight questions—are based on completed and ongoing GAO work on international food assistance. This report also expands on the issues discussed on GAO's transition Web site at http://www.gao.gov/media/video/gao-09-294sp. We obtained information for this report from agency documents and interviews with agency officials in Washington, D.C., including USAID and the Departments of Agriculture, State, and Transportation. Appendix I contains additional details about our scope and methodology. We conducted our work from June 2009 to September 2009. The work on which this report is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

USAID and the Departments of Agriculture and Transportation provided technical comments on a draft of this report, which have been incorporated as appropriate. We are sending copies of this report to the congressional committees listed below. In addition, we are sending copies of this report to the President and Vice President of the United States, and executive branch agencies. The report also is available at no charge on the GAO Web site at http://www.gao.gov. A list of related GAO products appears at the end of this report.

If you or your staffs have any questions about this report, please contact Thomas Melito at (202) 512-9601 or melitot@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs can be found on the last page of this report. For press inquiries, please contact Chuck Young at (202) 512-4800.

GAO staff who made key contributions are listed in appendix II.



Jacquelyn L. Williams-Bridgers,
Managing Director
International Affairs and Trade

Enclosures

List of committees

The Honorable Blanche Lambert Lincoln
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The Honorable Saxby Chambliss
Ranking Member
Committee on Agriculture, Nutrition,
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United States Senate

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The Honorable Richard G. Lugar
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The Honorable Kay Granger
Ranking Member
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Enclosure I: Coordination and Integration

International Food Assistance

Background

Multiple U.S. government agencies and stakeholders coordinate U.S. food assistance programs through various forums. In 1990, the U.S. government established the Food Aid Consultative Group (FACG) to coordinate international food assistance activities. The FACG meets twice a year and includes participants from U.S. Agency for International Development (USAID), U.S. Department of Agriculture (USDA), and the private sector, among others. The FACG is a consultative body guided by an Executive Committee. In 2009, four FACG working groups were established to discuss commodities procurement, packaging, child nutrition, and transportation.

In May 2008, the Food Security Sub-Policy Coordinating Committee was established to develop a governmentwide strategy. Ten U.S. agencies met biweekly until the group dissolved in January 2009. In April 2009, the new administration convened the Interagency Policy Committee led by the National Security Council and co-chaired by the Department of State and USAID.

Also in 2009, a group of U.S. nongovernmental organizations (NGO) produced the *Roadmap to End Global Hunger*. This report makes recommendations in four issue areas that are needed for addressing global hunger in the short, intermediate, and long term, as well as necessary funding requirements. These four issue areas include

1. emergency response and management,
2. social safety nets,
3. nutrition programs, and
4. market-based agriculture and infrastructure development.

Key Findings

International food assistance, which includes both food aid and food security programs, is provided by multiple U.S. agencies with differing strategies, goals, and objectives. In 2008, we reported that donors and other implementing partners experienced difficulties in coordination and that the United States lacked an integrated, governmentwide strategy to address the root causes of food insecurity. The U.S. Presidential Initiative to End Hunger in Africa—the principal strategy to meet its commitment toward halving hunger in sub-Saharan Africa—purported to be a governmentwide strategy, but was limited to only some of USAID's agricultural development activities and did not integrate with other agencies in terms of plans, programs, resources, and activities to address food insecurity in Africa. We will publish a new report on U.S. efforts to address global food insecurity in February 2010.

The United States has principally employed six programs to deliver food aid: Public Law (P.L.) 480 (renamed the Food for Peace Act in 2008), Titles I, II, and III; Food for Progress; McGovern-Dole Food for Education and Child Nutrition; and Section 416(b). Table 1 provides a summary of these food aid programs by program authority.

Table 1: U.S. Food Aid by Program Authority, Fiscal Year 2008

	P.L. 480 (Food for Peace Act)					
Program	**Title I**	**Title II**	**Title III**	**Food for Progress**	**McGovern-Dole Food for Education and Child Nutrition**	**Section 416(b)**
Total budget[a]	$0 million	$2,351 million	$0 million[b]	$166 million	$99 million	$0 million[c]
Managing agency	USDA	USAID	USAID	USDA	USDA	USDA
Descrip ion 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
Implementing partners	Governments and private entities	World Food Program and NGOs	Governments	Governments, agricultural trade organizations, inter-governmental organizations, NGOs, and cooperatives	Governments, private entities, inter-governmental organiza ions	See implementing partners for Title II, Ti le III, and Food for Progress programs

Source: GAO analysis based on USA D and USDA data.

[a]Budget data are for fiscal year 2008. USDA data represent programmed funding, while USAID data represent appropriated funds as of August 2008.

[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.

Recommendations

To enhance efforts to address global food insecurity and accelerate progress toward halving world hunger by 2015, particularly in sub-Saharan Africa, in 2008, we recommended that the Administrator of USAID take the following two actions:

Recommendation 1

Work in collaboration with the Secretaries of State, Agriculture, and the Treasury to develop an integrated, governmentwide U.S. strategy that defines each agency's actions and resource commitments toward achieving food security in sub-Saharan Africa.

