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U.S. Food Aid Reform

The United States has long been a global leader in responding to humanitarian emergencies and is the largest provider of lifesaving food aid in the world. Since Food for Peace—the largest U.S. food-aid program—began in 1954, approximately 3 billion people in 150 countries have benefited from American generosity and compassion.¹ However, as this crucial program has been scrutinized in recent years, clear inefficiencies in how it is operated have emerged. With recent constraints on federal spending, we must seize this opportunity to reform this valuable program so that appropriated funds are used as effectively as possible to reach the maximum number of hungry people overseas, especially malnourished women and children.

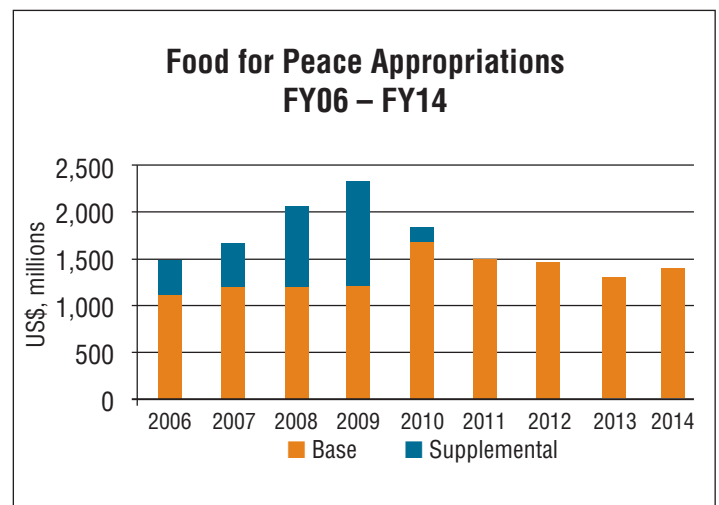
Food aid has been an integral part of the U.S. government's efforts to end global hunger, but its shortcomings in meeting essential nutrition requirements of recipients has been noted in the Tufts University *Food Aid Quality Review*² completed in 2011 and also in a separate report by the U.S. Government Accountability Office (GAO) in the same year.³ Adequate nutrition is especially important in the 1,000-day window between the beginning of a woman's pregnancy and her child's second birthday. Should malnutrition set in during this period, its effects are lifelong and often irreversible with adverse health, education, social, and economic consequences.⁴ In fact, widespread malnutrition among a developing country's population can negatively affect its gross domestic product (GDP) by as much as 12 percent.⁴

U.S. food aid is primarily authorized through the Food for Peace Act⁵ and is provided as both as a response to disasters and to facilitate development assistance. In a humanitarian response to food emergencies, improved nutrition in food-aid products can save additional lives. The U.S. Agency for International Development (USAID) and its program-implementing partners need additional flexibility to target the best possible food-aid products to vulnerable recipients.

Despite increasing need for Food for Peace assistance, congressional funding for it has decreased over the past several years. In fiscal year 2009, USAID spent \$2.5 billion on Food for Peace programs (including reimbursements for cargo preference), while in fiscal year 2013, it spent less than \$1.5 billion, a 40 percent decline.^{6,7} At the same time, more people are in need of food and development assistance than ever, especially as the lasting effects of drought and civil conflict are felt in places such as the Sahel region of East Africa and South Sudan and the Democratic Republic of Congo. In today's budgetary climate, the U.S. government needs to be as flexible as it can, while being a wise steward of appropriated funds. Food-aid interventions and programs that effectively address mal-



USAID



nutrition, especially those focused on improving micronutrient consumption, are considered by experts to be among the best investments in developmental assistance.⁸

Needed Food-Aid Reform Efforts Have Begun

Several recent hard-earned legislative victories point to Congress' desire to reform the U.S. food-aid system. Although the extensive reforms proposed by President Barack Obama in his fiscal year 2014 budget were not fully adopted by Congress, the Agricultural Act of 2014 (the farm bill) did include several provisions that will move some aspects of the Food for Peace program toward improving the nutritional content of food assistance as well as increasing efficiency. The legislation increased the share of overall funding for the program that can be used flexibly from the 13 percent maximum permitted previously up to 20 percent.⁹ This change will allow most organizations carrying out non-emergency development assistance programs to forego selling the commodities they receive to generate cash for program support and other expenses. This process, known as monetization, typically generates only about 70 cents for every dollar spent on procuring, processing, shipping, and distributing the commodities from the United States.

