

# Reconsidering Food Aid: The Dialogue Continues

—Final Report, February 2007—

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# Foreword

The Partnership to Cut Hunger and Poverty in Africa (“the Partnership”) is an independent nongovernmental organization committed to bringing together U.S. and African leaders, analysts, and development practitioners to increase the level and effectiveness of agricultural and rural sector investment in Africa as a critical means of significantly reducing poverty and hunger on that continent.

One consequence of low rates of growth in agricultural productivity has been the need for many African nations to increase imports of food and/or to rely upon the generosity of donors to provide food aid. International food aid has, without doubt, both reduced the chronic food gap in sub-Saharan Africa and mitigated the impact of crises in which large numbers of people have faced acute hunger. But is the global food aid program operating as effectively as it could to promote sustainable food security and to reduce poverty and hunger?

In March 2006<sup>1</sup>, the Partnership took the initiative to convene a broad array of individuals involved in food aid, food security, and development assistance to discuss the current set of challenges confronting food aid at a “Reconsidering Food Aid” Workshop held in Washington, DC.<sup>2 3</sup> Representatives from the principal government agencies managing food aid programs—the U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA)—were joined by colleagues from the Office of Management and Budget and Department of State, as well as by participants from U.S. commodity groups and U.S. and Ugandan agribusiness communities, the U.S. shipping industry, food aid implementing organizations (both U.S. private voluntary organizations and the World Food Program), universities, think tanks, and other organizations involved in food aid, food security, agriculture, and Africa.

The workshop participants demonstrated a remarkable depth of knowledge and experience that enriched the workshop dialogue. The attendees reached agreement on several areas regarding priorities, problems and opportunities, but there were also several issues on which they were not able to find common ground in the short time of the workshop.

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<sup>1</sup> The March 2006 workshop and development of this paper were guided by members of the Food Aid Advisory Board: Chris Barrett (Cornell University), Peter Bell (formerly of CARE International), David Beckmann/Charles Uphaus (Bread for the World), Marv Baldwin (Foods Resource Bank), Mary Chambliss (formerly of USDA/FAS), Betsy Faga (North American Millers’ Association), Robbin Johnson (formerly of Cargill), Carl Leonard/Jim Phippard (ACDI/VOCA), Ellen Levinson (Levinson & Associates), John Magnay (Uganda Grain Traders Ltd.), Khaled Adly/Jordan Dey (World Food Program), Firmino Mucavele (NEPAD), H.E. Ambassador Edith Ssempala (Embassy of Uganda), Roy Stacy (Chemonics International), Salif Sow (FEWSNET-Africa Coordinator), and Ann Tutwiler (ex-officio) (Hewlett Foundation). The Partnership is grateful to these individuals for their contributions. The Food Aid Advisory Board approved the release of this report, but the individuals and their organizations do not endorse specific report recommendations.

<sup>2</sup> The Partnership wishes to thank the William and Flora Hewlett Foundation, which provided a generous grant to support the “Reconsidering Food Aid” project, and the workshop speakers and discussion leaders. The workshop agenda, presentations, and background papers can be found on the Partnership website. See [www.africanhunger.org](http://www.africanhunger.org).

<sup>3</sup> We would also like to thank Ms. Lauren Landis, former Director of USAID’s Food for Peace office, who, with Emmy Simmons, led the conceptual development, preparation of background reference materials, and implementation of the March 2006 workshop.

The workshop recommended that the Partnership continue to foster dialogue on these issues. To that end, the Partnership agreed to prepare a paper that would provide additional material to inform the discussions. We believed that further sharing of knowledge and experience could contribute to clarifying the outstanding issues and to forming the pragmatic reform agenda that many felt was possible—an agenda sensitive to the concerns of those who wish to protect the positive effects of the current programs but one that recognizes that there are many opportunities to introduce beneficial changes. The Partnership also believes that resolving these issues may help ensure that the U.S. food aid program remains an effective instrument of foreign policy and humanitarian response and plays its full role in reducing hunger and poverty in Africa.

In that spirit, the preparation of this paper included further consultations with experienced individuals, review of analyses (both published and in the gray literature), and an effort to bring together empirical information that could inform discussion on the outstanding issues. Drafts of this paper benefited greatly from the critical review of our Food Aid Advisory Board and participants in the March 2006 workshop. These thoughtful, detailed comments are gratefully acknowledged. Any misinterpretation of these comments or continued inaccuracies remain the responsibility of the principal author, Emmy Simmons, and the Partnership to Cut Hunger and Poverty in Africa.

This paper is intended to promote continued dialogue on the future of the U.S. food aid program. It attempts to disentangle the threads of complex issues to permit consideration of more manageable problems. For each issue area, the paper also attempts to differentiate “beliefs” from “facts.”

We anticipate that the substantial leadership needed to address these issues will come from within the food aid and development communities, beginning with the debate over the 2007 Farm Bill, and beyond, as the many organizations involved in the U.S. food aid and food security programs go about their business. But we hope that the broader public—those concerned with U.S. food and agricultural policy, and those committed to improving the lives of the poor, hungry, and vulnerable in developing nations—will also join their voices to help shape the future of U.S. efforts to provide food aid where and when it is needed as effectively as possible.

We welcome further comments on the topics raised in this paper.

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## **Disclaimer**

The author and the Partnership to Cut Hunger and Poverty in Africa retain responsibility for the content of this report.

# Acronyms

AIDS	Acquired Immune Deficiency Syndrome
BEHT	Bill Emerson Humanitarian Trust
CIDA	Canadian International Development Agency
CCC	Commodity Credit Corporation
CSH	Child Survival and Health, an account within the U.S. foreign assistance budget
DA	Development Assistance, an account within the U.S. foreign assistance budget
DCHA	The Bureau for Democracy, Conflict, and Humanitarian Assistance at USAID
DFID	Department for International Development, UK
EC	European Commission
ECHO	European Commission Humanitarian Office
ERS	The Economic Research Service of USDA
EU	European Union
FANTA	Food and Nutrition Technical Assistance
FAO	U.N. Food and Agricultural Organization
FACG	Food Aid Consultative Group
FAS	The Foreign Agricultural Service of USDA
FEWS NET	Famine Early Warning System Network
FFP	The Food for Peace Office of USAID
FSA	Farm Services Agency of USDA
FSBL	Food Security Budget Line
GAO	Government Accountability Office ( <a href="http://www.gao.gov">www.gao.gov</a> )
GIEWS	Global Information and Early Warning System
HIV	Human Immunodeficiency Virus
MARAD	United States Department of Transportation Maritime Administration ( <a href="http://www.marad.dot.gov">www.marad.dot.gov</a> )
MT	Metric tons
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
PL 480	Public Law 480, The Agricultural Trade Development and Assistance Act of 1954
PVO	Private Voluntary Organization
UN	United Nations
US	United States
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USTR	United States Trade Representative
VAM	Vulnerability Assessment Mapping
WFP	U.N. World Food Programme
WTO	World Trade Organization





# Executive Summary

Since World War I, the United States has delivered food aid around the world to hundreds of millions of people impoverished or uprooted by natural disaster, wars and civil conflict. These supplies have saved lives and helped countless families to survive and recover from crisis.

Food aid contributed by the U.S. government, authorized by legislation included in the Farm Bill, has totaled over \$73 billion since 1946.<sup>4</sup> Over the last decade, the U.S. has been the single largest donor of international food aid. The U.S. contributed more than 52 million tons of food aid between 1996 and 2005, more than half of the nearly 100 million tons of food aid delivered worldwide in this period. Despite these efforts, chronic hunger and food insecurity continue to affect more than 850 million people worldwide. This figure has changed little since 1996, when world leaders at the World Food Summit pledged to cut hunger in half by 2015.

## *Defining the U.S. Role for the Coming Decades*

Upcoming debates on the 2007 Farm Bill provide an important opportunity for the U.S. to review its food aid program in light of continuing world food insecurity, changes in world grain supply and demand, and domestic and foreign policy commitments. Many proposals for reconsidering the U.S. food aid program have already been put forward, and many more remain under active discussion.

On March 15-16, 2006, the Partnership to Cut Hunger and Poverty in Africa<sup>5</sup> convened a special workshop in Washington, D.C. to generate a broader dialogue on the future of U.S. food aid.<sup>6</sup> The workshop gathered policymakers, practitioners and recipients around a neutral “big table” to objectively consider the issues currently facing U.S. food aid programs, build consensus, and chart a path forward. The workshop laid the foundation for further dialogue among groups that do not regularly work together, but it was evident that more needed to be done.

To continue these constructive discussions, participants requested the Partnership to Cut Hunger and Poverty in Africa to provide additional information, analysis and potential reform options in four key areas on which participants could not reach agreement during the workshop. This paper responds to that request, exploring various facets of issues which appear to be particularly contentious. Drawing on a wider range of data, knowledge and experience than was available at the time of the workshop, it attempts to describe the range of possible solutions to key issues and suggests where further debate or analysis might usefully inform changes which could improve the effectiveness and impact of the U.S. food aid program.

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<sup>4</sup> U.S. government food aid contributions flow either through bilateral programs managed by the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID) or through multilateral institutions such as the United Nations’ World Food Program (WFP). The basic structure of the current U.S. food aid program was established in 1954 as Public Law 480. Changes have been regularly introduced in the U.S. Farm Bill process, and the total food aid program now includes the Food for Progress and McGovern-Dole International Education and Child Nutrition Program as well as authorities associated with Section 416(b) of the Agriculture Act of 1949.

<sup>5</sup> The Partnership to Cut Hunger and Poverty in Africa is a nongovernmental organization committed to analysis, dialogue, and advocacy to significantly increase public and private investment in African economic development and to increase the effectiveness of U.S. assistance to strengthen African agricultural and rural development.

<sup>6</sup> A list of workshop participants and a brief report of the outcomes can be found at the Partnership website, [www.africanhunger.org](http://www.africanhunger.org).

### ***Starting from Common Ground....***

Workshop participants agreed that:

- The dominant goal for U.S. food aid programs is—and must be—the reduction of hunger and poverty.
- American contributions are critical to effective international food aid programs and support for these contributions must be preserved and enhanced.
- Current resource levels are inadequate in the face of growing needs. Increased U.S. food aid levels would help to address these needs and would create a more positive environment for introducing new food aid methods.
- Changes have been made in U.S. food aid policy and practice to make programs more accountable and effective. There are many ideas for additional or new approaches.
- There is a growing awareness of the link between the attributes of a food aid ration and improving nutrition, i.e., is the ration delivering the right nutrients for improved health?
- In addition to meeting short-term emergencies, U.S. food aid and other resources should address underlying causes of hunger by supporting multiyear efforts to address agricultural productivity, technology, market development, health, education, and employment creation in those countries currently receiving food aid.
- Increasing stability and predictability of food aid resources is desirable.

### ***...And Further Exploring Differences***

Beyond these areas of agreement, however, there were many issues on which the participants differed. Some believed, for example, that the U.S. food aid system as it currently operates has widespread public and congressional support, and so urged considerable caution in introducing changes, lest these result in a smaller and/or less effective program. Others saw the current approach as less efficient and effective than it could be, serving some interests at the expense of others and not realizing the benefits of synergies with other assistance programs. Still others suggested that deeper changes were imperative at all levels—legislative, policy, and practice—if the United States is to maintain its leadership in efforts to reduce global hunger.

This paper is framed around four questions, each of which encompasses issues on which views widely differ:

1. Are food aid policy goals, objectives and funding levels appropriate to the needs and opportunities associated with food aid?
2. Is the food aid toolkit well suited to the challenge of reducing hunger and poverty?
3. Is information being used effectively to increase the impact of food aid and to avoid potential negative outcomes?
4. Does the American public understand and endorse the need for more efforts to address global hunger and poverty?

## **ARE FOOD AID POLICY GOALS, OBJECTIVES, AND FUNDING LEVELS APPROPRIATE TO THE NEEDS AND OPPORTUNITIES ASSOCIATED WITH FOOD AID?**

### ***Current Goals and Objectives Are Ambitious***

The 1990 Farm Bill made “enhancing food security in the developing world” an overriding goal of the U.S. P.L. 480 legislation and set five specific objectives for P.L. 480: (1) combat world hunger and malnutrition and their causes; (2) promote broad-based, equitable, and sustainable development, including agricultural development; (3) expand international trade; (4) develop and expand export markets for United States agricultural commodities; and (5) foster and encourage the development of private enterprise and democratic participation in developing countries. All of these objectives were retained in the 2002 Farm Bill and were supplemented by a sixth objective: prevent conflict. These objectives represent a major redefinition of the goals for U.S. food aid programming as articulated in the 1954 P.L. 480 legislation. At that time, emphasis was placed on the benefits to the domestic economy.

The 2002 Farm Bill continued the tradition of establishing statutory requirements to ensure that the largest allocation of food aid, the humanitarian grant program known as Title II, is programmed to achieve certain operational objectives. Five requirements currently affect Title II: a *minimum tonnage* level of 2.5 million tons per year reflects the overall level of U.S. commitment to global food aid programs; a *subminimum tonnage* level of 1.875 million metric tons indicates a commitment to non-emergency programming of food aid; the *monetization* requirement ensures that sale of food aid will generate a minimum level of financial resources for management and implementation of non-emergency programs; a requirement that 50 percent of non-emergency food aid grain must be *bagged in the United States* creates jobs in the United States and ensures that food aid will be shipped on container vessels as well as bulk vessels; and the 75 percent *value-added* requirement for non-emergency food aid engages the U.S. agribusiness community (in addition to producers) in the provision of food aid.

In addition, Section 901 of the Merchant Marine Act of 1936, as amended, requires that 75 percent of food aid cargos be shipped on U.S.-flag vessels. This requirement, called *cargo preference*, is intended to support the goal of ensuring the sustained availability of U.S.-flag shipping capacity to meet national security needs.

### ***U.S. Food Aid Programs Are Not Fully Achieving These Goals and Objectives: Funding Levels Play a Role***

#### **Combat World Hunger and Malnutrition**

Food aid is an important instrument for fighting world hunger and malnutrition, especially under conditions of crisis. As the leading donor, the United States does much to ensure that food is available to populations in need. Many note, however, that emergency demands are increasingly crowding out the non-emergency, or developmental, programs that use food aid to address the causes of hunger and malnutrition. And U.S. food aid levels have declined steadily, from a high of nearly 12 million tons in 1999 to less than four million tons in 2006.

**Promote Sustainable Development**

Food aid’s impact in promoting broader development outcomes is difficult to assess. The value of food aid available is small compared to the investment needs for development. The volume of food aid provides only a minor contribution to immediate consumption. Between 1994 and 2004, total U.S. food aid accounted for only 4 percent of the food supply in the 70 low-income, food-deficit countries monitored by USDA. U.S. food aid programs reach fewer than one of five hungry people.