Recommendation 2

Prepare and submit an annual report to Congress on progress toward the implementation of a governmentwide food security strategy.

For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov and Phillip J. Thomas at (202) 512-9892 or thomasp@gao.gov.

Response to Recommendations

Based on information provided by USAID and USDA and our own analysis, we determined that recommendation 1 has not been implemented. Although the Interagency Policy Committee has met regularly to develop a governmentwide food security strategy, the group has yet to publish its strategy. However, the Interagency Policy Committee has established an objective to help rural farmers feed themselves and to help countries establish sustainable agriculture systems by (1) investing in country-led food security plans, (2) coordinating stakeholders strategically, (3) supporting multilateral mechanisms, (4) ensuring a sustained commitment, and (5) focusing on a comprehensive approach to agriculture productivity. The Interagency Policy Committee has also identified seven principles for its food security strategy, including the following:

- increase agricultural productivity,
- stimulate postharvest and private sector growth,
- support women and families,
- maintain the natural resource base,
- expand knowledge and training,
- increase trade flows, and
- support an enabling policy environment.

Based on information provided by USAID and USDA and our own analysis, we determined that recommendation 2 has not been implemented. USAID officials stated that they plan to update Congress on progress toward implementation of a governmentwide food security strategy as part of the agency's 2008 Initiative to End Hunger in Africa report; the full version of this report was not publicly available as of September 2009. A summary report provided by USAID identifies three food security pillars—(1) immediate humanitarian response, (2) urgent measures to address causes of the food crisis, and (3) related international policies and opportunities—used to respond to the 2007 and 2008 global food crisis. However, the governmentwide strategy has not yet been finalized, and it is premature to report on its implementation.

Oversight Questions

1. What coordination and integration mechanisms has the U.S. government established to enhance the efficiency and effectiveness of U.S. international food assistance?
2. What is the nature and scope of current U.S. global food security activities? What agencies, programs, and funding levels are involved? How are NGOs, international organizations, foreign governments, and host governments involved in these efforts?
3. What progress have U.S. agencies made in developing an integrated governmentwide global food security strategy? What are the goals and timeframe for the implementation of the strategy?
4. What key criteria has the U.S. government developed to assess the implementation of the global food security strategy? Does the U.S. government plan to report annually to Congress on the results of the strategy?

Enclosure II: Needs Assessments and Market Information

International Food Assistance

Background

Ensuring that food aid reaches the most vulnerable populations is critical to enhancing its effectiveness. Emergency needs assessments include analyses of various factors, among them the effects of the crisis on vulnerable populations, strategies used by these populations to deal with the crisis, and the outcome in terms of food insecurity. They are usually carried out as a joint effort by several organizations, including the Food and Agriculture Organization (FAO), the World Food Program (WFP), and NGOs, in response to a request from the government of an affected country.

In addition to collecting primary data, assessors may use market information from other sources, such as recipient governments' population estimates; national progress reports on policies, programs, and actions taken to reduce undernourishment; and agricultural data on market prices, production levels, and trade patterns. Assessors may also rely on precrisis vulnerability assessments and information generated by early warning systems, such as the USAID-funded Famine Early Warning Systems Network (FEWS NET) and FAO's Global International Early Warning System.

