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The Performance of U.S. Food Aid Programs

**Before the Subcommittee on Africa and Global Health
Committee on Foreign Affairs
U.S. House of Representatives
May 24, 2007**

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, saving 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, co-operating 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 harvest, 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 on-going 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.