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**International Food Assistance: Local and Regional Procurement Can
Enhance the Efficiency of U.S. Food Aid But Challenges May Constrain
Its Implementation**

**Before the Committee on Foreign Affairs
Subcommittee on Africa and Global Health
U.S. House of Representatives
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Thank you Mr. Chairman and distinguished members of the Committee. I appreciate the opportunity to be here today to address this important topic.

In its invitation, the Committee asked for information on several topics, including an overview of the U.S. Agency for International Development's (USAID) food aid programs, funding levels, an analysis of the effectiveness of these programs, interagency coordination, the level of funding that goes towards local and regional procurement (LRP) versus in-kind food aid, and USAID's response to the Government Accountability Office's (GAO) report on LRP, including opportunities and challenges LRP present to U.S. food aid.

As you might be aware, each year USAID and the U.S. Department of Agriculture (USDA) jointly prepare and submit to Congress an International Food Assistance Report regarding each food aid program and activity carried out under the Food for Peace Act during the prior fiscal year (FY). While the FY 2008 report is now available on both the USAID and USDA Web sites, I would also request that a copy of this report be included in the record of this hearing.

This report highlights that last year was particularly challenging, as it was marked by multiple emergencies and a food price crisis that affected countries worldwide. The emergencies included a regional drought in the Horn of Africa, exacerbated by conflict in Somalia and Kenya, ongoing crises in Sudan and Congo, drought in Afghanistan, hyperinflation and poor harvests in Zimbabwe, hurricanes in Haiti, and a cyclone in Burma.

Thanks to the commitment of Congress to respond to global disasters, USAID was able to program more than 2.6 billion dollars in FY 2008 for emergency and non-emergency food aid resources. This was our highest level ever. In all, approximately 43 million people in 38 countries benefited from emergency food aid programs while 7.2 million people in 28 countries benefited from non-emergency food programs.

You should also note that under our non-emergency Title II programming we are developing a new initiative which is focused on preventing under-nutrition before birth and during the first two years of life, because a growing body of evidence shows that the experience of under-nutrition during this period irreparably reduces the productive potential of the affected child, and that investing in prevention therefore has cost-benefits which cannot be achieved through treatment programs. Our new "Preventing Malnutrition for Children Under 2 Approach" is an initiative that targets pregnant and lactating women, infants and children up to age two with supplementary food. The program includes health and nutrition education for mothers to help improve the family's nutritional and health status. It is our intent to specifically integrate this new focus and approach into the expansion of our global food security response.

We continue to work very closely with the Department of State, USDA and other U.S. Government

departments and agencies, as well as with multilateral groups, including the Food Aid Consultative Group, to share information and closely coordinate our food aid response activities. In particular USAID and USDA meet regularly to review and coordinate response plans, including domestic procurement and international shipping.

In addition, our Famine Early Warning Systems Network underpins much of the analysis we are, and will be, doing to monitor food insecurity. Over the past year, it has dramatically expanded its ability to track economic vulnerability in addition to food insecurity resulting from climatic events.

As the Committee is aware, the current global economic downturn and continuing food security crisis impose additional constraints that exacerbate the livelihoods of the most vulnerable and further strain the capacity to respond to their needs. This is resulting in decreased purchasing power, loss of livelihoods, and the erosion of coping mechanisms, thus affecting a generation's future in many countries. Today, over one billion people live in poverty and chronic hunger. In this environment, it is vital to U.S. Government interests to enhance the capability and flexibility of USAID to respond to hunger emergencies.

While in-kind Title II assistance remains one of the most visible and valuable humanitarian resources in the world, the ability to procure food aid commodities locally and regionally over the last twelve months has offered USAID an exceptional opportunity to meet humanitarian needs in an efficient and timely fashion, fill pipeline gaps prior to the arrival of food shipped from the United States, and increase the total amount of life-saving food aid U.S. assistance resources can provide in response to the current food security crisis.