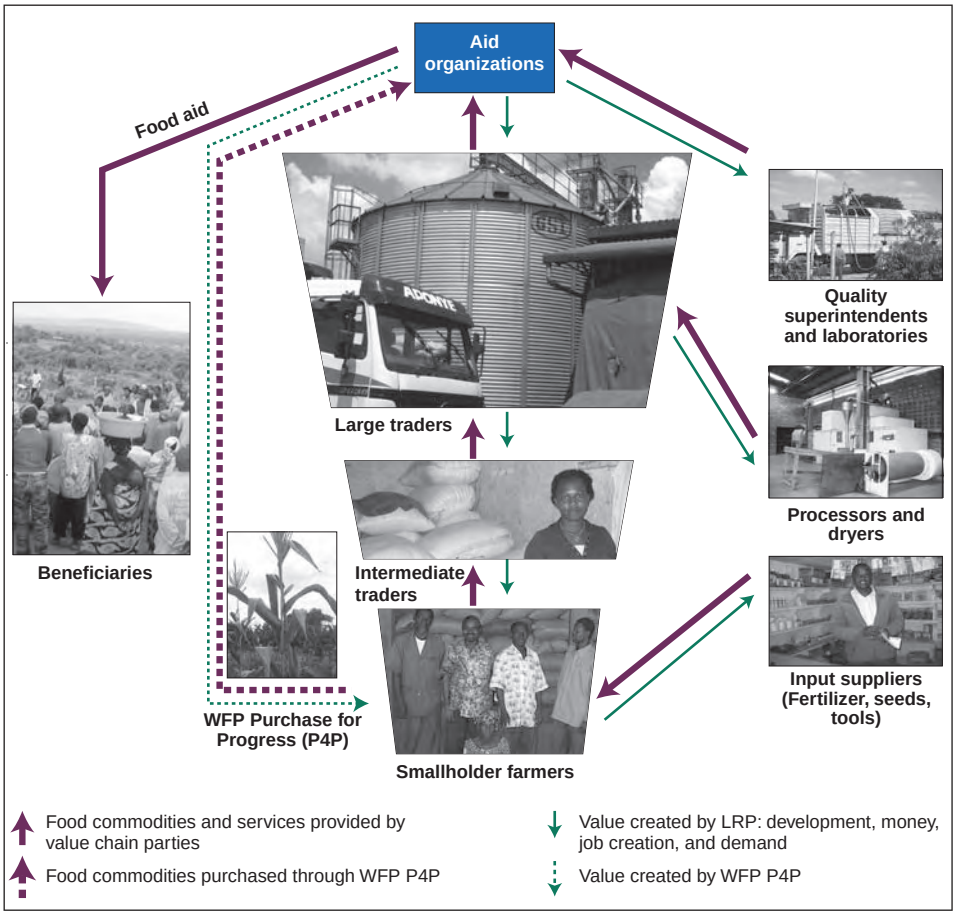
Recommendations

To improve the effective use of food aid, in 2007 and 2009, we recommended that the Administrator of USAID and the Secretary of Agriculture take the following three actions:

Key Findings

The lack of comparable and reliable needs assessments and market information raises questions about the effectiveness of the use of food aid. While accurate and reliable market data would help ensure that U.S. agencies and implementing partners make optimal decisions with regard to when, where, and how to procure food locally or regionally, such data are not yet available. Weak coordination on assessments and the use of noncomparable methods have led to different estimates of food needs. Difficulties in identifying vulnerable populations have limited effective targeting. These factors represent significant challenges to increasing local or regional purchases of food aid; such purchases have the potential to indirectly support the development of local economies by increasing demand for agricultural commodities and raising farmers' incomes, as shown in figure 1.

Figure 1: Agricultural Commodity Value Chain Supported by Local and Regional Procurement (LRP)



Source: GAO analysis and photos.

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Recommendation 1

Enhance the reliability and use of needs assessments for new and existing food aid programs by making assessments a priority in informing funding decisions, and more effectively build on lessons from past targeting experiences.

Recommendation 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.

Recommendation 3

Work with implementing partners to improve the reliability and utility of market intelligence in areas where the U.S.-funded LRP occurs, thereby ensuring that U.S.-funded LRP practices minimize adverse impacts and maximize potential benefits.

For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov and Phillip J. Thomas at (202) 512-9892 or thomasp@gao.gov.

Response to Recommendations

Based on information provided by USAID and USDA, and our own analysis, we determined that recommendation 1 has been implemented. On December 20, 2007, USAID completed its review of Cooperating Sponsor assessment tools and promoted and mainstreamed the results of the donor-led WFP Strengthening Emergency Needs Assessment Committee initiative. In fiscal year 2009, USAID contributed $7.6 million of the newly authorized 2008 Food for Peace Act funding to FEWS NET to support remote monitoring of food insecurity in Burundi, Pakistan, and Yemen, among other activities. USDA has developed a framework that analyzes the needs of vulnerable groups. USDA's local and regional procurement (LRP) guidelines, to be released for public comment by the end of September 2009, provide implementing partners with this framework to facilitate and coordinate the implementation of purchases made under the LRP pilot program. This framework has potential use in guiding the sales of commodities in ways that will assist in meeting the food needs of vulnerable groups during nonemergencies.

Based on information provided by USAID and USDA, and our own analysis, we determined that recommendation 2 has been implemented. In enacting the 2008 Food for Peace Act, Congress authorized an increase in the amount of cash, also referred to as 202e funding, that NGOs can use for nonfood-related activities such as needs assessments, monitoring, and evaluation reporting. USAID established new guidelines on eligible use of this funding, requiring better integration with other development programs. USDA also has the authority to use cash to support complementary activities through the Food for Education program. USDA has used this capability extensively to support efforts to build sustainability and fund infrastructure improvements.

Based on information provided by USAID and USDA, and our own analysis, we determined that our 2009 recommendation 3 has not been implemented. Although USAID and USDA have plans to address this recommendation, it is too soon to tell how the plans will be implemented. For example, USAID plans to review its experience with LRP to identify lessons learned with regard to market surveillance and seek ways to integrate and utilize existing market information networks. However, this review has not begun. USDA officials told us they plan to ensure that commodities purchased under USDA's LRP pilot program are not harmful to the market by overseeing the analytical methodologies used by NGO market analysts. However, contracts for USDA's LRP pilot program have yet to be awarded. Lastly, USAID issued new guidance to comply with the Bellmon Amendment, which requires that commodities imported in recipient countries (1) have adequate storage facilities, preventing spoilage or waste and (2) do not negatively affect domestic production or distort local markets. However, it is too soon to tell how the guidance will minimize adverse market impacts and maximize potential benefits of LRP.