The farm bill legislation also authorized a new program allowing these organizations to procure food for donation locally (called local and regional procurement), with funding authorized at \$80 million annually. These local purchases will improve the timeliness and efficiency of providing food assistance, with an added benefit of buying local food that is known and available in markets to complement the U.S.-sourced commodities. The farm bill also continues to provide resources for evaluating the nutritional quality of food-aid commodities and for field testing new formulations and prototypes for new products.

In addition, the FY 2014 agricultural appropriations (funding) bill enacted less than three weeks before completion of the farm bill included a provision that allowed USAID to use up to \$35 million of Food for Peace program funds in a flexible manner over and above the percentage permitted under current law.¹⁰

Why Further Reforms are Needed

While these provisions from early 2014 take important steps in improving food-aid quality and program efficiency, more can and should be done.

Americans support effective development

The average American believes the United States should spend about 10 percent of the federal budget on foreign assistance.⁸ Yet the reality is that foreign assistance accounts for only about 1 percent of the federal budget, and poverty-focused developmental assistance that funds all food aid accounts for only 0.6 percent of the total.⁹ According to recent polling, almost 90 percent of Americans believe that improving health for people in developing countries should be one of the top priorities of U.S. foreign assistance; nearly two-thirds of those individuals specifically prioritize reducing hunger and malnutrition.¹⁰ According to another study, American citizens feel strongly that our country has a moral and financial responsibility to help end hunger and poverty. (Read the study in its entirety at www.bread.org/media/pdf/weber-shandwick-hunger-poll-sm.pdf).

Even more flexibility would save dollars and lives

Funding to support complementary food-aid assistance activities alongside direct distribution of food aid must be used as efficiently as possible. Procuring more food locally and regionally is, on average, 30 percent cheaper than traditional food aid and can be provided more quickly.¹² For vulnerable women and children, timely arrival of food aid can mean the difference



between a life of health and opportunity and one of stunted growth and unmet human potential. USAID estimates that the increased flexibility in resources from the two changes to the Food for Peace program will allow it to provide food for an additional 800,000 people annually due to greater efficiency.¹¹

We must also ensure that recent food-aid reforms are not rolled back by groups vested in the status quo who benefit from the inefficiencies in the system. For example, in April 2014, the House of Representatives passed a bill reauthorizing the U.S. Coast Guard that included a provision increasing the percentage of food-aid shipments that must be carried by U.S.-flagged vessels from its current 50 percent to 75 percent.¹² If this change were to be enacted into law, USAID estimates that it would increase the cost of shipping U.S. food aid by about \$75 million annually, allowing the programs to feed about 2 million fewer people per year.

In addition, Congress has yet to provide the funding needed to activate the new authority for local purchases included in the 2014 farm bill. Once in place, this funding would allow the U.S. Department of Agriculture to provide cash resources to complement U.S.-sourced food provided under the McGovern-Dole International Child Nutrition and Education program, which would help improve the nutritional status of school-aged children around the world. In fiscal 2013, the McGovern-Dole program assisted 7.1 million children in 11 countries.¹³

Nutritional quality of food aid is essential

An increasing number of food-aid recipients are women and children, and chronic malnutrition has devastating and lifelong effects. The types of food aid provided by the United States and other donors in general distribution do address hunger by providing needed calories but can come up short in addressing micronutrient needs (vitamins and minerals).¹¹ Ensuring good nutrition to vulnerable populations has not been a high priority—at least partly because emergency programs are seen to address short-term food emergencies. Improving nutritional quality in food-aid products can build resilience that is needed to withstand and overcome future food-security challenges. Increased flexibility in the use of food-aid resources would help improve nutrition outcomes, as funds could be utilized to procure nutritionally appropriate food, either by local purchases or from products already available from the approved list of U.S. commodities available to program implementers.

Reforms promote the self-sufficiency of smallholder farmers

Bagged food-aid commodities are usually shipped from the United States or a pre-position site, which adds to food-aid costs and delivery time compared to local purchases, the use of food vouchers, or by providing cash for recipients to purchase food themselves. The practice of monetization—reselling U.S.-sourced commodities to support development projects—can mean losses of as much as 30 cents on the dollar and can in some cases be a disincentive for local markets and farmers. In fiscal year 2012, \$31.7 million was lost due to inefficiencies related to the practice of monetization. While the reforms of the 2014 farm bill allowed USAID to reduce the use of monetization, a provision

“It’s not just the waste that should bother us, but the harmful impact of dumping such commodities, which can destroy local farming, and in turn increase the dependency on aid we’d like to see end.”

—Rep. Ed Royce (R-Calif.), chairman, House Foreign Affairs Committee, on current food aid system

“It is time we apply some innovation, ingenuity and flexibility to our nation’s food aid program in a way that does not disrupt agricultural markets and better achieves our goal of a food secure world.”