Unanticipated or rapid onset food needs include emergencies such as human displacement caused by floods or new conflict, or opportunities like temporary access to a conflict affected area won through a temporary ceasefire. In Pakistan, for example, despite an ongoing food aid program that supported displaced persons, there was a recent sharp increase in needs which is being addressed through local and regional procurement, even while we expedite the shipment of additional Title II assistance from the United States.

Another kind of emergency occurs when, despite our best efforts to plan and coordinate our planning with other key donors, pipeline breaks occur in assistance to populations completely dependent on food assistance for survival, such as millions of refugees and internally displaced persons.

Using a combination of Development Assistance and International Disaster Assistance funds provided in the FY 2008 and FY 2009 bridge supplementals, we have funded 95 million dollars for local and regional procurement in Somalia, Ethiopia, Kenya, Zimbabwe, Tajikistan, Kyrgyzstan, Nepal and Pakistan. This amount represents less than four percent of the FY 2008 budget of 2.6 billion dollars.

Turning to the recently released Government Accountability Office (GAO) report on local and regional procurement, USAID appreciates the amount of time and effort that is reflected in the audit, and we believe that it provides a useful perspective of locally and regionally procured food assistance as a tool which complements the U.S. Government's considerable humanitarian response capacities.

As noted by the GAO, LRP has stretched the food aid dollar because food purchased locally and regionally is often less expensive than commodities procured and shipped from the United States. In addition, about 95 percent of local procurement in sub-Saharan Africa costs about 34 percent less than similar in-kind food aid purchased and shipped from the United States to the same countries between 2001 and 2008. Further, during 2008, in-kind food aid delivery to 10 sub-Saharan African countries took an average of 147 days, while local procurement only took about 35 days and regional procurement about 41 days.

LRP also has the potential to reduce emergency food aid needs by stimulating local and regional food production and rural economic growth, thereby alleviating food insecurity. Improving local and regional trade, boosting incomes and investment in rural areas, and strengthening linkages among food producers, traders, processors and consumers through LRP will lessen vulnerability and help markets absorb shocks, reducing the need for and reliance upon food aid.

In this regard, \$20 million in FY 2008 supplemental funding earmarked for the World Food Program (WFP) is being programmed to support its Purchase for Progress initiative. This program seeks to help smallholder farmers in developing countries by purchasing their products in areas where WFP

operates. Our contribution is being used to purchase commodities through LRP that will be utilized in WFP emergency and relief programs in Ethiopia, Kenya, Mozambique, Rwanda, Uganda and Zambia. These purchases will enable us to better support sustainable food production in these countries and address the root causes of hunger.

USAID fully recognizes that, despite its advantages in some situations, LRP is not a viable choice in every food aid situation. Procurement of sufficient amounts of food is not always possible in the country or region where aid is needed without negatively affecting local markets. Export bans and non-trade barriers-including internal transport control posts, customs clearance procedures and import and technical regulations-continue to impede trade in some regions.

For USAID, the optimal humanitarian pipeline is one that delivers a seamless flow of aid and is well calibrated to match beneficiaries' needs. This is achieved through meticulous planning and a sound understanding of the nature of the needs on the ground. LRP can serve as an important bridge, quickly providing sufficient food supplies to address emergency food aid needs until U.S. in-kind food aid arrives.

In-kind food aid and other tools at our disposal - including pre-positioning commodities near the countries where they are most likely to be needed, and early warning systems - continue to be the most important elements in USAID's emergency response capabilities. For example, USAID is building on its successful practice of pre-positioning commodities by instituting a new management approach that allows it to use a variety of locations as circumstances warrant, without committing long-term to specific locations to store commodities.

On food aid quality, USAID concurs with the GAO study that efforts need to increase to jointly develop and implement a system for monitoring and reporting commodity adherence to quality standards and production specifications in all commodity purchases, including recommended approaches to quality assurance in the context of LRP. We will continue to work closely with WFP and private voluntary organizations (PVO) on such a system.