Oversight Questions

1. What have been the results of agency activities aimed at enhancing the reliability and use of needs assessments for food aid programs?
2. To what extent have USAID and USDA worked with their implementing partners in the field to improve market intelligence in areas where U.S.-funded LRP occurs?
3. What efforts are currently under way to improve market integration and information?

Enclosure III: Transportation and Logistics

International Food Assistance

Background

The Cargo Preference Act of 1954, as amended, which is enforced by the Department of Transportation (DOT) and the U.S. Maritime Administration (MARAD), requires USAID and USDA to transport up to 75 percent of the gross tonnage of all U.S.-funded food aid on U.S.-flag vessels. Delivering U.S. food aid from vender to village requires on average 4 to 6 months, including: (1) purchasing the commodities, (2) awarding transportation contracts, (3) bagging the food, (4) transporting the food to a U.S. port for export, (5) shipping the food to an overseas port, and (6) transporting the food by truck or rail to its final distribution location. While agencies have in some cases tried to expedite food aid delivery, the entire logistics process often lacks the timeliness required to meet humanitarian needs in emergencies and may at times result in food spoilage.

Recommendations

To improve the efficiency of U.S. food aid—in terms of its amount, timeliness, and quality—in 2007 and 2009, we recommended that the Administrator of USAID and the Secretaries of Agriculture and Transportation take the following four actions with regard to transportation and logistics:

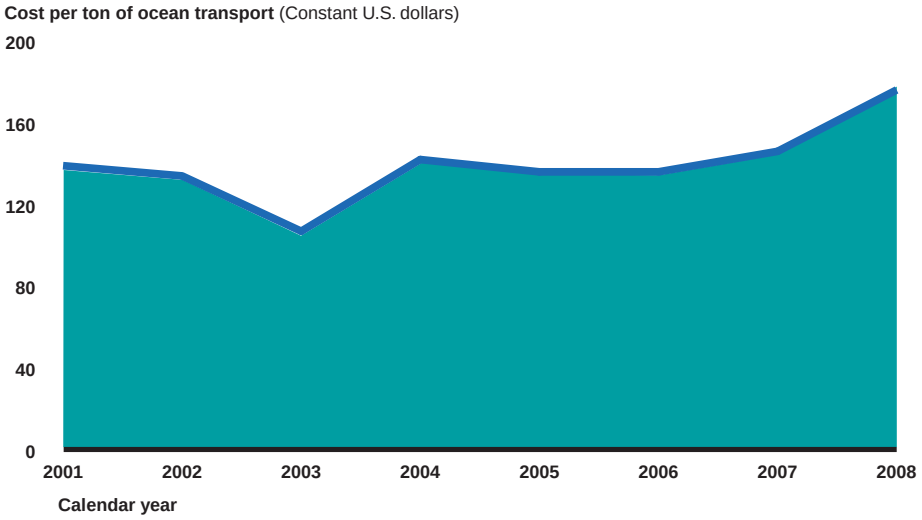
Recommendation 1

Improve food aid logistical planning through cost-benefit analysis of (1) supply management options, such as long-term transportation agreements, and (2) prepositioning (or positioning U.S. food aid in warehouses abroad), including consideration of alternative methods, such as those used by WFP

Key Findings

Food aid procurement and transportation are costly and time-consuming. According to USAID officials, transportation and other delivery costs are requiring a larger share of program resources at the expense of procuring more food to feed hungry people. Owing to elevated ocean freight rates and soaring fuel prices, transportation costs surged and were reflected in higher costs incurred for global food aid deliveries. Although USAID's cost per metric ton of ocean transportation declined from 2001 to 2003, this cost increased significantly from 2003 to 2008 (see fig. 1). DOT officials expect transportation costs to decline as a result of the global economic downturn.

Figure 1: USAID Ocean Transportation Cost Per Metric Ton, Calendar Year 2001 to 2008



Source: GAO analysis of USAID data.

Various factors cause inefficiencies in food aid logistics, including (1) funding and planning processes; (2) ocean transportation contracting practices; and (3) legal requirements, such as cargo preference. Uncertainty regarding cargo preference could also constrain U.S. agencies' implementation of local and regional food procurement.

Response to Recommendations

Based on information provided by USAID, USDA, and DOT, and our own analysis, we determined that recommendation 1 has been implemented. USAID, in coordination with DOT, completed a cost-benefit analysis of a long-term transportation agreement with the Department of Defense's U.S. Transportation Command under a Universal Service Contract (USC). However, a proposed pilot program was not well received by some of the shipping industry, and USAID officials found the USC rates to be uncompetitive with open market rates for particular transportation routes. USAID plans to investigate other long-term transportation options, and USDA will wait for USAID's feedback before pursuing similar options. After an independent study on prepositioning was completed, USAID officials evaluated proposals to expand the number of warehouses from which it prepositions food abroad to five regions around the world,

Recommendation 2

Work together and with stakeholders to modernize ocean transportation and contracting practices to include, to the extent possible, commercial principles of shared risks, streamlined administration, and expedited payment and claims resolution.