While workshop participants agreed that resource levels are currently inadequate to meet these objectives, views differed as to how available food aid resources might best be used for maximum progress. USAID, for example, has decided to focus constrained developmental food aid resources in fewer countries. However, many implementing organizations, forced to close longstanding programs in non-priority countries, are concerned that vulnerable populations are no longer being served.

Some suggested that new resources could supplement or complement food aid funding, thus making it possible to accomplish both purposes. But there are many barriers to achieving effective integration. The Famine Fund, for example, was created by President Bush in 2003 as a new mechanism for addressing the underlying causes of hunger and famine but has received only an average of \$20 million in funding each year. Development assistance funds allocated to promote trade capacity development in low-income, food-deficit countries might help increase the ability of recipient countries to address food shortfalls through commercial imports. Millennium Challenge Account compact funding may contribute to increasing overall food security. Resources from the President’s Emergency Program for AIDS Relief (PEPFAR) program could support therapeutic nutritional care with food aid.

**Expand Export Markets**

Although in a few cases specific markets have been opened through food aid, there is little evidence that food aid has expanded international trade and export markets for U.S. agricultural commodities on a sustained basis. U.S. food assistance represents less than 5 percent of total U.S. commodity exports.

**Address Democracy and Conflict**

No indicators to track the impact of food aid in meeting the fifth and sixth objectives—promoting democracy and preventing conflict—have been developed, so it is difficult, perhaps impossible, to assess food aid’s effectiveness in these areas.

***Operational Objectives:***

- Minimum tonnage commitments**
- Developmental (non-emergency) programming**
- Monetization**
- Value-Added**

At recent budget levels, it has not been possible to achieve all operational objectives each year. When emergency needs exceed 625,000 metric tons in a given year, for example, the subminimum level for non-emergency programming cannot be met. When grain prices rise and budget appropriations are fixed, it may be impossible to procure the minimum tonnage level of grain and to assure that 75 percent of the non-emergency food aid qualifies as

**-- Bagging**

value-added. In these cases, USAID is authorized to waive the requirements and has done so. Both Congress and implementing organizations have questioned whether these waivers have been justified, however, suggesting that greater transparency and/or reconsideration of the operational requirements themselves are needed.

**Cargo Preference**

The requirement to ship food aid on U.S.-flag vessels, intended to contribute to national maritime security, results in significantly higher shipping costs per ton of food aid. Two provisions in 1985 legislation compensate the food aid program for this cost premium, and more timely reimbursement of USDA and USAID in recent years has reduced concern about cargo preference. This is an evolving situation, however, as world shipping rates are rising and foreign-flag rates have increased accordingly.

The result may be decreasing competition for food aid cargos, greater dependence on a smaller number of U.S.-flag vessels to deliver food aid, and a potentially lower service level.

An ongoing GAO assessment for the Senate Agriculture, Nutrition, and Forestry Committee (to be completed by mid 2007) is expected to make an important contribution to the consideration of potential changes in policy or practice on food aid management—with special attention to commodity procurement, shipping and delivery. The assessment will focus on the cost structure for bidding, contracting, production and delivery of U.S. food aid.

***Going Forward on Policy, Legislation and Funding Levels***

- ❖ Establish an expanded database for ongoing analysis. Beyond the GAO report, support for the development of more complete, transparent and publicly available databases by both USDA and USAID, updated annually, would greatly facilitate analysis of program effectiveness and impact to inform future U.S. food aid policy goals and objectives.
- ❖ Seek greater legislative clarity regarding the goals, objectives, and requirements for U.S. food aid programs to better guide the Administration and implementing organizations. Further review of how well the amendments enacted in the 2002 Farm Bill have been implemented and the modifications introduced by the Administration would contribute to the legislative process. Budget request levels for Titles I and III, for example, and the availability of Section 416(b) commodities have been reduced or eliminated. The balance of Title II uses has been shifted toward emergency food needs (albeit with repeated supplemental appropriation requests), and developmental food aid programs in some countries have been phased out. Operational requirements have not been met consistently and warrant reconsideration.
- ❖ Integrate food aid with other assistance resources. The integration of food aid and foreign policy goals and objectives into comprehensive operational assistance programs focused on improving food security, and reducing hunger and poverty is still far from the reality. The Food Aid Consultative Group might play an expanded role in developing more integrated, and more effective, approaches. Through this group, USAID, USDA and other implementing organizations

- could: identify priority areas where greater complementarity of food aid and other assistance would be beneficial; identify and document ways in which food aid programming has been successfully integrated with other development assistance; and develop mechanisms to facilitate simultaneous access to development assistance and food aid resources.
- ❖ Foster leadership from the developing countries themselves. Poverty Reduction Strategy Papers or Millennium Challenge Account compacts, for example, could help to articulate how food aid as well as other resources might be used to reach their goals. Increased national “ownership” of poverty-reduction strategies, increased regional attention to food security issues in sub-Saharan Africa, and the greater focus on building trade capacity that has accompanied the Doha negotiations have raised recipient countries’ interest in the effective use of food aid for increasing food security and protecting the vulnerable in their societies.

## **IS THE FOOD AID TOOLKIT WELL SUITED TO THE CHALLENGE OF REDUCING HUNGER AND POVERTY?**

All practitioners agree that every case of hunger and poverty is different: a “one size” program design does not fit all circumstances. Current and potential capabilities of the food aid toolkit derive from different approaches to commodity sourcing, monetization, programming a diversified commodity mix, using insurance and other risk management strategies, linking food aid with other resources, and increasing funding for particular programs.

### ***The U.S. Uses a Range of Food Aid Tools***

The *purchase of food in the United States for distribution or sale in recipient countries* is the most basic tool in the current U.S. food aid toolkit.

Advantages of the “buy U.S.” approach to providing food aid include the tangible nature of the resource and the symbolic value of food; the support that U.S. procurement attracts from members of Congress in agricultural states; and the involvement of American industry in developing blended and processed food products to meet particular nutritional needs.

However, continued reliance on procuring and shipping food from the U.S., especially in non-emergency situations, has been questioned in World Trade Organization negotiations and by the European Union on the grounds that such shipments displace potential commercial imports.

Other potential disadvantages associated with U.S. procurement and shipping include the relatively high costs of delivering food from the U.S.; counter-cyclical availability as food aid volumes supplied decrease with rising prices; difficulties in providing a culturally acceptable, full and nutritionally adequate ration; slow response times when crises strike without warning (e.g., the Asian tsunami); high transaction costs for management; and possible disruption of local and regional markets for the same or competitive commodities. Several mechanisms have been developed to overcome the potential disadvantages; not all have worked as well as intended.

Another method for sourcing food aid commodities is through use of the *Bill Emerson Humanitarian Trust (BEHT)*. BEHT is a U.S. grain reserve intended for humanitarian use in the event of unanticipated global food emergencies. It has proved to be an important tool for these purposes, but BEHT levels are low and major changes in replenishment procedure are needed to ensure its continued effectiveness. As it currently stands, it could be entirely depleted within two years. Several options for redefining the BEHT as a reliable source of food aid have been proposed.

For other food aid donors, local or regional markets are an increasing source of food aid commodities and *“local/regional procurement”* is a new tool. Using cash donations, food aid organizations purchase food in local or regional markets and transfer it to needy and vulnerable populations. U.S. implementing organizations have used private funding to test this tool successfully in several countries. In Malawi, commodities were bought locally to improve the nutritional balance of the ration. For the World Food Program, local and regional markets have become an important source of food aid supplies. Between 2001 and 2004, WFP procured over 1.25 million tons of food aid annually, worth \$263 million, in developing countries. Recent analysis of the experience in Africa showed that this practice resulted in “more food per dollar” of food aid budget made available to poor and hungry people. Local or regional purchase requires sound analysis of supply and market conditions prior to tendering and close monitoring of the procurement process. The Administration requested authority to undertake local and regional procurement under specific conditions in 2006 and 2007, but Congress did not approve.

**Monetization** is the sale of food aid in developing countries to generate funding for non-emergency projects addressing the causes of hunger and food insecurity. Monetization has attracted considerable attention in global trade talks because of the assertion that the practice displaces commercial imports and/or depresses prices in local or regional markets for similar products. Little systematic evidence of such effects is available. Limited analyses show that the volumes of food aid monetized are relatively small shares of recipient countries' markets and might, in some circumstances, stimulate markets and provide incentives for local production and marketing.

Implementing organizations have had mixed experiences with monetization. Some have developed techniques that help ensure high cost recovery and beneficial impacts in terms of market capacity development. The funding generated can be used as a complement to food aid commodities or as the sole source of funding for programs in agriculture, health, or education. The management requirements are significant, however, and the costs of purchasing, shipping and handling generally exceed the value of the commodity when it is sold in local markets. Some implementing organizations agree that the direct allocation of cash would be a more efficient use of U.S. government resources. However, given the lack of fungibility between development assistance (or "150" accounts) and food aid resources, and constraints on levels of development funding, most organizations have concluded that doing away with monetization in favor of cash allocation is not a feasible option at present.

Greater attention to **nutritional quality of rations and opportunities for nutrient supplementation** is warranted. USDA and USAID have periodically revised the list of commodities eligible for use in food aid programs, reflecting U.S. supply conditions, legislated requirements for processed and value-added foods, and nutritional needs of recipients.

Recent experiences with HIV/AIDS patients undergoing treatment with anti-retrovirals and with new products designed for therapeutic feeding have stimulated interest in diversifying the commodity mix and improving the tools for managing it to achieve greater impact. School feeding programs are incorporating food aid with local products in dietary planning to improve the long-term sustainability of programs.

The food aid community is experimenting with a "second generation" of processed U.S. food aid products which are better adapted to the critical challenges facing individuals experiencing acute and chronic malnutrition. And new tools are needed to help program designers address nutritional content, nutritional need, processing requirements, and cooking requirements simultaneously.

New **market-based financial tools** can help countries and families to better manage their risks of food insecurity. Most experts now agree that the best approach to building long-term food security is greater reliance on commercial markets combined with greater efforts to promote domestic agricultural development. But few developing countries have succeeded in boosting production, expanding exports, and smoothing year-to-year variability in food availability with domestic resources alone. Only a few have trusted the private commercial market to manage the import and distribution of needed food supplies.

Several innovations to address supply and price variations deriving from climatic or market changes are now being tested. For example, the use of an options contract in 2005 allowed Malawi to hedge its price risk for importing food when needed in 2006. Weather insurance methodologies are being developed by the International Finance Corporation. And, with USAID support, the World Food Program tested a weather-derivative contract in 2006 in Ethiopia.



### ***Improving the Ability of Implementing Organizations to Work Effectively Is Key***

The effectiveness of the U.S. food aid toolkit hinges in large part on the capabilities of the organizations that implement food aid programs on the ground. Several factors affect these capabilities and overall program effectiveness:

- Stability and predictability of funding;
- Changes in US government strategies for relief and development that raise the level of uncertainty in the non-emergency project environment for implementing organizations;
- Availability of capable staff and logistics support systems;
- New partnership opportunities to respond to more complex needs;
- Flexibility for private voluntary organizations in programming;
- Access to direct private contributions; and
- Capacity of recipient country partner organizations and institutions to plan, manage and account for programs.

### ***Going Forward: Updating the Food Aid Toolkit***

- ❖ For many reasons, the U.S. is committed to the provision of in-kind food aid procured in the U.S. market and shipped to developing country recipients. Options for improving current procurement and monitoring systems include, *inter alia*:
  - Promoting independent Bellmon analyses to facilitate better management of market risks;
  - Applying modern supply logistics management techniques to reduce shipping costs;
  - Improving the procurement system to reduce costs and improve timeliness of shipments; and
  - Improving coordination of implementing organizations within recipient countries to reduce costs and increase effectiveness.
- ❖ Potential legislative and policy changes to the Bill Emerson Humanitarian Trust would make it a more timely and efficient response tool for emergencies. Changes are needed in:
  - Trust definition;
  - Trust management, particularly regarding the release triggers and how they are applied; and
  - Reimbursement and replenishment rules.
- ❖ Local/regional purchase should be added to the U.S. food aid toolkit, given the emerging evidence on cost savings and ration improvements. An incremental approach is advisable, given the political concerns raised and until potential risks of broader adoption of local and regional procurement are better understood. Congressional leadership is needed to resolve contentious issues.
- ❖ Monetization has permitted the conversion of food aid to cash to support development efforts in a time of constrained budgets. Options for increasing the availability of cash for development programs and reducing implementing organizations' dependence on monetization might include:
  - Increasing access to cash for program support, e.g., through expansion of section 202(e);
  - Integrating food aid with other funding sources for food security programs;

- Implementing broader legislative change to allow a greater percentage of non-emergency food aid funding to be used as cash for food security-related development efforts, or establishing a relationship between the food aid and foreign aid budgets; and
  - Revising Title V (John Ogonowski Farmer to Farmer Program) authorizing language to increase P.L. 480 cash support for agricultural development projects in developing countries.
- ❖ The list of commodities eligible for food aid should be expanded to provide more nutritionally balanced rations and respond to new opportunities for nutrient supplementation for target groups. The U.S. could also extend support for processing of high-value or blended and fortified products by industries in recipient countries or nearby countries, as an impetus to developing local agricultural industries and marketing channels. Use of new analytical tools should be encouraged for determining appropriate commodities mixes for specific situations.
- ❖ Several new tools for risk management (both for recipient countries and donors) are being tested. The outcomes of these efforts should be monitored closely for potential expansion or replication.
- ❖ Many of the factors that hamper implementing organization effectiveness stem from year-to-year volatility in appropriations, as well as overall levels of P.L. 480 funding broadly believed to be inadequate to the challenge of global hunger and poverty. Options for multi-year funding, especially for developmental programs using food aid, need to be addressed if implementing organizations are to improve effectiveness, test innovations, and ensure greater benefits for recipients.

## **IS INFORMATION USED EFFECTIVELY TO INCREASE THE IMPACT OF FOOD AID AND AVOID NEGATIVE OUTCOMES WHERE POSSIBLE?**

Timely and accurate information on food production and availability, markets, climate conditions, demographic indicators, and consumption are essential to predicting food emergencies and understanding the root causes of chronic hunger, malnutrition, and food insecurity. Solid empirical information about the factors affecting the timeliness of food aid deliveries and the effectiveness of different types of food aid project and program designs provide a foundation for improving future programs.

Information and analysis are currently constrained by limited time and resources to invest in data-gathering and analysis, incomplete and inconsistent reporting of information even on U.S. programs, and lack of information-sharing among donors.