—Cargill statement, May 22, 2013

“Land O’Lakes sees the value that such LRP efforts can bring to countries like Bangladesh, and supports steps that will help meet development objectives through food aid reforms and ultimately make populations more resilient in the face of future shocks.”

—Jon Halverson, vice president of Land O’Lakes International Development

“At a time of such urgent human need and budget constraint, reforms that enable us to reach more hungry people while saving taxpayer dollars, and continue to engage the talent and generosity of American agriculture, are the right choice.”

—Roger Johnson, president, National Farmers Union

requiring that at least 15 percent of funding provided for non-emergency, development programs be monetized remains as law.¹⁴

A Call to Action

Examples from around the world abound of how improved efficiency in U.S. food-aid programs would serve our humanitarian interests better and reach more hungry people. U.S. rice intended as food aid to Filipinos whose lives had been disrupted by the massive Typhoon Haiyang took more than a month to reach recipients because, even though it was prepositioned in warehouses in Sri Lanka, USAID had to obtain U.S.-flagged ships to move it the Philippines. USAID committed to provide \$180 million in resources to help residents of South Sudan ravaged by the civil conflict in that region. Of the total, a little more than one-quarter (\$50 million) was used to purchase food, because the cost of shipping food from the United States to the interior of Africa where it is needed is prohibitively expensive. If more flexibility in operating the program was allowed, more of those resources could have been used to purchase food closer to Sudan, reducing transportation costs and allowing more food to be delivered.

No one questions the compassionate instinct that prompts the United States to show global leadership in responding to humanitarian emergencies around the world. But if we want to lead more effectively and maximize the efficiency of our food-aid programs, we should consider the needs of hungry people as the primary focus, not those of disparate interests who are benefiting from inefficiencies developed over the 60-year history of the Food for Peace program.

Endnotes

¹ U.S. Agency for International Development. “Quick Facts about Food Assistance.” Available at www.usaid.gov/what-we-do/agriculture-and-food-security/food-assistance/quick-facts

² Webb, et al. (April 2011), *Delivering Improved Nutrition: Recommendations for Changes to U.S. Food Aid Products and Programs*, Food Aid Quality Review Report to the U.S. Agency for International Development, Tufts University

³ U.S. Government Accountability Office (May 2011), *International Food Assistance: Better Nutrition and Quality Control Can Further Improve US Food Aid*, Report to Congressional Requesters (GAO11-491). Available from: www.gao.gov/assets/320/318210.pdf

⁴ Horton, S. and R. Steckel (2011) “Malnutrition: Global Economic Losses Attributable to Malnutrition, 1900-2000 and projections to 2050.” Assessment paper for Copenhagen Consensus on Human Challenges. Available at www.copenhagenconsensus.com/sites/default/files/malnutrition.pdf

⁵ Food for Peace Act as amended (P.L. 480). “Section 201–General Authority.” Available at www.ag.senate.gov/library/compilations

⁶ U.S. Agency for International Development. “U.S. International Food Assistance Report, FY2009.” Available at http://pdf.usaid.gov/pdf_docs/PDACP800.pdf

⁷ U.S. Agency for International Development. “Fiscal Year 2013 Food for Peace Fact Sheet.” Available at www.usaid.gov/what-we-do/agriculture-and-food-security/food-assistance/quick-facts/fiscal-year-2013-food-peace

⁸ Second Copenhagen Consensus. “Expert Panel’s Rankings: the Outcome.” Available at www.copenhagenconsensus.com/copenhagen-consensus-ii/outcomes

⁹ Agricultural Act of 2014 (P.L. 113-79). “Section 3002–Set-Aside for Support for Organizations Through Which Nonemergency Assistance is Provided.” Enacted February 7, 2014.

¹⁰ Consolidated Appropriations Act, 2014 (P.L. 113-76). “Division A, Title VII–Food for Peace Title II Grants.” Enacted January 17, 2014.

¹¹ U.S. Agency for International Development. “Food Aid Reform.” www.usaid.gov/foodaidreform

¹² Coast Guard and Maritime Transportation Act of 2014 (H.R. 4005). “Section 318–Minimum Tonnage.” Passed the House of Representatives on April 1, 2014. Bill consideration pending in U.S. Senate.

¹³ Foreign Agricultural Service, U.S. Department of Agriculture. “McGovern-Dole Funding Allocations–FY13.” Available at www.fas.usda.gov/programs/mcgovern-dole-food-education-program/mcgovern-dole-funding-allocations-fy-2013

¹⁴ Food for Peace Act, as amended. “Section 203(b)–Minimum Level of Local Sales.” Available at www.ag.senate.gov/library/compilations