Recommendation 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, such as prepositioning, and potential costs associated with older vessels or limited foreign-flag participation.

Recommendation 4

Expedite updating the Memorandum of Understanding (MOU) between U.S. food assistance agencies and DOT to resolve uncertainties associated with the application of cargo preference to regional food procurement.

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Response to Recommendations

including the Horn of Africa, Central and Southern Africa, Southeast Asia, West Africa, and the U.S. Gulf area. USAID expects to award a contract by September 30, 2009.

Based on information provided by USAID, USDA, and DOT, and our own analysis, we determined that recommendation 2 has been implemented. USAID, USDA, and DOT have established a new transportation working group of the FACG, standardized transportation contracts, and performed market research on the cost of commercial marine insurance. USAID and USDA have streamlined administration by combining shipments of U.S. food aid whenever possible, which can result in reduced transportation costs. In June 2008, nearly all USAID and USDA packaged commodities were combined, according to a joint USAID and USDA report to Congress in January 2009. USAID has solicited information, evaluated proposals, and made a recommendation on an electronic payment system for freight. USDA will continue to pay for freight electronically through its existing system and upgrade in fiscal year 2010. USDA's new food procurement regulations, released in May 2009, clarified eligibility requirements of entities that receive food aid through USDA's Food for Progress and McGovern-Dole Food for Education and Child Nutrition programs and set administrative procedures for resolving cargo claims.

Based on information provided by USAID, USDA, and DOT, and our own analysis, we determined that recommendation 3 has not been implemented. On September 4, 2009, USAID, USDA, and DOT signed a new MOU outlining a unified government legal position that clarifies how vessels will be categorized for purposes of cargo preference compliance. However, this MOU does not address concerns raised in our recommendations related to cargo preference costs. Another MOU, which outlines how to calculate reimbursement of ocean freight costs and coordinate the administration of cargo preference requirements, was last updated in 1987 and does not reflect modern transportation practices. To minimize the cost impact of cargo preference, USAID, USDA, and DOT must reach a new agreement that would commit all parties to some significant changes in cargo preference administration. According to DOT officials, a revised MOU cannot be completed until its cargo preference regulations are updated. Although DOT has begun the regulatory reform process with the Office of Management and Budget, as of September 30, 2009, the regulations had not been updated. According to a USAID official, finalizing DOT regulations could extensively delay the signing of an MOU. As we noted in our 2009 report, there is no requirement that finalizing regulations precede an MOU, nor does an MOU preclude the issuance of new regulations.

Consistent with recommendation 3, we determined that recommendation 4 has not been implemented. However, agencies have resolved one area of uncertainty by agreeing that cargo preference applies to 50, rather than 75, percent of the tonnage of food transported by sea regionally.

Oversight Questions

1. What are the results of agency efforts to (1) modernize ocean transportation and contracting practices and (2) update cargo preference implementation and reimbursement methodologies?
2. What key steps, if any, have agencies taken to address and minimize the cost impact of cargo preference regulations on food aid?
3. What information and data related to long-term costs and benefits of increased efficiencies in food aid logistics should agencies collect?

Enclosure IV: Nutrition and Food Quality Control

International Food Assistance

Background

Food aid commodity specifications include specific requirements that commodity vendors must follow to meet USAID's or 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. For example, one congressional mandate for U.S. food aid requires that 75 percent of the approved nonemergency food aid program commodities that are processed, fortified, or bagged be "value-added," or include certain micronutrients. As of September 2008, only 48 percent of Food for Peace, Title II, U.S. food aid was value-added. According to the World Health Organization, deficiencies in micronutrients, such as iron, vitamin A, and zinc, rank among the top 10 leading causes of death from disease in developing countries, and micronutrient fortification of food aid is considered one of the most cost-effective approaches to addressing widespread deficiencies.

Recommendations

To improve the efficiency and effectiveness of U.S. food aid—in terms of its amount, timeliness, and quality—in 2007 and 2009, we recommended that the Administrator of USAID and Secretary of Agriculture take the following three actions with regard to nutrition and quality control of international food assistance:

Recommendation 1

Establish a coordinated system for tracking and resolving food quality complaints.

Key Findings

In 2007, we reported that although U.S. agencies had 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 nutritional-related quality issues remained uncertain. U.S. agencies and stakeholders were not coordinating adequately to respond to food and delivery problems when they arose. For example, in 2006, we found live and dead insects in bags of cornmeal shipped to Durban, South Africa, as shown in figure 1.

Moreover, USAID and USDA did not have a central mechanism to update food aid products and their specifications. Commodity suppliers complained that food aid product specifications were not as clear and consistent as in the commercial sector and that some requirements for food aid commodities were outdated and no longer necessary. In 2009, we reported that LRP of food aid can provide more culturally appropriate food, but concerns persist about the quality of the food and adherence to certain product specifications. We found that evidence on LRP's adherence to quality standards and product specifications had not been systematically collected.

Figure 1: Delays Led to Contamination of U.S. Food Aid in Durban, South Africa in 2006

Source: GAO.