Early warning systems are critical to identifying emerging crises in time to mount an effective response. USAID's FEWS NET is an important and objective information tool for early warning, as FEWS NET has no responsibility for food aid distribution itself. Given FEWS NET's continuous presence in 26 countries considered among the most vulnerable to food insecurity, FEWS NET also serves an essential monitoring function. It assesses markets and prices in addition to production, providing some insight into the question of food access. WFP's Vulnerability Assessment Mapping (VAM) tool complements early warning information. VAM is used to develop operational plans, drawing on improved mapping of vulnerable populations to develop targeting and nutritional monitoring plans. While coordination between these systems (and others, such as FAO's GIEWS and USDA's production monitoring) is generally good, better information on livelihoods, markets, and nutrition would help to improve targeting and more effective programming overall. Analyses have shown that inadequate targeting results in costly misallocation of food aid resources to people who need it less than others.

Improvements in needs assessment methodologies remain an important challenge for improving food aid effectiveness. Efforts such as WFP's Strengthening Emergency Needs Assessment Capacity (SENAC) project are promising initiatives in this direction.

### ***Going Forward: Using Information to Improve Impact and Efficiency***

- ❖ The current FEWS NET should continue to integrate its efforts with other early warning systems to increase the quality and timeliness of essential food security information and enhance timely responses. There are opportunities to share costs and information more widely; improve the synergies among the many complementary analytical efforts; accelerate the development of a strong community of practice, including the most food-insecure countries; and increase the potential for institutionalization of such capacities at the regional or national levels so that they can better serve as their own "first line of defense." Stronger collaboration with WFP's VAM could have a significant impact on information requirements for improved food aid targeting.
- ❖ Early warning funding needs to be increased to fill critical information gaps and assist with the capacity building of local and regional systems.

Options for strengthening the capacity of implementing agencies to collect, analyze, use and share information to improve programs include:

- ❖ Reformulating 202(e) programs to improve the quality of needs assessments and overall program efficiency; and
- ❖ Identifying additional funds to support targeting work and improving incentives for implementing organizations to share information on targeting approaches and outcomes.

## **DOES THE AMERICAN PUBLIC SUPPORT THE EXPANSION OF U.S. EFFORTS TO ADDRESS GLOBAL HUNGER AND POVERTY?**

### ***What the Public Thinks***

Recent surveys have shown that the majority of Americans feel the United States has a moral obligation to help improve economic and social conditions in other nations. Although Americans recognize self-interest as a motivating force for providing foreign assistance, they are ambivalent about self-interest as a justification for foreign aid and skeptical of messages that link foreign assistance with preventing terrorism.

Survey data also indicate that most respondents are open to increased U.S. government efforts to reduce global hunger and poverty, but have limited knowledge about what U.S. programs in these areas actually do. These data also show that the American public is generally concerned about aid program costs, fraud and corruption, and poor project implementation. Americans prefer aid that enables people to become economically self-reliant. Finally, two surveys found that respondents vastly overestimated the amount of U.S. government funding going to foreign aid programs.

### ***The Perspective of Policymakers***

Since food aid falls under the principal jurisdiction of the agricultural committees of the House and Senate, policy debates on food aid tend to be more closely linked to domestic issues of concern to agricultural producers and agribusiness than to issues of hunger and poverty in the developing world. The House International Relations Committee shares jurisdiction for authorization on food aid (and participated effectively in adding the McGovern-Dole International Education and Child Nutrition program to the U.S. food aid program), but the House Appropriations Committee's Subcommittee on Foreign Operations plays little or no role in food aid.

Several factors may influence the upcoming legislative debate on food aid: food aid is no longer driven by government-held surpluses; food aid represents only a small part (<5%) of the U.S. export market; the only "mandated" food aid program that receives funding without direct appropriations is the relatively small Food for Progress program while the most important program, Title II, is subject to annual appropriations; and the Administration has reorganized foreign assistance under the new Deputy Secretary of State.

The fragmented organizational structure for food aid within the Executive Branch also presents a critical challenge for the formulation of food aid policy and priorities. Policy and administrative responsibilities for U.S. food aid are divided among many departments and agencies, hindering the development of a coherent food aid policy and the integration of food aid with development programming. Other challenges and opportunities are presented by the establishment of the President's Emergency Program for AIDS Relief and the Millennium Challenge Corporation as separate entities and the Defense Department's increasing involvement in conflict and post-conflict situations.

### ***Going Forward: Public Opinion and Public Policy***

#### **Public Opinion**

Americans' strongly felt moral obligation to help those in need provides the critical foundation for U.S. efforts to fight global poverty and hunger. However, Americans in general have little knowledge about how global and U.S. food aid and development programs actually work. This limits the extent to which

the broader public, beyond specific interest groups directly engaged in food aid programs, can effectively support increased levels of funding or policy/program changes to improve the effectiveness of food aid and development programs.

- ❖ Significantly expanded outreach and education efforts are needed, through the media and non-profit channels, to increase the American public's understanding of the critical role played by U.S. food aid and the importance of linking food aid with longer-term efforts to combat hunger and poverty.
- ❖ Additional polling—specifically focused on food aid, its relationship to other kinds of foreign aid, and the roles of both public and private sector organizations in managing food aid—would be useful to develop effective educational messages on food aid and development for the U.S. public. Research to date has shown that several themes related to foreign aid and hunger are important to the public and could help guide the formation of public policy on food aid: focus on optimism; provide realistic expectations of success; and address concerns with waste and efficiency.

### Public Policy

- ❖ Developing a more coherent policy on international food aid could help to better integrate the disparate resource flows provided by the U.S. government to fight global hunger and poverty. Expanded public support for such a policy could help focus efforts on resolving the main issues that now hamper program effectiveness.
- ❖ Improving collaboration and communication among U.S. government agencies, with the broader domestic and international food aid community, and with public and private agencies within recipient countries, is essential in order to improve the effectiveness of U.S. food aid programs and to make food aid a more effective and integral part of overall U.S. efforts to address hunger and poverty. Potential actions include:
  - Increasing transparency in USAID and USDA decision-making;
  - Encouraging collaboration with other donors' programs at the recipient country level;
  - Increasing information-sharing and the development of more solid data to support decisions and approaches;
  - Reconsidering the changing environment for governance of food aid and support for food security in one of more of the many venues for consultation or debate: the Food Aid Convention, the Consultative Subcommittee on Surplus Disposal, the World Food Program and the Organization for Economic Co-operation and Development. A key challenge is to reach agreement on measures that could improve donor efforts to use in-kind food aid effectively;
  - Actively encouraging the participation of recipient countries' governments and nongovernmental sectors in discussions on food aid and development policy and programs. Collaborating with the food security program of the New Partnership for African Development, for example, could mobilize more African partners in proactive planning for food aid.



# I

## Background: Decades of Food Aid Experience

### A Diversity of Food Aid Responses

Since World War I, the provision of food aid has been a key U.S. government response when droughts, floods, or other natural disasters, wars, and civil conflicts have impoverished or uprooted families around the world. **Emergency food aid** is a tangible contribution to relief efforts and alleviates suffering. The delivery of food aid often demands extraordinary efforts on the part of implementing organizations since operations frequently take place under immensely difficult conditions. Some emergency efforts are short term in nature, but more often the recovery and rehabilitation of affected populations require complex and protracted support, including providing significant food aid volumes for many years. For many Americans, the international emergency food aid response is a national moral obligation.

Food aid also plays an important role in supplementing the food consumption of poor and nutritionally vulnerable individuals and families on a more continuous basis. **Project food aid**—often also called developmental or non-emergency food aid—is provided for multi-year activities intended to address the underlying causes of hunger and malnutrition that today affect more than 850 million people worldwide. Organizations managing this assistance use the donated food at the community level to, among other things, encourage school attendance and improve children’s ability to learn; compensate workers for their labor on community infrastructure projects; and complement the delivery of health care services with the delivery of needed nutrients. Project food aid may also be sold in the markets of recipient countries, with revenues used to fund development activities aimed at increasing food security.<sup>7</sup> Such activities often focus on improving local agricultural production and food systems or on strengthening health care systems and the delivery of health care services, especially for vulnerable mothers and children.

Another important type of food assistance has been **program food aid**, that is, loans to selected countries and government-to-government grants of food commodities. The provision of long-term, low-interest loans for food imports from the United States to countries not fully able to support their food security needs through production or imports was the predominant type of food aid from the program’s inception until about 1990. During the mid-1980s, government-to-government grants were important. Program food aid is generally sold in recipient country markets, and the revenues are programmed in collaboration with recipient governments.

Since 1946, the United States has delivered food aid valued at more than \$73 billion<sup>8</sup> either through bilateral programs or as contributions to multilateral institutions such as the U.N.’s World Food Program (WFP). Slightly more than one-third of the food aid was provided as program food aid on loan terms (\$28 billion), while just under two-thirds (\$45 billion) was given as grants to respond to emergency needs or to provide resources for projects aimed at increasing food security.

Private voluntary organizations (PVOs) and other nongovernmental organizations (NGOs) have partnered with the U.S. government—principally the U.S. Department of

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<sup>7</sup> The sale of food aid to generate resources for development projects is generally referred to as “monetization.”

<sup>8</sup> Equivalent to \$181 billion in constant 2004 dollars, according to the Greenbook published by USAID (at <http://quesdb.cdie.org/gbk/index.html>). See also Annex Tables 1.1 and 1.2. While this is a large volume of resources, it is small by comparison to the amount of federal food assistance the United States delivers to its own citizens. In FY 2005 alone, appropriations for domestic food assistance programs were \$56 billion (USDA/FCNS, 2006).

Agriculture (USDA) and the U.S. Agency for International Development (USAID)—in the delivery of grant food aid. USAID’s “*Celebrating Food for Peace, 1954-2004: Bringing Hope to the Hungry*” reports that more than 106 million metric tons (MT) of American food have been shipped to 135 countries as grant assistance since 1954 (USAID, 2004).

### **Impact of Legislative Changes on the U.S. Food Aid Program**

The Agricultural Trade Development and Assistance Act of 1954 (also known as Public Law 480) established the basic structure of the U.S. food aid program. Title I of the law addressed program food aid while Title II covered project food aid for both emergency and non-emergency purposes. Title III incorporated and amended Section 416(b) of the Agriculture Act of 1949, enabling government-owned surpluses of U.S. production to be used for food aid purposes. The legislation regarding food aid has been amended regularly as part of the five-year Farm Bill process. While Titles I and II have remained largely as originally conceived, Title III has been significantly changed. Section 416(b) stands as a separate authority for the use of government-owned surpluses. Broader revisions of the laws regarding food aid have reflected changes in three areas.

- *Supply.* In the 1950s, large surpluses of grain and other agricultural products were accumulated as U.S. farm sector productivity grew. Making these surpluses available to countries and populations experiencing food shortages was seen as a win-win outcome for all. Between 1955 and 1971, food aid accounted for 15 to 25 percent of U.S. agricultural exports. By the mid-1970s, however, “surplus” stocks managed by the Commodity Credit Corporation (CCC) of the USDA were no longer sufficient, and the commodities for food aid had to be purchased on the U.S. market. By 2000, virtually all food aid was procured through commercial markets in the United States, and food aid was less than 5 percent of total agricultural exports. (Riley, 2004:7)
- *Needs.* The geographic focus of food aid programs has shifted over time: from Europe to Asia and Latin America and, more recently, to sub-Saharan Africa. With this shift has come a change in emphasis on the kind of food aid provided. According to the USAID Greenbook data, 44 percent of the food aid provided to Western Europe and 45 percent sent to Asia was on loan terms. Loans account for only 15 percent of food aid programs in sub-Saharan Africa. Civil conflicts, droughts, and persistent poverty in Africa have resulted in a greater need for emergency and project food aid in that region. Significant amounts of food aid have also been provided as post-war support in Afghanistan and Iraq.
- *Policy goals.* The policy focus for food aid has gradually shifted from an emphasis on domestic agricultural impacts to its use in responding to food insecurity in the developing world. P.L. 480 has been supplemented by other programs that address these new policy goals. The Food for Progress program, for example, was added to the U.S. food aid program in 1985, authorized as part of the Farm Bill but outside of the P.L. 480 structure. Food for Progress provides commodities on a grant basis to developing countries and emerging democracies “that have made commitments to introduce or expand free enterprise elements in their agricultural economies through changes in commodity pricing, marketing, input availability, distribution and private sector involvement....”(USG, 1985).

In 1990, the Farm Bill significantly revised the language regarding food aid. The overriding goal of the Bill was specified as enhancing food security, and the legislation gave greater emphasis to economic development. Management responsibilities were more clearly



divided between USDA and USAID, with USAID given responsibility for programming of Title II (emergency and project food aid) and Title III (grant program food aid) and USDA retaining responsibility for Title I (low-interest, long-term loan programs) and Food for Progress (project or program food aid).

The McGovern-Dole International Food for Education and Child Nutrition program was added to the U.S. food aid portfolio in the 2002 Farm Bill, again outside of the P.L. 480 structure, drawing on the experience with a pilot Global Food for Education program initiated a few years earlier (USG, 2002; USDA, 2004a). This program, generally referred to as “food for education,” is managed by USDA.

### ***The United States Leads in the Supply of Global Food Aid***

Between 1996 and 2005, all food aid donors provided nearly 100 million metric tons (MT) of food assistance in all three categories: emergency, project, and program (Table 1.1). During this period, the United States delivered about 55 percent of that assistance—more than 52 million MT of food aid (grain equivalents) or an average of about 5.2 million MT annually.

**Table 1.1. Global Food Aid Deliveries, 1996-2005, All Donors, Metric Ton Grain Equivalent**

Year	Emergency	Project	Program	TOTAL
1996	2,699,887	1,707,547	2,820,907	7,228,341
1997	3,276,369	2,283,686	1,767,672	7,327,727
1998	3,003,103	2,553,869	2,847,817	8,404,789
1999	4,815,503	2,409,599	7,825,865	15,050,966
2000	5,323,407	2,712,232	3,319,607	11,355,246
2001	5,458,185	3,150,263	2,372,037	10,980,485
2002	4,376,368	2,692,943	2,378,899	9,448,209
2003	6,489,018	2,280,191	1,539,414	10,308,623
2004	4,261,229	1,930,715	1,341,548	7,533,492
2005	5,246,668	2,086,589	916,353	8,249,610
Total over decade	44,949,737	23,807,634	27,130,129	95,887,500

Source: World Food Program (WFP), Annual Report, 2005 (Interfais), [www.wfp.org](http://www.wfp.org)

Emergency food aid grew both as a share of total international food aid and U.S. food aid<sup>9</sup>. Project food aid was a fairly constant share of total assistance, varying between 22 and 30 percent of the total for much of the decade from 1996 to 2005. At the same time, program food aid declined relative to the other categories of food assistance. These changes in the food aid supply picture were the result of changing needs, funding priorities in donor countries, and expansion of global markets for food.