For LRP procurements funded by USAID, the implementing agency such as WFP or PVOs has been required to work with suppliers and appropriate authorities to ensure that necessary testing and quality controls are implemented. In the case of WFP, independent surveyors inspect procured goods to ensure that quality, quantity, and packing match specifications and meet established standards.

USAID and USDA are also working on a framework focused on domestic food aid manufacturing and processing. As part of this process, USAID recently awarded a contract to Tufts University's School of Nutrition to examine the nutritional needs of food aid beneficiary populations and the commodities currently available to meet those needs in the context of total available food resources, including LRP. The USAID study includes an active consultative process that involves industry, academic, and operational experts and will ultimately produce recommendations as to how to most cost-effectively meet the nutritional needs of beneficiary populations with food aid commodities, including through LRP.

This study may lead to revisions in commodity specifications and recommendations for approaches to product monitoring and quality assurance throughout the supply chain, from procurement through programming. Both USDA and WFP are participating in that review, along with representatives of the Food Aid Consultative Group (FACG) and experts in nutrition, quality assurance, food technology, and policy.

USAID concurs with the GAO recommendation that current and reliable market intelligence, along with coordination among donors, WFP, and other LRP stakeholders, is critically important to ensure that increased LRP strengthens local and regional markets and does not distort or cause price increases for low-income consumers.

USAID is working closely with LRP implementing partners to monitor local and regional food prices for any indication of destabilization linked to local purchases. The specific indicators that partners are responsible to monitor and report on are included in USAID grants or cooperative agreements under which LRP resources are provided, and are subject to continuous review and updating.

Moreover, WFP, a major recipient of USAID LRP funds in FY 2008-2009, has an effective system to ensure that LRP is not only a cost-effective alternative, but also does not disrupt local and regional markets. This system includes structural analyses of many key market impact elements, including

main crops; agro-ecological zones; levels of production; agricultural seasons; latest food balance sheets; size, location and importance of food markets; principal exports and imports; major barriers to the free flow of food; and inter-regional trading and transport patterns. Market intelligence is also gathered on the expected harvest; the quality of food likely to be available; significant food purchases, including those made by local institutions; commercial exports; estimates of stocks held by traders; potential disruptions to transport networks; and expected flows of food within a region. USAID plans to build upon this system.

Before closing, I would like to give you an idea of what we are looking at as we move forward toward FY 2010. I made the point earlier that procuring food locally and regionally can help strengthen a local agricultural system - stimulating rather than discouraging agricultural productivity. As we look ahead to FY 2010 - and acknowledging the need for a whole-of-government approach to improved global food security - we will work closely with USAID's regional bureaus and the interagency to help ensure that, to the extent it is possible, our emergency response supports other U.S. Government efforts to stimulate agricultural productivity and strengthen the participation of small-holder farmers in local and regional trade in the developing world. This could mean ensuring that Title II commodities are available when food shortages threaten the lives and livelihoods of subsistence farmers, or it could mean implementing a cash-based voucher program when food is available in local markets. But vulnerable households simply cannot afford it. Even as we respond to emergency needs, we want to make sure that we are using the right tool, at the right time, and in the right way to contribute to a sustainable solution to global hunger.

In closing, let me assure you that our U.S.-grown food will continue to play the primary role in meeting global emergency food needs. The objective of alternative procurement mechanisms - whether at the community level through voucher programs, or at a local and regional level - is to increase the number of tools at our disposal to ensure the greater effectiveness, efficiency, and impact of U.S. Government humanitarian response - not to overhaul the current in-kind program.

We at USAID are very proud to have played a part in the extraordinary story of U.S. food aid, and we are committed to making still more progress, with the support of the Congress and our partners, in achieving greater food security in the years to come. I would like to thank you for the support that this Committee has given to the Administration in addressing food security needs abroad and demonstrating to the world the great heart of the American people.