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Based on information provided by USAID and USDA, and our own analysis, we determined that recommendation 1 has been implemented. USAID and USDA have worked together to strengthen the current system for tracking and resolving food quality complaints. Within a subgroup of the FACG, USAID, USDA, and stakeholders have developed a flow chart of standard operating procedures to resolve food quality complaints, also known as the commodity quality "feedback loop." As of August 2009, USDA officials had incorporated into the feedback loop additional details concerning halting distribution and shortening the response time and planned to circulate the final version to the FACG. USAID used the feedback loop to facilitate the U.S. response to two recent food quality complaints of corn-soya blend delivered to Haiti and Guatemala. Finally, the FACG has initiated an ad hoc field reporting group on food quality

Recommendation 2

Develop an interagency mechanism to update food aid specifications and products.

Recommendation 3

Collect evidence on LRP's adherence to quality standards.

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that has met regularly since September 2006 to share information about food quality problems.

Based on information provided by USAID and USDA, and our own analysis, we determined that recommendation 2 has been implemented. USAID awarded a contract to Tufts University's School of Nutrition to evaluate the nutritional needs of food aid beneficiary populations against the commodities currently available to meet those needs in the context of total available food resources. This study will review current enrichment and fortification technologies and delivery methods and involve the active participation of industry, academic, and operational experts. USAID and USDA are developing a framework for reporting adherence to commodity quality standards focused on food aid manufacturing and processing. In September 2008, SUSTAIN—a nonprofit organization whose mission is to improve nutrition in developing countries through innovative applications of food science and technology—published a food aid quality study for USDA that developed new product specifications for food aid to meet U.S. commercial food industry quality standards. USDA is working with USAID to implement the recommendations of the study. In response to the study, USDA's Federal Grain Inspection Service is analyzing the manufacturing variability of corn-soya blend to improve the standards and testing of domestically procured products.

Based on information provided by USAID and USDA, and our own analysis, we determined that our 2009 recommendation 3 has not been implemented. Although USAID and USDA have plans to address this recommendation, the agencies have not yet initiated these plans. USAID is currently drafting guidance for future LRP purchases that will include quality standards and product specifications requirements, as well as testing and reporting procedures to ensure adherence to those requirements. USDA intends to require that LRP implementing partners (1) document the steps taken to ensure food safety and the effectiveness of those steps for all purchases; (2) stipulate the minimum acceptable commodity quality standards and product specifications in procurement contracts for commodities sourced from farmer associations and commercial sources; and (3) report on the quality and specifications for all local and regional procurements, as well as document their appropriateness for those in need of assistance.

Oversight Questions

1. What are the results of U.S. agencies working together to coordinate efforts to track and resolve food quality complaints?
2. How have implementing partners utilized the FACG's "feedback loop" and what has been the outcome?
3. How have U.S. agencies implemented SUSTAIN's recommendations on updating specifications and improving nutritional standards of U.S. food aid?
4. What are the major challenges faced by implementing partners to ensuring U.S. food aid meets quality standards and specifications?
5. Where are U.S. nutrition resources directed and what nutrition interventions do they support?

Enclosure V: Monitoring and Evaluation

International Food Assistance

Background

Monitoring and evaluation are critical oversight and program management tools that could help to ensure that strategic objectives of international food aid programs are met.

For the purposes of this enclosure, we consider whether agencies are ***monitoring*** (1) that the necessary inputs for programs (equipment, supplies, and personnel) are in place and that programs are being implemented as intended, and (2) that programs are achieving their expected outputs and targets by regularly tracking performance indicators.

For the purposes of this enclosure, we consider whether agencies are ***evaluating*** (1) the extent to which program objectives were achieved, as well as the factors that influenced outcome achievement, and (2) the degree to which outcomes and impacts can be attributed directly to programs, and the cost-effectiveness of the programs.

Recommendations

To improve the efficiency and effective use of food aid, in 2007 we recommended that the Administrator of USAID and the Secretary of Agriculture take the following two actions with regard to monitoring and evaluating international food assistance:

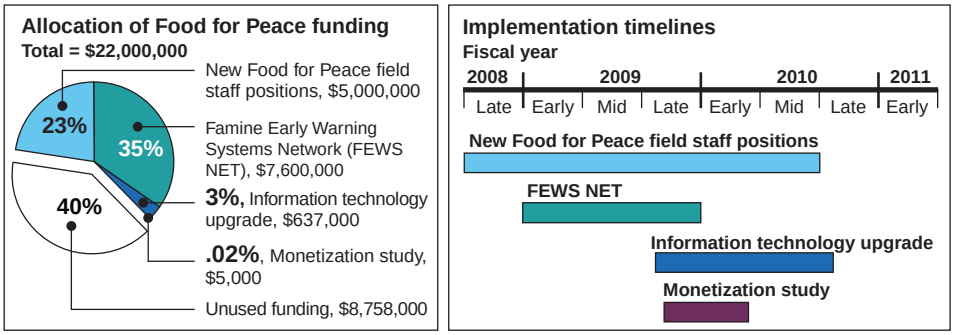
Recommendation 1

Improve monitoring of food aid programs to ensure proper management and implementation.