<sup>9</sup> See Annex Table 1.3 for details on total U.S. food aid tonnages and their allocation among different programs.

Overall, global food aid deliveries in the 2001 to 2005 period were nearly 3 million tons less than in the 1996 to 2000 period. In part, this was due to sharply reduced program food aid flows after 2001. Developmental (or project) food aid was up slightly, and emergency flows were 15 percent higher in the second half of the decade compared to the first.

The U.S. share of global food aid increased very slightly in the 2001-2005 period, from 54 to 56 percent. The U.S. food aid program showed reduced levels of Title I and Section 416(b) commitments between 1999 and 2005 and significant increases in Title II contributions to WFP, most of which were directed toward emergency programs. Between 2000 and 2005, however, bilateral Title II levels (emergency and non-emergency combined, not including WFP contributions) remained between 1.2 and 1.6 million MT per year, and Food for Progress ranged from 200,000 to 350,000 MT annually.<sup>10</sup>

The European Union (EU) contributed the second largest share of resources to global food aid in the 1996-2005 period. In 1998, however, the EU share dropped below 30 percent and has since ranged between 15 and 25 percent. The European Commission (EC) share of global food aid (which represents the collective contribution of the member states and roughly half of the total EU volumes) has also declined over the period.<sup>11</sup>

These trends are consistent with the European Community's reform of its food aid policies in 1996 (European Commission, 2000; 2001). The direct delivery of commodities to needy recipients (that is, in-kind food aid) was declared, in this policy, to be appropriate only as "short-term aid, for example, in the transition between relief, rehabilitation, and long-term development," and greater emphasis was placed on providing financial support for addressing the longer-term issue of food security (European Union, 2005a). The European Commission's Humanitarian Office (ECHO) continued to be responsible for emergency and relief operations, but the EC's non-emergency (project) food aid and food security budgets were combined into a single Food Security Budget Line (FSBL), thus administratively consolidating resources aimed at the goals of reducing hunger and improving food security in an account denominated in cash and not subject to minimum tonnage commitments.<sup>12</sup>

The track record of FSBL allocations shows a generally greater share of resources going to food security programs, although in specific years (such as 2003), food aid budget shares were increased. Contributions to the World Food Program were fairly stable over the 1996-2005 period, even increasing somewhat as a share of FSBL commitments since 2002. Food aid grants to nongovernmental organizations declined while food security grants increased, with the annual share averaging around 20 percent of the FSBL.

Other donors have recently introduced changes to their food aid/food security programs that may affect the supply of global food aid and the level of cash resources available to support food aid and/or food security programs in the future (CIDA, 2005; Federal Ministry for Economic Cooperation and Development, 2006; DFID, 2006). Canada, for example, has moved to a budget-based approach, allowing 50 percent of its food aid to be purchased in developing countries. China, the Republic of Korea, and Norway have increased their food aid commitments over the decade (WFP, 2006a).

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<sup>10</sup> See Annex Table 1.3 for details on tonnages and Annex Table 1.4 for dollar values.

<sup>11</sup> See Annex Table 1.8 for details.

<sup>12</sup> See Annex Table 1.8b for details.

## ***Reconsidering U.S. Food Aid***

The 2007 Farm Bill provides an important opportunity for the U.S. to revisit the legislative basis for its food aid program to ensure that the program responds to needs, commitments, U.S. capabilities and interests, and evolving best practices. The Bush Administration has already proposed several changes. Other issues regarding both policy and practice have been raised in the context of the World Trade Organization's Doha Development Round agricultural negotiations. And still other modifications are being introduced and tested by many analysts and organizations in the food aid and foreign policy communities (Barrett and Maxwell, 2004; IPC, 2005; Oxfam, 2005; Murphy and McAfee, 2005; Thompson, 2006a; Bertini et al., 2006; Bread for the World Institute, 2006a).

A sampling of the many issues that have been proposed for reconsideration includes:

- **The future of program food aid.** As already noted, there seems to be a worldwide trend away from this type of food aid. Title III, which governs U.S. grant program food aid, has not been funded since 1999. Title I food aid sales spiked upward in FY 99 and FY 00, as the U.S. decided to aid Asia and Russia, both of which were experiencing economic crises, but resumed the downward trend of the last two decades thereafter. Title I was further phased down as a matter of Administration trade policy in FY 05 and FY 06, and zeroed out in the FY 07 budget request.
- **The adequacy of Title II funding to meet both humanitarian and development needs.** The Administration's regular Title II budget requests, which encompass both emergency and project food aid programs<sup>13</sup>, trended slightly downward from FY 01 to FY 07. Supplemental appropriations for emergencies were requested in most years, so Title II received fairly stable funding of just under \$2 billion a year over the FY 01–05 period. However, emergency needs accounted for a greater percentage of Title II resources than non-emergency project funding, continuing the trend of rising emergency needs that characterized the 1990s.<sup>14</sup> This has led USAID to waive current legislative language, which requires that 75 percent of the minimum tonnage level set for Title II be used for non-emergency programs. There is widespread agreement among the members of the food aid community that greater funding is required to respond to global needs, but little consensus on approaches used to balance emergency and non-emergency needs within a constrained budget.
- **The addition of new “tools” for food aid programs.** The Bush Administration budget requests for FY 06 and, FY 07 asked for authority to use food aid funding to purchase commodities outside of the United States. As requested, this new local/regional procurement “tool” would have been used by USAID in emergency situations where food was available in local or regional markets and procurement there would have permitted a more timely emergency response than would be involved under normal circumstances, i.e., purchasing food in the United States and shipping it to the affected region. While the Administration's request was not approved by Congress, the local/regional purchase tool is increasingly being used by other donors in their food aid programs. Several PVOs, too, have experimented with local procurement under specific conditions. They have also gone one step further by providing vouchers or cash for food to needy individuals or families when food is readily

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<sup>13</sup> Including U.S. funding for the World Food Program.

<sup>14</sup> These data (up to FY 04) are from the USAID On-line Greenbook ([www.qesdb.usaid.gov/gbk](http://www.qesdb.usaid.gov/gbk)). FY 06 and FY 07 estimates are taken from the President's budget requests for those years. Annex Tables 1.1 through 1.4 include many of these data.

available in local markets but those who need it cannot afford it. Early assessments of these new approaches to food aid support continued interest in expanding the food aid toolkit (Cole, 2006; Harvey and Savage, 2006).

- **Impact of food aid sales on trade.** U.S. PVOs implementing Title II developmental projects have been allowed to increase the percentage of food aid sold on local markets (“monetized”) in recipient countries to generate funds for program support and development activities. The Doha trade negotiations have raised monetization of food aid as an issue (WTO, 2005).
- **Adequacy of allowances for support and management costs.** Direct cash support to implementing agencies was first allowed in the 1990 Farm Bill, and the levels increased considerably in the 1996 and 2002 bills. Current law allows 5 to 10 percent of Title II funds to be used for support and management costs. USAID, however, limits the amount to 5 to 7 percent of the value of programs.
- **Future role for government-held surpluses in food aid programs.** As a result of farm policy reforms made in the 1996 and 2002 Farm Bills, food stocks accumulated by the Commodity Credit Corporation (CCC) as so-called “surplus” commodities have diminished. Their allocation to the food aid program, known as Section 416(b), has also declined, from \$758 million in FY 01 to \$285 million in FY 04 and zero in FY 06. The Administration envisages no use of 416(b) for FY 07. The grain stocks held in reserve in the CCC-managed Bill Emerson Humanitarian Trust, however, are felt to be an important part of the Title II emergency-response capabilities. Currently, such reserves are well below authorized levels.
- **Potential for greater alignment of food aid with evolving development assistance priorities.** In FY 06, the Bush Administration took steps to increase the coherence of development assistance programs managed by the State Department and USAID. A second Deputy Secretary position was established at the State Department; this Deputy Secretary serves simultaneously as the Director of U.S. Foreign Assistance and the Administrator of USAID. The breadth of this mandate will facilitate integration of USAID-managed food aid programs with other forms of assistance. USDA-managed programs, however, are not included in this effort although their objectives are closely related to U.S. development assistance priorities. Funding for the Food for Progress program, for example, is to support agricultural market reforms and enterprise development in developing countries and emerging democracies, but there is little integration of these programs with the larger trade capacity-building programs implemented by other U.S. government agencies.<sup>15</sup>

The total level of the U.S. commitment to international food aid might also be reassessed. Many in the community of food aid implementing organizations feel that a minimum of \$2 billion is needed, largely in Title II, to ensure adequate provision for emergency needs and adequate support for developmental or non-emergency food aid programs carried out in low-income, food-deficit countries. Yet, the Administration’s total FY 07 request for Title II food aid is \$1.3 billion. It is likely that the bulk of this funding will be directed to programs in sub-Saharan Africa, many of them addressing predicted and/or protracted emergency conditions. While the FY 07 request also includes \$103 million in resources for the McGovern–Dole International Food for Education and Child Nutrition Program and estimates that \$161 million will be spent in Food

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<sup>15</sup> See [www.qesdb.cdie.org/tcb](http://www.qesdb.cdie.org/tcb) for information on US Government trade capacity-building support, which has increased from \$504 million in FY 00 to \$1.3 billion in FY 05. Democracy/government assistance levels are not reported so clearly. In FY 99, however, USAID reported \$634 million of obligations for these purposes.

for Progress, the total proposed level of resources for food aid falls well short of the \$2 billion benchmark.<sup>16</sup>

### **Developing Consensus on Priorities for Change**

While the upcoming Farm Bill provides an opportunity for reconsidering the U.S. food aid program, many participants believe that the current U.S. approach to food aid has widespread public and congressional support and that no fundamental change is required, although small changes would be beneficial.

However, others in the food aid and international development communities now believe that a total overhaul of U.S. food aid is required if the United States is to provide effective leadership in the use of food aid to reduce global hunger and poverty. Historically, U.S. food aid policy has reflected domestic agricultural policy priorities, but, to this group, it is increasingly evident that food aid policy could be better linked with foreign policy and development assistance priorities. This would likely require both legislative reform and revised program approaches.

Still others note that the U.S. food aid program has changed constantly and significantly over the years to respond to changing needs, and suggest that there are ways to ensure that the program continues to evolve in ways that will improve its effectiveness and efficiency as an instrument for increasing food security. Humanitarian, development, and business organizations have decades of experience around the world in designing food aid delivery systems. These experiences enable constant innovation to ensure that food aid provides maximum benefits to poor, hungry, and vulnerable recipients.

Given these differing views, there is ample fuel for a vigorous debate on the future of U.S. food aid.

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<sup>16</sup> For comparison purposes, it is useful to note that the President's FY 07 request for USDA-managed domestic federal nutrition assistance programs is \$56 billion.



## II

# The Workshop: Shaping the Future U.S. Food Aid Program

The March 15-16, 2006 “Reconsidering Food Aid” workshop brought together representatives of the food aid and wider development communities. Presentations on key topics were followed by group discussions. Many of the presentations and the workshop conclusions are found on the website of the Partnership, [www.africanhunger.org](http://www.africanhunger.org). Undersecretary of State Josette Sheeran Shiner set a very positive tone when she opened the workshop by describing the Administration’s commitment to preserve a full panoply of options for food aid programming during the Doha Round and other international negotiations.

Workshop participants agreed on key points. Among these were the following:

- **The dominant goal for U.S. food aid programs is—and must be—the reduction of hunger and poverty.**
- **American contributions are critical to effective international food aid programs, and support for these contributions must be preserved and enhanced.** Food aid reflects the deep commitment of the American people to helping those in need. The United States is proud of the leadership role it has played in providing food aid since the post-World War II days of the Marshall Plan. The case for continuing such leadership remains strong in the face of significant global hunger and poverty.
- **Current resource levels are inadequate in the face of growing needs.** While hunger and poverty, especially in sub-Saharan Africa, continue to increase, the global provision of food aid has taken a downward turn. Increased food aid levels would help to address these new needs and would create a more positive environment for introducing new food aid methods.
- **Changes have been made in U.S. food aid policy and practice to make programs more accountable and effective,** and there are many ideas for additional or new approaches.
- **There is a growing awareness of the link between the attributes of a food aid ration and improving nutrition,** i.e., is the ration delivering the right nutrients for improved health?
- **In addition to meeting short-term emergencies, U.S. food aid and other resources should address the underlying causes of hunger** by supporting multi-year efforts to address agricultural productivity, technology, market development, health, education, and employment creation in those countries currently receiving food aid.
- **Increasing the stability and predictability of food aid resources is desirable.**

Beyond these areas of agreement, however, there were many issues on which the participants differed. Some believed, for example, that the U.S. food aid system as it currently operates has widespread public and congressional support and so urged considerable caution in introducing changes, lest these result in a smaller and/or less effective program.

Others saw the current food aid approach as less efficient and effective than it could be, serving some interests at the expense of others and not realizing the benefits of synergies with

other assistance programs. Still others suggested that deeper changes were imperative at all levels—legislative, policy, and practice—if the United States is to maintain its leadership in efforts to reduce global hunger.

This paper attempts to explore various facets of some of the more contentious issues and presents factual information in an effort to see where further dialogue, analysis, or action could be helpful. It describes in detail the contrasting or conflicting perspectives that have been articulated on key issues. The Partnership offers this discussion paper to suggest where further debate or analysis might usefully inform potential modifications: legislative change, policy reform, or innovations in program design and management.

In addition to the global food aid trends and the U.S. leadership role already described, the relevant context for such modifications includes:

- Changes being made more generally in U.S. foreign assistance policy and approaches, which are likely to have an impact on food aid policy and operations.
- Political support for food aid.
- Experience since the 2002 Farm Bill, including the continued reductions in developmental food aid vis à vis emergency food aid, the impact of HIV/AIDS and other infections on food needs, and changes in other donors' policies.

Four questions frame the paper:

- **First, are food aid policy goals, objectives, and funding levels appropriate to the needs and opportunities associated with food aid?** Although participants agreed that reducing hunger and poverty should be the dominant goal of U.S. food aid and that current resource levels were inadequate, they did not agree on exactly how the goal should be defined operationally. Further, many argued that the so-called “secondary” goals—support of U.S. agribusiness and shipping, for example—should not compromise achievement of the primary goal. There were also varied responses to how budget constraints might be addressed, with some participants saying that all efforts should be directed to obtaining adequate funding to accomplish the goals and purposes established for food aid, while others focused on increasing the effective use of available resources.
- **Second, is the food aid “toolkit” well suited to the challenge of reducing hunger and poverty?** Participants commented that there may be ways to modify tools and approaches to better (1) facilitate integration of food aid with other resources intended to reduce hunger and poverty; (2) improve the application of early warning data; and (3) respond to nutritional needs. Equipping USAID with the authority to purchase food aid locally or in neighboring developing countries was too radical an idea for many, while for others this option was seen as a logical tool for improving program effectiveness in some cases. The sharpening or expansion of other tools, such as the Bill Emerson Humanitarian Trust, the 202(e) authority, or farmer-to-farmer approaches, was also proposed.
- **Third, is information being used effectively to increase the impact of food aid and to avoid potential negative outcomes?** Access to information collected and reported by implementing organizations and program evaluations could be improved and programs more adequately monitored for impact.