Key Findings

In 2007, we reported that USAID and USDA were not sufficiently monitoring food aid programs, particularly in recipient countries, due to limited staff, competing priorities, and restrictions on the use of food aid resources. USAID is taking a series of actions in an effort to improve its monitoring and evaluation of nonemergency food aid programs, as mandated by the 2008 Food for Peace Act, shown in figure 1.

Figure 1: USAID Allocations of the Food for Peace Act Funding for Monitoring and Evaluation in Fiscal Year 2009 and Implementation Timelines



Source: GAO analysis of USA D data.

Note: Totals may not add due to rounding.

USAID and USDA require NGOs and WFP to regularly monitor both emergency and nonemergency food aid programs. In 2007, we reported that about 50 percent of nonemergency U.S. food aid was monetized—sold by NGOs in a recipient country as a means to generate cash for development projects. We also reported that U.S. agencies were not collecting or maintaining data electronically on the revenues generated from monetization, and therefore, the degree to which monetization revenues covered costs was not being monitored.

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Based on information provided by USAID and USDA, and our own analysis, we determined that recommendation 1 has been implemented. In passing the Food for Peace Act in 2008, Congress authorized up to $22 million annually for fiscal years 2009 to 2012 to USAID to improve, monitor, and evaluate the effectiveness and efficiency of nonemergency food aid programs. Congress required USAID to submit an implementation report on the agency's efforts in these areas, and also required the Comptroller General of the United States to review USAID's report and provide recommendations for improvement (see GAO-09-980). USAID plans to use approximately $5 million of its new Food for Peace Act funding to add 21 full-time field staff whose responsibilities will include the monitoring of nonemergency food aid programs. USAID also intends to expand the use of Layers—a computerized system using

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personal data assistant (PDA) devices for monitoring the implementation and management of nonemergency food aid programs. Layers has been piloted in Ethiopia, Haiti, and Madagascar, and USAID plans to expand usage to 20 countries by the end of 2012 through its cooperative agreement with the Academy for Educational Development.

For USDA, as of May 2008, the Foreign Agricultural Service had established four staff positions entirely devoted to monitoring food aid programs. The agency also requested additional funding to hire two additional staff for monitoring and evaluation services in fiscal year 2010. This authority was initiated in the new Food for Progress and McGovern-Dole Food for Education and Child Nutrition Program regulations, published in May 2009. Finally, USDA adjusted its method for determining priority food aid recipient countries by prioritizing countries where a Foreign Agricultural Service attaché can provide monitoring and evaluation services for food assistance activities.

Based on information provided by USAID and USDA, and our own analysis, we determined that recommendation 2 has been implemented. According to USAID, monetization transactions are currently reflected in annual results reports. The implementation of USAID's Quarterly Web Interfaced Commodity Reporting System will occur in autumn 2009 and is expected to capture such transactions electronically. USAID officials anticipate the system will standardize and centralize all commodity information submitted by participating organizations, thereby facilitating reporting. USDA's planned Food Aid Information System will include interaction with USAID on monetization outcomes and will provide data on commodity shipments, local conditions for monetization, and product quality. Contracting for the establishment of the system began in fiscal year 2009.

Based on information provided by USAID, and our own analysis, we determined that recommendations 3 and 4 have not been implemented. It is too early to assess the impact of USAID's planned monitoring and evaluation actions because most are still in progress.

Oversight Questions

1. What are the requirements of emergency vs. nonemergency food aid monitoring and evaluation?
2. To what extent has USAID evaluated the effectiveness of the Layers monitoring system, and will its rollout take place as planned?
3. To what extent have U.S. agencies developed a comprehensive monitoring and evaluation plan, in consultation with stakeholders, which details activities to be conducted, estimated budget, and relationship to a strategic plan?
4. To what extent have U.S. agencies established policies to coordinate monitoring and evaluation efforts governmentwide, including overseas missions, and developed a strategy to ensure that results of evaluations will be used to improve existing programs?
5. How are the outcomes and results of agency evaluations shared?
6. How have U.S. agencies analyzed and used data gathered on cost recovery of monetization?

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Recommendation 2

Develop an information collection system to track monetization transactions.

Recommendations

In 2009 we also recommended that the Administrator of USAID take the following actions:

Recommendation 3

Develop a "concept of operations" document to help reduce the risks associated with upgrading the Office of Food for Peace information technology system. Such a document should adhere to industry best practices and include key elements such as major system components, interfaces to external systems, and performance characteristics.

Recommendation 4

Develop an integrated monitoring and evaluation plan that (1) links monitoring and evaluation to key USAID goals, (2) establishes a systematic process for determining appropriate budget levels and staff resources, (3) examines all available funding options, and (4) establishes time frames for implementing and evaluating the plan.