- **Fourth, does the American public understand and endorse the need for more efforts to address global hunger and poverty?** Many cite Americans' broad commitment to food aid as an effective approach for achieving these goals, but it is not clear how strong this commitment is. Policymakers may not be familiar with the variety of ways that food aid is used or how food aid programs address the causes of hunger and poverty and promote long-term food security. What are the options for expanding the knowledge of the American citizenry and its policymakers about these issues? How can political and organizational leadership be developed to focus on reducing hunger and poverty and mobilization of the resources needed? How can food aid be integrated with other kinds of international assistance while maintaining its focus on increasing food security?

The paper's final section—Going Forward: Continuing the Dialogue—summarizes key findings and options for future action.



### III

## Policy Goals, Objectives, and Funding Levels

### *The Evolution of U.S. Food Aid Goals and Objectives*

The 1990 Farm Bill made “enhancing food security in the developing world” an overriding goal of the U.S. P.L. 480 food aid program (covering Titles I, II, and III). USAID’s 2006–2010 Strategic Plan for Food for Peace affirmed the food security goal by stating its strategic objective in terms that define food security: “reduc[ing] hunger and malnutrition and [assuring] that all people at all times have access to sufficient food for a healthy and productive life.”(USAID, 2005b).

To provide a more operational framework for food aid programming, the 1990 Farm Bill set five specific objectives for P.L. 480:

1. combat world hunger and malnutrition and their causes;
2. promote broad-based, equitable, and sustainable development, including agricultural development;
3. expand international trade;
4. develop and expand export markets for United States agricultural commodities; and
5. foster and encourage the development of private enterprise and democratic participation in developing countries.

All of these objectives were retained in the 2002 Farm Bill and were supplemented by a sixth objective: to prevent conflict.

These objectives represent a major redefinition of the goals for U.S. food aid programming as articulated in the original 1954 P.L. 480 legislation. At that time, emphasis was placed on the benefits to the domestic economy: developing markets for U.S. agricultural commodities; promoting the economic stability of American agriculture and the national welfare; and making “maximum efficient use of surplus agricultural commodities in furtherance of the foreign policy of the United States...”<sup>17</sup> This emphasis has not entirely disappeared. For example, Section 416(b), the authority that facilitates use of surplus agricultural commodities in food aid programs, still exists. But the original objectives have been significantly supplanted by attention to the food security needs of the developing world.

The newest food aid program, the McGovern-Dole International Food for Education and Child Nutrition program (hereafter, McGovern-Dole) shares this focus on food security. The McGovern-Dole program was authorized in 2002 for the specific purposes of improving educational opportunities, child development, and food security for some of the world’s poorest children. Broadly, however, the McGovern-Dole program contributes to the goal articulated for P.L. 480: enhancing food security in the developing world. Managed by USDA, the McGovern-Dole program is implemented by private voluntary and cooperative organizations using project approaches similar to those employed for Title II non-emergency programs.

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<sup>17</sup> Section 2 of the P.L. 480 legislation, found at <http://agriculture.senate.gov/Legislation/Compilations/AgTrade/pl480.pdf>

### ***Consensus on Goals But Not on Approaches***

Discussions at the “Reconsidering Food Aid” Workshop resulted in broad agreement that “reducing hunger and poverty” is, and should be, the dominant goal for U.S. food aid programs. Participants also supported continued use of “enhancing food security” as the primary goal for P.L. 480 programs, especially Title II.

Workshop participants differed, however, on the most effective ways to achieve these goals. Adding further complexity were concerns regarding the efficacy of some of the operational requirements for food aid programs that have been included in legislative language for Title II. Conditions are set for Title II that establish program targets regarding processing, non-emergency tonnages, and total volumes to be provided. Maritime law requires that 75 percent of food aid be shipped on U.S. flag carriers. To many, these requirements define a secondary set of objectives for the U.S. food aid program.

Participants questioned whether the 75 percent blended, processed, and fortified requirement was the best approach for ensuring continued adequate supplies of these products for needy populations. There were also a variety of views about the impact of buy-America and U.S.-flag shipping requirements on program costs and the importance of these provisions for maintaining political support, national security, and funding. For example, the Alliance for Food Aid<sup>18</sup> has proposed that “food aid should be provided for food security reasons and must not be used or categorized as ‘donor market’ expansion’.” Other participants feel that food aid programs are a helpful way of introducing American products to food-insecure countries. Similarly, although GAO recommendations over the years have suggested that granting cargo preference to U.S.-flag vessels for food aid shipments is not achieving the purpose of ensuring U.S. maritime capacity, representatives of the industry at the workshop presented a cogent case for maintaining the operational requirement and improving logistics management performance.<sup>19</sup>

Many participants were concerned that program decisions being made by USAID to meet these operational requirements were not sufficiently transparent and did not adequately consider the need for stability and predictability of non-emergency program funding being programmed in support of long-term food security. USAID’s exercise of its authority to waive compliance with non-emergency funding requirements in order to redirect funding to emergency operations, for example, indicated a priority for one measure of food security—saving lives—at the expense of another measure more commonly associated with developmental food aid programs—saving livelihoods.

A closer look at some food aid policy goals, objectives, and legislative requirements in this section sheds additional light on these unresolved issues.

## ***Achieving Policy Goals and Objectives***

### **Combating World Hunger and Malnutrition and Their Causes**

The first objective listed in the preamble to P.L. 480 is to “combat world hunger and malnutrition and their causes.” There is widespread agreement that food aid is appropriate as an instrument

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<sup>18</sup> The Alliance for Food Aid is an association of 15 private voluntary and nongovernmental organizations that implement international food aid programs. See the Alliance for Food Aid Mission, Principles, and 2006 Resolutions, June 28, 2006, on the Partnership website, [www.africanhunger.org](http://www.africanhunger.org).

<sup>19</sup> See GAO, 1994a and 1994b, and the Shapiro and Boggs workshop presentations on the Partnership website, [www.africanhunger.org](http://www.africanhunger.org).

for fighting world hunger and malnutrition when food shortages are severe and specific populations have little access to needed supplies. For hungry populations in crisis, there are few sights more welcome than the arrival of bags of food. Emergency responses have, in some cases, covered a significant share of immediate food needs, as the following examples illustrate:

- During Somalia's 1992–1993 civil war, food aid contributed about 70 percent of the food consumption of that country.
- When Mozambique was faced with prolonged economic and political difficulties (in the early 1980s through the early 1990s), it relied on food aid to supplement more than one third of its food consumption.
- In Rwanda during 1997 to 1999, food aid contributed more than one third of that country's food consumption.
- From 2000 to 2003, Eritrea relied on food aid for about half of its consumption.
- During 2000–2002, the largest recipients of food aid were North Korea (4.2 million tons), Ethiopia (4 million tons), Bangladesh (1.4 million tons), and Afghanistan (1.1 million tons). In North Korea, food aid contributed about 20 percent of food consumption. In Ethiopia and Bangladesh, food aid's contribution to consumption was less than 10 percent (Shapouri and Rosen, 2004).

Participants also recognized that food aid is one among many tools needed to combat the causes of hunger and malnutrition—and thus prevent the need to provide massive emergency responses. Variations in food production, incomes, markets, prices, weather conditions, public service delivery, and other factors affect individuals' and families' vulnerability to hunger and malnutrition. Populations emerging from a crisis situation are often unable to recover pre-crisis levels of productivity and health for many years as their depleted assets make it difficult for them to cope with “normal” variability.

Over the years, U.S. food aid programs have tried to address some of these causal factors, largely through project, or developmental, food aid. Findings from these programs show positive results and even major successes with targeted populations as well as the difficulties in achieving sustainable improvements in the conditions that give rise to persistent hunger and malnutrition (Bonnard et al, 2002; Riley et al, 2002; Sullivan and Selvester, 2006).

But is the objective as stated too ambitious for the U.S. food aid program, no matter how successful individual projects might be? Between 1994 and 2004, total U.S. food aid accounted for only 4 percent of the food supply in the 70 low-income, food-deficit countries monitored by USDA (Shapouri and Rosen, 2004). And food aid from all donors accounted for less than 5 percent of the resources classified as Official Development Assistance (ODA) by the Organization for Economic Cooperation and Development (OECD) over the period 1990–2005 (Clay et al., 2005).

The U.S. food aid program reaches millions of people each year—with over 133 million beneficiaries of Title II in 2003 alone—the equivalent of nearly half of the population of the United States. Even with this impressive level of effort, however, U.S. food aid programs reach fewer than one out of five people estimated to be hungry today (FAO, 2005).

Further, many implementing organizations find that short-term relief efforts must be accompanied by and followed with development activities and other capacity-building interventions (with food aid as an important component of the resource package) in order to

achieve meaningful and lasting benefits. Ethiopia and Bangladesh, for example, developed food security policies in which food aid plays an ongoing role, either through monetization of commodities or through targeted distribution of food itself. In both cases, however, the food aid contribution is complemented by other sorts of investments and programs. USAID, too, has adopted this principle of linking relief (addressing acute hunger) and development (addressing its causes) in its current strategy (USAID, 2005b).

More—and more widely shared—empirical analysis of the nutritional, economic, and social impacts of the variety of food aid-based approaches used to address the challenges of hunger, malnutrition, and sustainable food security would be useful to develop realistic expectations of the role that food aid can play in reducing global hunger and malnutrition. Such analysis would also guide efforts toward increasingly effective uses of food aid. But several factors hamper this analytical effort: time, the availability of baseline data, the choice of impact measures, the complexity of the assessment process, and practical questions of attribution, for example.

- In rapid-onset emergencies, when it is clear that food is needed to save lives, the delivery of food aid as quickly as possible to affected areas and populations is a logical response. The WFP quickly translates its needs assessment (numbers of people involved, types and costs of commodities, total costs for delivering the food) into an emergency appeal, seeking donations from governments and private contributors. Donors and implementing organizations conduct their own assessments and mobilize accordingly. Outcome is measured in the numbers of people receiving rations in their homes and communities, displaced people supported in refugee camps, and children successfully treated in intensive feeding stations. Success is implied when the difference between projected numbers of people in need and the number actually fed is small. In emergency operations of relatively short duration, these numbers are often used as a proxy for “lives saved.”
- In more protracted emergencies and relief/development operations, more time to conduct analyses is available, but the role of food aid and its impacts are still difficult to assess (Riley et al, 2002). Indicators relating to family incomes, livelihoods and assets are often chosen to measure the impact of safety net or production-oriented food aid programs. Measures of health may also be used. It is not often, however, that food aid projects are of a scale and duration that permits assessment of food aid’s contributions above the community level or of how sustainable the outcomes achieved during the project’s lifetime will be.
- The impact of food aid in combating world hunger should, as some propose, be measured in terms of nutritional outcomes (Webb, 2005b,2006). Food aid programs can be designed to deliver nutrients in ways specifically defined in terms of nutritional need and assessed in terms of their contributions to nutritional health, such as individuals’ physical growth, capacity for work, or ability to learn. Currently, however, apart from supplementary feeding programs in clinics and schools and for HIV/AIDS patients, few food aid programs are so designed, and detailed analysis of their nutritional impacts is limited. Some proxy measures of nutritional impact have been used when vulnerable population groups are targeted, such as reduced stunting in children under 2 years, improved achievement in schools, and decreased incidence of morbidity. But baseline information is often scanty.
- Reducing the food gap at the national level—the difference between the food available from domestic production and commercial imports and the levels needed to provide adequate calories and protein—is another rationale for food aid. Estimating the size of the food gap is relatively straightforward. Food balance sheet methods are used to assess food needs at the national level, project the extent to which shortages are likely to occur, and estimate the

potential for effective provision of food aid. In some cases, food gaps can also be estimated for specific income groups or populations in specific regions. FAO, USDA, and other agencies routinely use such methodologies to monitor the food situation in countries which are generally low-income and food-deficit. There are, of course, questions about the timeliness and accuracy of food gap data (e.g., the availability of roots and tubers is difficult to estimate but can be a large component of consumption), the way that recipient governments respond to the assessments (giving insufficient priority to market development, for example), and the possibility that food aid could have a disincentive effect on production and actually widen the food gap.

### **Promoting Broad-Based, Equitable and Sustainable Development, Including Agricultural Development**

The second P.L. 480 objective—promoting broad-based, equitable, and sustainable development, including agricultural development—reflects the intent that food aid should contribute to self-reliance over time, and specifically defines areas for intervention. This is a critical part of USAID’s Title II policy and the focus of USDA’s Food for Progress program. A large share of the non-emergency projects implemented by PVOs use food aid to address this objective.

Overall, the U.S. food aid community is committed to using food aid for development purposes. At times, implementing organizations use food to complement funds available from development assistance budgets; at other times, the project food aid is sold to generate funding for development efforts or to add complementary inputs to programs where food is distributed, a process known as monetization.<sup>20</sup> The food aid resource fills the national food gap, while the program funding with the revenues addresses the challenges of agriculture, health, private enterprise development and democratic participation. In some cases, the monetization process itself is structured to expand agricultural market capacity or to develop food-processing capabilities in the recipient country. The food aid may be auctioned in isolated and particularly food-deficit regions, for example, or bidder eligibility may be limited to small traders who do not have the capacity to import on their own. Processors in some cases are able to pay for the raw commodity with processed product, thereby easing their financial constraints.

Some PVOs have found that both the McGovern-Dole Food for Education and the Food for Progress programs are effective in facilitating the development of local industries. Land O’Lakes, for example, bartered commodities donated under McGovern-Dole to local processors in return for products with nutritional qualities needed for a school nutrition program. In this way, they expanded local processing capacity, supported nutrition supplementation for children, and created an incentive for school attendance (especially for girls). In cases where food aid-supported school feeding programs have closed down, a significant percentage have reportedly been able to continue operating with local resources.

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<sup>20</sup> Monetization as a tool is discussed further below.

Food aid's impact in generating the kind of broader development outcomes implicit in PL 480's second objective is not always clear, in part because of the difficulties of empirically measuring how individual program outcomes affect the broader policy goal of sustainable development. Many anecdotal or project-specific evaluations (examples of which are presented below) have attempted to evaluate these uses of food aid and point to both positive and negative outcomes.<sup>21</sup>

- Monetization of food aid to generate resources to support cooperative development is reported to contribute to the development of a rural voice and more democratic communities.
- Projects that use a combination of in-kind food aid and monetized resources to introduce agricultural technologies, support small agribusinesses, or construct productive infrastructure often show positive results, but sustainability appears to be dependent on a number of factors.
- Monetization has contributed to increases in farmer incomes, greater ability to survive or thrive even during droughts, and improved food consumption of family members in many projects.
- Food for education—in the form of school meals or take-home rations as a reward for attendance—is reported to improve both the enrollment and attendance of children in school by overcoming financial, social, and other barriers to education because it serves as a family income supplement that can help offset the loss of the child's labor.