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Appendix I: Objectives, Scope, and Methodology

The issues discussed in the five enclosures are based on completed and ongoing GAO work on international food assistance. They incorporate information from agency documents, including agency updates on programs implemented to respond to our past recommendations on international food assistance, and interviews with U.S. officials in Washington, D.C., including the Departments of Agriculture (USDA), State (State), and Transportation (DOT), and the U.S. Agency for International Development (USAID). Potential oversight questions were established by assessing agencies' planned activities in response to our recommendations and determining additional questions that remain.

We conducted our work from June 2009 to September 2009. The work on which this report is based[1] was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Enclosure I: Coordination and Integration

To discuss the extent to which U.S. agency officials are coordinating and integrating international food assistance activities, we relied on previous GAO reporting and reviewed the 2008 International Food Assistance Report (IFAR) and the 2008 Overview of the U.S. Presidential Initiative to End Hunger in Africa. We gathered budget data on food aid programs from the IFAR and agency officials and determined the data were sufficiently reliable for our purposes. We also interviewed State, USAID, USDA, and DOT officials to clarify roles and participation in the Food Aid Consultative Group, the Food Security Sub-Policy Coordination Committee, the Interagency Policy Committee, and the Global Food Security Response. We also collected and analyzed information prepared by the "Roadmap Coalition," a group of U.S. nongovernmental organizations (NGO), including Bread for the World, CARE, Catholic Relief Services, Friends of the World Food Program, Mercy Corps, and Save the Children, among others.

[1]GAO-07-560, GAO-08-680, GAO-09-570, and GAO-09-980.

Enclosure II: Needs Assessments and Market Information

To discuss the extent to which U.S. agencies have improved needs assessments and market information for more effective targeting of international food assistance, we relied on previous GAO reporting that included a review of several World Food Program (WFP) internal evaluations, including those related to needs assessments and targeting, and some external studies, such as those conducted by the Washington, D.C.-based International Food Policy Research Institute. We also relied on preliminary findings on the potential market risks, market intelligence, and development benefits associated with local and regional procurement of food aid that were validated at a roundtable that consisted of 10 experts and practitioners—including representatives from academia, research organizations, multilateral organizations, and NGOs. We also reviewed USAID and USDA guidance on (1) funding that can be used for nonfood activities, (2) compliance with the Bellmon Amendment, and (3) application for local and regional food procurement funding. Lastly, we spoke with USAID officials about plans to enhance the Famine Early Warning Systems Network.

Enclosure III: Transportation and Logistics

To provide an update on improved delivery of international food assistance through more efficient transportation and logistics, we relied on previous GAO reporting, which included (1) analyzing food aid procurement and ocean transportation data provided by the Kansas City Commodity Office, (2) conducting structured interviews of the 14 U.S.-and foreign-flag ocean carriers that transport over 80 percent of U.S. food aid tonnage, and (3) collecting additional information from shipping agents and transportation experts. We analyzed USAID ocean transportation cost data for fiscal years 2001 to 2008 and found the data sufficiently reliable to represent trends over time. In July 2009, we attended a briefing for the commercial shipping industry, hosted by USAID and DOT-U.S. Maritime Administration, to understand the merits of a long-term ocean transportation contract for U.S. food aid with the U.S. Department of Defense Transportation Command. We also collected information from agency officials with regard to commercial marine insurance, electronic freight payment systems, and combined shipments. Lastly, we discussed the status of an interagency Memorandum of Understanding on cargo preference as it applies to food aid with officials from USAID, USDA, and DOT.

Enclosure IV: Nutrition and Food Quality Control

To assess food quality and nutrition issues of international food assistance, we relied on past GAO reporting that includes interviews with and reviews of reports by commodity suppliers, trade associations, and officials from NGOs, WFP, USAID, and the Animal and Plant Health Inspection Service. We also reviewed U.S. agency food aid product specifications, rules and regulations, commodity complaint logs, and quality control guidelines; USAID audit reports; and internal agency correspondence and documents concerning food quality and nutrition issues. We examined assessments and discussed with WFP procurement officers the quality of local and regionally procured food. Lastly, we evaluated USDA's "feedback loop" flow chart for food quality complaints, a 2008 report prepared for USDA by SUSTAIN on new product specifications for food aid, USAID's contract with Tufts University's School of Nutrition to evaluate nutritional needs of food aid beneficiary populations, and USDA's guidelines for implementing partners that receive funding through the local and regional procurement pilot.

Enclosure V: Monitoring and Evaluation

To assess U.S. agencies' monitoring of food aid programs, we relied on past GAO reporting that included a review of agencies' Inspectors General reports, monitoring and evaluation guidance for implementing partners, and staffing data. We also examined USAID's December 2008 report to Congress, which outlined USAID's plans to improve its monitoring and evaluation of nonemergency food aid programs. We interviewed USAID and USDA officials, including agency staff responsible for monitoring the implementation of nonemergency food aid programs, contractors, and implementing partners such as NGOs and WFP. Lastly, we reviewed documents and gathered information from USAID on information systems designed to collect data on commodities, recipients, losses, and monetization outcomes.

Appendix II: GAO Contacts and Staff Acknowledgments

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