The impact of food aid in promoting sustainable development beyond the targeted populations is particularly difficult to assess, however, because the amount of the food aid available generally is small compared to the investment needs for development and the projects are often not part of larger policy or sector programs which could foster replication of positive results. Under the Food for Progress Act of 1985, for example, U.S. agriculture commodities are provided to developing countries and emerging democracies committed to introducing and expanding free enterprise in the agricultural sector. Commodities currently are provided on a donation basis to foreign governments, PVOs, non-profit organizations, cooperatives, or intergovernmental organizations. In FY 05, commodities worth about \$150 million were provided through Food for Progress to 15 countries. This represented less than 9 percent of all U.S. development assistance to those countries.

Yet programming food aid to promote community development and/or the sustainable development of very poor families closely links food aid to the legislation's goal. Paying workers with food aid is time-tested and can be a successful way to build community assets. As a key component of social safety nets, food aid is increasingly focused on helping to save livelihoods for relatively large numbers of people.<sup>22</sup> Many workshop participants strongly believe that providing food aid to very poor and food-insecure families before they become impoverished by crisis can enable them to protect their productive assets even when times are difficult and/or can

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<sup>21</sup> See, for example, Bonnard, et al., (2002), the Riley, et al., (2002) evaluation of Ethiopian programs, McMillen, et al., (2006), work from the International Food Policy Research Institute, such as the book from Samuel Morley and David Coady (2003), and a discussion paper by Abdulai, et al., (2004) on "Food Aid for Market Development in Sub-Saharan Africa." GAO's many assessments have included analyses of the effectiveness of project food aid.

<sup>22</sup> In Ethiopia, for example, a multi-donor effort to support the provision of multi-year assistance to chronically poor households involves almost 10 percent of the population of nearly 80 million. There is a wide literature on safety nets that demonstrates the utility of extended support for poor households. See, for example, Rogers (2002) and del Ninno (2005).



help them to acquire the additional sources of income that will start them on a pathway out of poverty and hunger.

### **Expanding International Trade and Developing Markets for U.S. Products**

P.L. 480 includes objectives related to the development of commercial export markets for U.S. products as well as expansion of international trade. These are most relevant to Title I but may also come into play with food aid monetization. To the extent that U.S. commodities are made more competitive with those from other suppliers by the favorable payment terms associated with Title I, it seems that, in theory, export market and trade expansion are achieved in the short term.

A few cases have suggested how specific markets can be opened through food aid. Experience from the Mozambique food aid program reported at the 2006 USDA/USAID International Food Aid Conference, for example, indicated that the availability of food aid wheat combined with technical assistance from the U.S. wheat industry helped to familiarize users with the U.S. product and has developed a sustainable commercial market. Presumably, however, this commercial market will be open to other wheat exporters as well.

More generally, however, analyses do not confirm that food aid has expanded international trade and export markets for U.S. agricultural commodities on a sustainable basis (Barrett, 2006b; Lowder, 2004). Further, criticism of the practice of linking food aid to commercial market development during international trade negotiations in recent years has led the United States and other countries to de-emphasize this use of food aid. The Bush Administration has requested no funding for Title I in its FY 07 budget although the rationale for the zero level was not included in the budget presentation (USDA/FAS, 2006).

### **Promoting Democratic Participation and Preventing Conflict**

The objective of promoting democracy as a program priority was introduced with the passage of Food for Progress legislation and was specifically accorded to the “emerging democracies” among developing nations. The objective of using food aid to prevent conflict was introduced in the 2002 legislation. It is not clear whether this objective encompasses the use of food aid to foster post-conflict recovery with the notion of reducing the probabilities of re-igniting conflict once peace has been established, but the literature on conflict and hunger would indicate a role for such assistance (Messer and Cohen, 2006).

No indicators to track the impact of food aid programming on the achievement of these objectives have, however, been developed, so it is difficult to assess performance. Proxy indicators regarding institutional capacity-building are somewhat related as are the cooperative development and private sector strengthening efforts associated with some Title II developmental projects and the Farmer-to-Farmer programs specified in Title V of P.L. 480. Frequently used food aid programming approaches reflect the promotion of democratic institutions:

1. involvement of local governments and community institutions in the selection of families and individuals for receipt of food aid;
2. use of food-for-work to support construction and management of community infrastructure; and
3. programming of food aid (or monetization proceeds) to support community schools and health care services and empower women’s and producers’ groups in various ways.

USAID is now accepting “capacity building” as an objective for Title II non-emergency projects, so more information may be available in the future regarding the effectiveness of food aid in reaching these objectives.

Measuring the impact of food aid on preventing conflict is likely to remain problematic as so many factors contribute to the risk of civil conflict (Collier et al, 2003 and 2006). There is little doubt that active conflict often has a devastating impact on peoples’ nutritional and income status. Farmers are kept away from their fields and production declines. Families may be relocated in camps or safer areas where their chance to earn an income is limited and food aid becomes their principal source of sustenance. There is evidence that people in some post-conflict situations improve their food consumption quite quickly.<sup>23</sup> In some cases, food aid has been critical in resettling and stabilizing families and groups affected by conflicts and, arguably, has helped to reduce chances of persistent conflict.

Issues that need to be considered in programming food aid toward this goal include:

1. the potential for allocating sufficient resources for such prevention purposes within the regular Title II program;
2. whether the food aid resource could be integrated adequately with other conflict prevention resources; and
3. whether it would be possible to measure success or failure and thus judge performance against this goal.

### ***Multiple Statutory Requirements: Title II, Cargo Preference***

While the goals and objectives articulated in the 2002 Farm Bill provide clear policy guidance for the design and implementation of food aid programs, other statutory requirements are provided to ensure that food aid is used in certain ways to achieve operational objectives.

Currently, five requirements affect the programming of Title II (Box 1), and Section 901 of the Merchant Marine Act of 1936, as amended, requires that 75 percent of food aid cargos be shipped on vessels flagged by the United States.

Title II requirements may conflict with each other. To meet the subminimum tonnage requirements, for example, it would be least expensive to buy bulk grains for the non-emergency portfolio, but doing so means that the value-added requirement is likely to be missed. Striving to meet the 75 percent value-added requirement within a limited budget ensures that the subminimum tonnage goal will not be met. Further, implementing organizations often find that bulk rather than processed commodities are more appropriate for monetization.

USAID has the authority to waive the Title II requirements when they cannot be met. Generally, the minimum tonnage requirement has been met over the last decade, but the subminimum tonnage requirement has been routinely waived. Both Congress and implementing organizations have questioned whether such waivers have been justified, especially when the result has been a progressive decline in non-emergency allocations. USAID has also been criticized for violating procedures for processing waivers by seeking them too early in the fiscal year. The Administration has been faulted more generally for seeking insufficient funds to cover

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<sup>23</sup> Ellen Messer, Marc Cohen, and Jashinta D’Costa have contributed important analyses of conflict and hunger. A paper entitled “Armed Conflict and Hunger” on the Hunger Notes web site ([www.worldhunger.org/articles/fall2000](http://www.worldhunger.org/articles/fall2000)) discusses the issues from a variety of perspectives.

emergency needs and for replenishing the Bill Emerson Humanitarian Trust. While additional supplemental funding has been sought for emergency purposes in recent years, most implementing organizations feel that funding for developmental food aid projects has not been as sufficient, stable, or predictable as it should be.

## **Title II Operational Requirements**

### ***Statutory Requirements for Title II Programming (as of 2002)***

**Minimum Tonnage:** Title II resources must be used to buy *at least 2.5 million metric tons (MT)* of food each year. This requirement generally is met provided that the appropriation level does not drop dramatically.

**Subminimum Tonnage:** Of the food purchased for Title II programming, *1.875 million MT must be used for non-emergency programs* unless the Administrator of USAID waives the requirement. This requirement has not been met since 1995. It has been waived annually so that additional Title II resources may be used for emergency programming.

**Monetization:** *At least 15 percent of the non-emergency portfolio* should be monetized. This requirement generally is exceeded. In recent years, approximately 50 percent of the non-emergency tonnage has been monetized.

**Bagged in the United States:** *Fifty percent of the grain purchased for the Title II non-emergency portfolio* must be bagged in the United States; this requirement is met in most years.

**Value Added:** *Not less than 75 percent of non-emergency commodities* should be processed, fortified, or bagged in the United States. This requirement is rarely met. Value-added commodities make up a large percentage of the total Title II portfolio, but bulk grains are less costly and still constitute a major part of food aid shipments.

The utility of continuing a set of requirements that are impossible to meet at current appropriation levels and that, therefore, do not result in the achievement of the objectives implicit in them, merit re-examination. One starting point might be to consider what costs and benefits they involve for USAID implementing organizations or cooperating sponsors, and the effectiveness of the programs in recipient countries. Other questions can be explored to better understand whether the intent of these requirements is still appropriate and what alternatives might be warranted, such as:

- Are these requirements appropriately aligned with the goals and objectives of the Title II food aid program?
- Does the minimum tonnage provide an adequate floor for the U.S. commitment to global food aid—emergency and non-emergency—each year?
- Is there a better way to ensure that the availability of food aid for non-emergency, multi-year programs is stable and predictable from year to year?
- If the value-added and packaging requirements are useful, particularly to ensure that nutrient-dense products are regularly available as food aid, is there a way to secure adequate funding?

## Cargo Preference

According to current law, 75 percent of food aid must be shipped on U.S.-flag vessels so long as the vessels are available at fair and reasonable rates.<sup>24</sup> The responsibility for oversight and regulation of these cargo preference requirements is vested by law in the Maritime Administration (MARAD) of the Department of Transportation.<sup>25</sup> Vessels flagged in the U.S. must employ U.S. crews and operate under rules that generally result in higher costs for ocean transportation of food aid. In 2005, for example, the average ocean freight cost per ton of food aid was \$47 higher on U.S.-flag vessels as it was on foreign-flag vessels (MARAD, 2006). It is these higher costs that have made cargo preference a major issue of contention within the food aid community. To many workshop participants, it was evident that more food aid could be provided for a given budget appropriation if the higher costs of shipping associated with cargo preference were eliminated.

The cargo preference requirements reflect the self-interest of the United States in creating jobs and the other benefits that come with spending in the United States. Cargo preference is also intended to support the goal of ensuring the sustained availability of U.S.-flag shipping capacity (skilled marines, vessels, intermodal logistics and management capacities) to meet national security needs.<sup>26</sup> For these reasons, maritime interests have played an active role in the food aid appropriations process.

Congress has taken steps to ameliorate or even remove the cost premium associated with cargo preference. As part of the 1985 legislation, two provisions, both financed by permanent, off-budget borrowing authority for the Secretary of Transportation, were enacted. The first—referred to as the ocean freight differential (OFD)—requires that any increased ocean freight charges resulting from the rise from 50 to 75 percent of food aid cargoes subject to cargo preference be financed by the Department of Transportation. The second requires the Secretary of Transportation to reimburse USDA and CCC when total actual costs for shipping food aid and the OFD added together exceed 20 percent of the costs of the food aid commodities shipped (including the ocean freight and OFD). This is referred to as the “excess 20 percent” reimbursement. To extend this coverage to Titles II and III, USAID entered into an interagency Memorandum of Understanding with CCC and MARAD in 1987.

For many years, the reimbursement process was subject to delays. New procedures now provide for more timely reimbursement—approximately 1 month for OFD and 10 to 11 months for the “excess 20 percent.” According to MARAD, since FY 2000 USDA/CCC and USAID have been fully reimbursed for OFD or actual cargo preference costs. This is a practice that MARAD expects to continue for the foreseeable future. While the cost of cargo preference is still an expense for the U.S. Government, many workshop attendees now believe that the reimbursement procedures lessen the potential impact of cargo preference on the volumes of food aid that can be procured with the food aid appropriations. They also believe that the base of federal cargo to which food aid contributes provides a positive incentive for vessel owners to flag their vessels in the U.S. and employ U.S. crews.

Recent data, however, indicate that world shipping rates are rising, driven by growth in demand generated in substantial measure by the expanding Chinese and Indian economies.

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<sup>24</sup> The food aid cargo preference requirement is the product of two laws, the first enacted in 1954 when the P.L. 480 program was established, at which time 50 percent of food aid was to be shipped on U.S. flag vessels, and an update enacted in 1985, which raised the level to 75 percent. Both were incorporated into the Merchant Marine Act of 1936, as amended.

<sup>25</sup> Section 901(b) (2) of the Merchant Marine Act of 1936, as amended (46 App. U.S.C. 1241(b) (2)).

<sup>26</sup> The Maritime Security Program, established by the Maritime Security Act of 1996, also supports the U.S.-flag fleet for defense-related purposes.

Foreign-flag rates have increased to reflect these rising rates. According to MARAD, foreign flag vessels have demonstrated less interest in competing for U.S. government shipments. Between March 2004 and January 2005, 38 percent of Title II parcels had no foreign-flag bids.

An emerging concern for food aid managers, therefore, is the decreasing competition for food aid cargoes and greater dependence on a smaller number of U.S.-flag vessels to deliver food aid where it is needed. This could result not only in even higher rates for U.S.-flag shipments but also in a lower quality of performance (service to specific ports, timely deliveries, good cargo management, etc.). Recent reports of spoilage of corn-soya-blend, for example, drew attention to the importance of attention to quality control systems and management of commodities in transit and storage.

U.S.-flag carriers see a number of possible opportunities for action that could reduce the costs of cargo preference for food aid as well as other potentially negative impacts that cargo preference rules have on the efficient delivery of food aid. The Government Accountability Office's ongoing analysis of the logistics and supply management systems used for food aid is likely to supplement these suggestions with other, specific recommendations.

Ideas which merit further research and consideration include:

- Streamlining government procedures for commodity procurement and transportation contracting, such as reducing or making more flexible shipping windows and expanding food aid pre-position locations and reserves overseas as well as in the United States, to improve efficiency as well as delivery times.
- Using modern, commercial supply logistics management practices to achieve cost-reduction goals such as greatly reduced demurrage costs.
- Avoiding "bunching" of food aid purchases and shipments in the second half of the fiscal year to provide more predictable shipping schedules for regular recipients of food aid and distributing shipments more evenly over the fiscal year to achieve economies of scale and delivery time.
- Implementing updated information technology capabilities and administrative improvements for submitting and coordinating documentation for prompt reimbursement among the three agencies (USDA, USAID, MARAD).
- Revising payment rules for food aid ocean carriers, conforming to practices in the commercial shipping world (i.e., when cargo is on board) and to U.S. Government practices for aviation transport.
- Establishing a public-private working group for coordination and discussion of actions to increase the efficiency, responsiveness and timeliness of food aid delivery, particularly to address non-budgetary impacts of cargo preference.

### **Great Lakes Ports Preference**

No U.S.-flag vessels capable of delivering food aid call at ports on the Great Lakes. In order to preserve involvement of these ports in the food aid shipping business, therefore, requirements were included in section 17 of the Maritime Security Act of 1996 to allocate up to 25 percent of the total tonnage of bagged cargo each month to Great Lakes ports (GAO, 2004:24). This creates jobs at specific ports and favors the shipment of food aid in liners rather than in bulk vessels. It

also adds costs to food aid shipments as they must be shipped by truck or railroad to a Great Lakes port, handled in that port, and generally, using inter-modal transport mechanisms, shipped overseas out of ports in Texas and Louisiana. As with other operational requirements, the impact of this preference program may merit reconsideration.

### **Going Forward: Revisiting the Goals, Objectives, and Requirements for Food Aid**

The 2007 Farm Bill presents an opportunity for greater legislative clarity regarding the goals, objectives, and requirements for U.S. food aid programs. It also provides an opportunity to review how well the amendments enacted in the 2002 Farm Bill have been implemented, including streamlining administrative procedures and providing additional resources for developmental food aid programs through Title II, Food for Progress, and the new McGovern-Dole International Food for Education and Child Nutrition program.

During the reauthorization process, legislators might also consider modifications that have been introduced by the Administration since 2002, as several have implications for the goals, objectives, and requirements for food aid going forward. The Administration has pursued a course of action that would eliminate Title I and Title III and has restricted the availability of Section 416(b) commodities. The balance of Title II allocations has been shifted toward emergency food needs (albeit with repeated supplemental appropriations requests), and developmental programs in some countries have been phased out. In addition, all operational requirements have not been met consistently.

The Senate Agriculture, Nutrition, and Forestry Committee requested the GAO to “conduct an analysis on how to improve the efficiency and effectiveness of delivery of food aid within existing statutory authority under the Committee’s jurisdiction” by June 2007. This analysis will assist the Committee as it reviews food aid programs as part of the Farm Bill reauthorization process. It will provide background information on some of the issues raised here regarding the goals, objectives, and requirements of U.S. food aid programs, including:

- The resources needed to achieve existing statutory goals, objectives, and requirements compared to the levels that have actually been made available;
- Whether additional resources might better support impact assessments, evaluations, broader or more timely dissemination of information, or fund complementary activities to achieve greater impact;
- Whether focusing of developmental food aid resources in fewer countries results in greater, more measurable impact on reducing hunger and poverty and improving food security;
- The impact of food aid (and, specifically, the reduction of program food aid) on trade and market development objectives; and
- Options for more effectively realizing the specific intentions embodied in the operating requirements.

The difficulties of measuring impact and identifying the specific contributions of food aid programs in the achievement of that impact are well recognized. Although progress has been made in identifying appropriate indicators of efficiency and effectiveness, more needs to be done. Priority given to the development of more complete and transparent databases would facilitate widely shared analyses, providing the evidence of effectiveness and impact that could inform future U.S. program goals and objectives.

## IV

# The Food Aid “Toolkit”

Food aid can be an effective tool to respond to hunger and poverty in general, but all practitioners agree that every case is different; a “one size” program design does not fit all, as the following illustrate:

- The rapid transfer of a nutritionally balanced ration of commodities is essential in situations where vulnerable and hungry populations have been displaced by conflict or sudden disasters. The nutritional needs of the weakest and neediest (often mothers and children) require special attention. Water, shelter, or clothing might be combined with food in such an emergency response.
- In other situations, hungry populations lack the income resources to access adequate food supplies, even when they are available in the country. Meeting their needs requires attention to future income-earning capacity as well as to the delivery of short-term assistance.
- In still other environments, repeated droughts, chronic disease and lack of infrastructure or services reduce the coping capacities of families, and several years of food aid support might be needed as part of a package of assistance to help them regain their livelihoods.

Is the current food aid toolkit sufficiently well stocked and flexible enough to address all of these situations effectively and efficiently? Most participants in the workshop agreed that current methods work, but improvements—perhaps new tools or simply new features for old tools—are constantly being explored by implementing organizations. Current and potential capabilities of this toolkit derive from:

- Different approaches to sourcing commodities, including procurement in the U.S. market, tapping the Bill Emerson Humanitarian Trust, local or regional procurement, and food aid swaps or twinning;
- Monetization of food aid to support development activities;
- The availability of a diversified commodity mix;
- The use of insurance and other risk management strategies;
- The organizational capability of implementing organizations to link food aid resources with other resources (and remain accountable for food aid); and
- Additional sources of funding for particular programs.

Changes in a number of areas have been suggested to improve the efficacy of the current food aid toolkit:

- Refinement of systems and regulations for procurement, shipping, and commodity management;
- Redefinition, administration, and replenishment of the Bill Emerson Humanitarian Trust;

- Authorization of the use of the local/regional purchase option;
- Expansion of the ability of implementing organizations to substitute cash resources for monetization in some circumstances;
- Development of new processed foods and processing of donated commodities in recipient countries, as well as refinement of analytical tools to better match food aid commodity availability to nutrient needs;
- More testing of market-led mechanisms to improve commodity risk management;
- Improving the stability and predictability of food aid resources to support organizational capacity development, and multi-year developmental food aid programs that address the causes of hunger and poverty; and
- Complementary support for food security programs from other funding sources.

## *Different Approaches to Sourcing Commodities*

### *Open-Market Procurement in the United States*

The purchase of food in the United States for distribution or sale in recipient countries is the most basic tool in the current U.S. food aid toolbox.<sup>27</sup> Historically, much of the U.S. supply of food aid derived from government-owned commodity inventories. However, since the 1970s, most U.S. food aid is procured in spot markets in the United States and shipped to recipient countries.<sup>28</sup>

USDA and USAID coordinate the overall process, with USDA’s Farm Service Agency carrying out commodity procurement for all programs except Title I and overseeing shipping for Title I, Food for Progress, Section 416, and the McGovern–Dole International Food for Education and Child Nutrition Program. Implementing organizations<sup>29</sup> whose programs have been approved develop schedules for commodity deliveries, and the commodities are ordered (or “called forward”) to meet these schedules. The implementing organizations arrange for the shipment and receipt of commodities in the recipient country and internal shipping and handling (ITSH). Depending on the terms of their agreement with USDA or USAID, the implementing organizations either distribute or monetize the commodities.

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<sup>27</sup> This is referred to as an “in-kind” program. Purchase of food in the U.S. for sale in recipient countries, rather than being directly distributed to consumers, also is considered by many to be “in-kind” assistance, but the conversion of the food into cash that is used for other purposes (called “monetization” and discussed below in paras. 4.45 ff.) makes this definition ambiguous.

<sup>28</sup> In 1998, U.S. commodity prices were very low. The Clinton Administration used CCC Charter Act authority to purchase commodities for donation overseas under Section 416. In FY 2003, the Bush Administration announced that it would no longer use this authority to purchase commodities for donation abroad. CCC now accumulates only nonfat dry milk under normal price support mechanisms.

<sup>29</sup> “Implementing organizations” is used here to refer to the private voluntary organizations, nongovernmental organizations, and cooperative organizations that design and implement programs in developing countries, as well as the World Food Program, an international organization within the United Nations family that receives funds from many donor countries. U.S. PVOs, NGOs, and cooperative organizations that manage programs with USAID or USDA funding also are referred to collectively as “cooperating sponsors.”



The kinds of commodities ordered and the mode of distribution in the recipient country (direct distribution to targeted beneficiaries or through markets) are determined by the implementing organizations and vary with program objective, availability, and cost. The value of commodities delivered in-kind to needy populations can be calculated in nutrient value (calories, protein, micronutrients) as “income” for the recipients, in terms of the local market price for similar commodities, and in terms of the actual costs incurred (purchase of the commodity, ocean freight, internal shipping and handling, and other program management costs).

*Advantages* associated with the current “buy U.S.” commodity-based system include:

- the symbolic value of the food as a tangible response to international hunger by the American public;
- Congressional support from members from agricultural districts who have leadership positions in agricultural and appropriations committees;
- the availability of blended and processed food products to meet particular nutritional needs as well as commodities that are in short supply in recipient countries;
- the capability of American markets to provide a reliable supply of quality commodities; and
- the additional market outlet afforded to U.S. producers.

The initial communiqué of the Doha Development Round ministerial negotiations of the World Trade Organization (WTO) held in Hong Kong in December 2005 suggested that the U.S. approach—providing nearly all food aid in the form of commodities purchased in the United States—would need to meet a test of “no commercial displacement.”

*On food aid, we reconfirm our commitment to maintain an adequate level and to take into account the interests of food aid recipient countries. To this end, a “safe box” for bona fide food aid will be provided to ensure that there is no unintended impediment to dealing with emergency situations. Beyond that, we will ensure elimination of commercial displacement. To this end, we will agree effective disciplines on in-kind food aid, monetization and re-exports so that there can be no loop-hole for continuing export subsidization (WTO, 2005).*

Between the issuance of that communiqué and July 2006, when the Doha Round was suspended, many views on how food aid should be managed (or disciplined) were aired. A group of African countries issued a statement strongly endorsing the importance of continued emergency aid but were more equivocal on monetization and silent on the issue of procurement in donor countries (WTO, 2006c). The EU proposed to the Special Session on Agriculture that food aid should include only cash-based food aid (i.e., not required to be procured from the donor country). The United States opposed this proposal, stating its position in Section III of the June 12, 2006 “Comments on Food Aid”:

*Proposals to limit or eliminate in-kind food aid are extreme...complete reliance on cash food aid will decrease food aid flows and hence decrease food security. As an example, the WFP Interfais database indicates that overall EU food aid in cash and in-kind declined after the Commission and member States moved to “cash only” food aid in 1996. According to the OECD, the EU normally provided 2 to 5 million tons of cereal food aid annually between 1970 and 1996. EU food aid rarely exceeded 2 million tons after 1996 and, in 2002, EU food aid was approximately 1 million tons. (WTO, 2006e)”.*

The discussion is likely to continue in other venues. The OECD, for example, has proposed an assessment of “flexible sourcing of food aid” to follow up on earlier work regarding the “developmental effectiveness of food aid and the effects of its tying status” (OECD, 2006; Clay et al, 2005).

According to these studies and other data, there are several potential *disadvantages* associated with the current U.S. procurement system, including:

- the high cost per unit of food aid delivered, when transport and handling from U.S. production zones to remote areas in developing countries are included;
- the unpredictability of tonnages that will be available as food aid, as purchase costs rise and fall with U.S. supply conditions;
- given the small size of the food aid market for American producers and processors, the relatively limited number of private firms actually producing and/or handling some of the products eligible for distribution as food aid;
- the difficulties in providing culturally acceptable, full and nutritionally adequate rations with the commodities available in the U.S. market and eligible for food aid;
- slow response times, especially in emergencies, due to the length of time that elapses between the advertisement for commodity bids and receipt at point of distribution;
- the transaction costs incurred in managing the food aid supply logistics systems;
- policy controversies regarding the inclusion of genetically modified (or “biotech”) commodities in the food aid basket; and
- the potential for disruption of local and regional markets for the same or competitive commodities.

Several mechanisms have been developed to overcome some of the disadvantages that in-kind commodity programming involves. Among them:

- The Bellmon Amendment of 1985 requires that analyses be done prior to the ordering of commodities to avoid interference with local production and marketing and to ensure there is adequate storage available in the recipient country. Analyses also consider secondary market impacts on local markets, e.g., the effects of recipients consuming food aid resources rather than purchasing in the local market or of recipients selling part of their rations.
- The Food Aid Convention provided a clear framework for food aid (objectives, terms and conditions, coordination) as well as some predictability in global availability based on donors’ minimum tonnage pledges. The last formal agreement was concluded in 1999 and may need updating (Trans-Atlantic NGO Food Aid Policy Dialogue, 2006b).
- The FAO’s Consultative Sub-Committee on Surplus Disposal (CSSD) was to provide oversight on market impacts and reduce the potential for food aid to disrupt commercial trade (Konandreas, 2005).

- Processed commodities and commodities with high protein values increasingly have been added to the list of food aid-eligible commodities in an effort to improve nutritional adequacy.
- Other donors have facilitated processing of biotech grains from the United States to reduce recipient countries' concerns that farmers might plant them as crops and introduce unwanted genetic characteristics into local crops.
- Efforts to substitute other commodities that are non-genetically modified have been successful (e.g., sorghum instead of corn) in cases where the substitute commodity is locally acceptable.

USAID and USDA have made several more recent innovations in procurement and management systems to address other disadvantages:

- Pre-positioning of grain stocks at two sites (Lake Charles, LA, and Port El Rashid in Dubai) cuts response time.
- Development of an internet-based, one-step bidding system, now in beta testing by USDA, will cut time from tender to contract.
- Swapping of commodities within the international food aid system increases the availability of culturally and politically acceptable foods in certain countries.

Not all of the mechanisms introduced have worked as well as intended, as the following examples illustrate:

- The Bellmon amendment requires that implementing organizations provide an annual two-fold certification that (a) they have adequate storage and transport infrastructure to ensure that food will not spoil before reaching beneficiaries and (b) their program will “do no harm” or not cause disincentives to local markets. While there is the possibility of conflict of interest, analysis done by the implementing organizations (cooperating sponsors) is subject to approval by USDA or USAID. Still, in some cases, local market participants (e.g., the Ugandan Grain Trading Association) question whether it is a genuine exercise.
- The Food Aid Convention has regularly resulted in donor commitments to provide food aid volumes. While reporting procedures are included, there is no mechanism to ensure that donors meet commitments that are below needs as well as actual levels provided (Barrett and Maxwell, 2004). Parallel discussions on food aid disciplines introduced into the agricultural negotiations of the WTO in 2005 raised questions regarding continued coordination through the Convention mechanism. The Trans-Atlantic NGO Food Aid Policy Dialogue, a grouping of international nongovernmental organizations that have been long engaged in food aid programs, now recommends that the formation of a new organization, including both recipients and donors, would be more effective (2006a).
- The Consultative Sub-Committee on Surplus Disposal does not have an effective method for reporting and monitoring food aid levels compared to needs in recipient countries. Voluntary reporting of food aid transactions covers very little of the actual flows. Several have recommended replacing it with a Subcommittee on Food Aid Transactions. An April 2005 meeting of the CSSD, however, apparently resulted in the decision to postpone restructuring until the Doha Round outcomes were clearer.

- While the processed commodities with higher nutritional values have been well accepted, issues of suitability for long-term use (as in child survival and school feeding programs) have arisen.
- The nutritional qualities of individual food aid commodities and of “baskets” of commodities used in programs have drawn increased attention. There are issues associated with the addition of micronutrients, their stability during cooking and preparations, and bioavailability. There have also been suggestions about examining the effects of cooking and preparation on commodities in terms of cooking times, availability of fuel, and loss of labile micronutrients. Some food aid product specifications are outdated, and upgrades are needed to improve systems for quality oversight and problem response.
- Although USAID’s selection of the pre-positioning sites has reportedly improved the timeliness of deliveries, the container shipping community has proposed expansion to other sites, as neither of the selected sites has the capability for direct loading of container vessels and additional inter-modal shipment costs are incurred.
- While short-term fixes have been found to address recipients’ policies on import of biotech grain in the form of food aid, other technical assistance has not been sufficient to enable countries to put into place appropriate policies that adequately address their concerns.

#### **Going Forward: A “Buy U.S.” Commodity-Based Food Aid Program**

For many reasons, the U.S. is committed to the provision of in-kind food aid procured in the U.S. market. There are opportunities in a number of forums involving both donor and recipient countries (e.g., the OECD, Food Aid Convention, and World Food Program Governing Council) for the U.S. to address sourcing issues as well as to raise its concerns with the risks of alternative procurement strategies.

The importance of these issues supports placing them on the agenda for the Farm Bill discussions.

Moreover, several other proposals have been made for improvements in the way the current system operates and could be considered apart from the legislative framework:

- Independent Bellmon certifications should be promoted. These would require separate funding for the necessary trade analyses. USAID/Ethiopia has already commissioned independent Bellmon analyses and certification; implementing organizations in Rwanda have collaboratively contracted with an independent organization to conduct a common analysis. Their experiences should be reviewed for possible replication. Posting of part or all of the Bellmon analyses on public websites might also provide additional transparency.
- The carrier community advocates greater use of modern supply logistics management techniques, including the use of forward contracting for both commodities and shipping rather than spot market procurement, as a way of reducing costs for non-emergency shipments while maintaining the emphasis on procuring in the U.S. and using U.S.-flag vessels. Further exploration of the feasibility of such approaches is warranted.
- Greater consultation among the various parties involved in the food aid supply chain could foster greater innovation for efficiencies and effectiveness. At the same time, care must be taken to realize the benefits of competition.

- Further improvements in the procurement system could be made, such as upgrades in the bidding/contracting system used by USDA, to speed contracting and increase transparency, improve tracking of and timely response to problem cases, and increase funding to continue work on the development of improved product quality control systems and options for new formulations.
- Better NGO coordination on actions in a given country, such as agreeing on a single organization to provide food aid warehousing or monetization services, can facilitate more collective actions and reduce costs associated with commodity shipping and handling.

### ***The Bill Emerson Humanitarian Trust***

The Bill Emerson Humanitarian Trust (BEHT) is a grain reserve intended for humanitarian use in the event of unanticipated global food emergencies or when U.S. markets for food aid commodities are tight.

In 1980, Title III of the Agricultural Act established a Food Security Wheat Reserve for the purpose of meeting humanitarian food needs in developing countries. The Commodity Credit Corporation (CCC) of the USDA was authorized to assign up to four million metric tons (MT) of wheat from the CCC inventory to this Reserve. Up to 300,000 MT could be used in any fiscal year for emergency needs. Stocks used were required to be replenished within 18 months.

In 1996, the name of the Food Security Wheat Reserve was changed to the Food Security Commodity Reserve, and the list of commodities eligible for holding in the reserve was broadened to include rice, corn, and grain sorghum as well as wheat. The allowable level of annual withdrawals was increased to a million MT (500,000 MT from the current fiscal year and up to 500,000 MT from amounts unused in the prior year).

In 1998, the Reserve was renamed the Bill Emerson Humanitarian Trust (BEHT) for the late Missouri Congressman and release authority was redesignated from the President to the Secretary of Agriculture. In 2002, authority for the BEHT was extended through 2007. Six releases, totaling 1.875 million MT, were made for reasons of “unanticipated need” between 2002 and 2006. These withdrawals contributed to U.S. food aid deliveries to southern Africa, the Horn of Africa, and Iraq. In the view of USAID, the additional resources of the BEHT were essential in saving lives.

The level of grain held in the BEHT (915,349 MT of wheat) in January 2006 was well below the 4 millions tons authorized and would not, if need arose, cover the amount authorized for withdrawal in a single year. No commodities other than certain classes of wheat are in storage; additional costs are incurred when reserve stocks need to be exchanged for commodities deemed to be more appropriate for a particular use. Reimbursements from P.L. 480 funds have been insufficient to maintain authorized levels, in part because of caps established regarding the amount that can be retained for the Trust in a given year. There is no other systematic process for replenishment, and *ad hoc* appropriations have been insufficient to reconstitute the reserve stocks at authorized levels. As of January 2006, \$107 million was held by the CCC as a cash reserve as a result of P.L. 480 repayments and a \$69 million contribution from an Iraq-focused supplemental appropriation (USDA, 2006).

The need to reauthorize the Bill Emerson Humanitarian Trust in 2007 provides an opportunity for reconsidering its role and function as an effective supply safeguard for emergency

food aid needs. Experience suggests that three clusters of issues merit attention: the definition of the BEHT, its administration, and the replenishment and reimbursement processes.

### **Definition of the BEHT**

While the BEHT is now broadly defined as a grain reserve, in practice it continues to serve as a wheat reserve. Recently, cash reserves have been established which could be used to procure other eligible grains. It is also possible to swap the wheat being held in reserve storage, either for other classes of wheat or for other commodities. However, swapping, such as exchanging hard red winter wheat for soft white, or trading the grain from one elevator for grain in another more conveniently located for export, incurs transactions costs that diminish the ease of tapping into the BEHT. As a result, if there is an emergency in a primarily corn-eating region, for example, there is strong pressure to either not use the BEHT grain or to identify another emergency food aid program where wheat of the kind in store is acceptable (thereby freeing up other Title II resources to respond to the corn-eating beneficiaries).

These complex machinations can slow response time to emergencies, complicate programming and logistics, and increase costs. The unpopularity of selling wheat to buy other cereals or processed commodities is not expected to end in the near future. Further, the trust wheat that is in the reserve is often in the wrong port or is the wrong type for the destination. In this case, wheat has to be sold or exchanged for other U.S. wheat that meets the required specifications. This requires additional time and raises transaction costs. Holding the reserve in a variety of commodities or greater amounts of cash would ensure more timely delivery of emergency rations.

Questions that might be asked when deciding this issue include:

- What level and type of commodities should be held in the BEHT?
- How many tons would ensure timely and effective response in the case of unanticipated need or limited domestic supplies, the two currently authorized release triggers?
- Should the goal be to hold the maximum allowed tonnage in the reserve at all times, regardless of cost, or the maximum amount that can be withdrawn in any year, or a combination of commodity and cash or all cash?

### **Administration of the BEHT**

The CCC administers the Bill Emerson Humanitarian Trust and, since 2002, the Secretary of Agriculture has release authority. Shortages of U.S. market food supplies have triggered use of the BEHT (or its predecessors) only twice, in 1988 and 1989. “Unanticipated emergency food needs” have led to USAID requests for use of BEHT commodities in the ten other instances that it has been tapped.

The Office of Management and Budget (OMB) plays a role in approvals based upon its budgetary authorities. USDA’s Farm Service Agency works with the CCC to arrange for the shipment of stocks in reserve, swaps for other commodities, etc. USDA and USAID have somewhat different interests in the way that the BEHT is constituted and managed, so coordination in both policy and practice is essential to effective operations.

Several issues regarding administration of the Trust also warrant reconsideration in BEHT legislation, including:

- *Release triggers.* Is “unanticipated need” not similar to the “emergency assistance” role of Title II? What parameters determine when commodities needed to respond to emergencies cannot be made available under Title II?
- *Timing of requests for BEHT use.* Typically, USAID taps Title II non-emergency resources before turning to the BEHT for additional supplies. Some participants suggested that the “subminimum” tonnages established by Congress as requirements for non-emergency Title II programs need to be protected more vigorously by drawing more quickly on the BEHT reserves, for example, rather than by waiving the subminimum tonnage requirements for diversion of Title II resources to emergency needs.
- *Relationship of BEHT and other resources.* When should the administration seek an emergency appropriation (or “supplemental” appropriation) under Title II as compared to requesting a BEHT release?
- *Logistics.* Would U.S. grain reserve stocks held in warehouses overseas provide a more timely emergency response mechanism? The World Food Program manages such global warehouses, for example, and might find that holding U.S. emergency reserves in-kind in these dispersed locations might improve overall emergency response capacity. But are potentially needed grain levels predictable enough to justify the expense of establishing and managing such reserves?

## Reimbursement and Replenishment

Current law does not require replenishment of commodities released from the BEHT even though it does provide three ways to do so (Hanrahan, 2003).

- The BEHT can be reimbursed for commodities that have been released with a transfer of funds from P.L. 480.<sup>30</sup> The 2002 Farm Bill capped the annual amount of reimbursement from PL 480 at \$20 million. Normally, this requirement is split between Title I and Title II.<sup>31</sup> Any additional funds reimbursed revert to the Treasury and cannot be used for replenishment. Since releases from the Trust in the past five years have far exceeded reimbursements, however, funds reimbursed to the Trust have been held as cash and have not been used to replenish the commodity stock of the Trust. While this might constitute the start of a conversion of the BEHT from commodities to cash, \$20 million per year would not permit adequate replenishment in future years.
- The Secretary of Agriculture can acquire commodities through purchases from producers or in the market. Funds for such purchases must be authorized by an appropriations act.
- The Secretary also may replenish the Trust by designating to the Trust commodities already owned by the CCC.

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<sup>30</sup> H.R. 4283, 105<sup>th</sup> Congress, *Bill Emerson Humanitarian Trust Act of 1998*.

<sup>31</sup> Reimbursement to the CCC for the cost of ocean freight and other non-commodity costs occurs through the regular USDA appropriations process, in which USDA requests budget authority to cover these costs in annual budget submissions. As budgets become tighter, the Office of Management and Budget is less keen on this process and would like USAID to pay for more of these costs.

Of the latter two methods of replenishment, the preferred method is the designation of stocks already in CCC inventories. This method worked in the past because CCC held large stocks of wheat from which it could designate wheat to the reserve. Due to changes in commodity programs and WTO agreements, however, the CCC now holds significantly fewer stocks and has little capacity to replenish the trust.

In a 2003 report to Congress on the BEHT, the Administration said that it was “not practical or cost effective to maintain a reserve over the long-term at the quantity levels maintained in the past.”<sup>32</sup> The Administration recommended that “the \$341.2 million combined value of commodity and cash currently held in the trust is more than adequate.” Since that time, however, the BEHT has been drawn down further and even at current relatively high wheat prices, available resources are valued at less than \$300 million.

Although congressional staffers suggest that a request for an appropriation to replenish the BEHT reserve would be reviewed seriously, given the number of tight accounts and the trade-offs that might be requested from Congress, a positive response to the request may be difficult to obtain.

### **Going Forward: Restructuring the Bill Emerson Humanitarian Trust**

Changes to both legislation and policy could make the BEHT a more timely and efficient response tool for emergencies. Issues that need to be considered include the definition of the Trust; its management, particularly regarding the release triggers and how they are applied; and the reimbursement and replenishment rules that determine its level.

*Definition:* The law permits both commodities and cash to be held in the BEHT. So long as the eligible grains are available at reasonable prices in the U.S. market, the most efficient use of the BEHT might be to hold all of the resources in cash because there would be no storage fees and any commodity could be purchased by the Trust as needed. Such a change also would eliminate the transaction costs associated with converting wheat reserves into the “right” kind of commodities needed for a food aid response. However, cost savings will not be guaranteed, and food aid supplies may be needed when market prices are high. USDA should be asked to analyze alternatives for optimizing the use of the BEHT.

*Administration:* The greatest use of the BEHT in recent years has been due to “unanticipated food needs,” one of the two possible triggers for release of stocks, and requests for use have been initiated by USAID for emergency program needs. But additional legislative and policy clarity is needed regarding the degree to which Title II funds for emergencies should be used before calling on the BEHT as a “last resort” and/or requesting supplemental appropriations; whether BEHT should be used to protect availability of non-emergency resources under Title II; and, should it be determined that physical stocks are to be maintained, the parameters for revising approaches for managing BEHT reserve stocks, including in overseas locations. Such a change might entail revisiting the CCC role as well.

*Replenishment:* To ensure that the BEHT remains a viable resource for emergency programs, the rules for reimbursement and replenishment need to be revisited. As part of the reauthorization, Congress could consider increasing the cap on the amount of reimbursed funds that can be used for BEHT replenishment (either grain or cash reserves). Pending the outcomes of the technical analyses suggested above, both the Administration and Congress could consider

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<sup>32</sup> As of October 31, 2003, the Trust contained 1,615,349 MT of wheat valued at \$234.3 million (USDA, 2003a).



the funding issue more broadly, including more systematic replenishment of the BEHT through appropriations.

### ***Local or Regional Purchase***

“Local and regional purchase” as a food aid tool implies that cash resources, rather than commodities, are made available to implementing organizations for procurement of foods that are then distributed in-kind to recipients. Some implementing organizations, using non-U.S. government funding, have recently been piloting approaches in which cash or vouchers are provided to needy recipients so that they can purchase needed food commodities in local markets. This practice, too, is beginning to be associated with the concept of “local or regional purchase” of food aid.

The U.S. food aid program does not currently have this option in its food aid toolkit. On a few occasions, the United States has purchased food aid locally or in neighboring countries, such as during the emergency Hurricane Mitch response, but has used funding other than PL 480 appropriations to do so. The FY 06 budget request from the President proposed to reduce the Title II program level by \$300 million and to waive Title II minimum tonnage requirements in order to add the funding to the International Disaster and Famine Assistance budget. The administration revised its request in FY 07, proposing that the authority be given within Title II for up to \$300 million for local or regional purchases of food aid, but neither the House nor Senate Appropriations Committees accepted this proposal in the pending FY 07 Agricultural Appropriations Bill.

Both requests generated a strong negative response in Congress. The current draft of the FY 2007 agricultural appropriations report of the Senate Appropriations Committee states clearly that “The Committee does not agree with the administration’s proposal to shift up to 25% of the Public Law 480 Title II program to USAID to be used for direct cash purchases of commodities...”.

However, other food aid donors are increasingly tapping into local or regional markets as a source for food that is then distributed as food aid to people in need. Experience with the purchase of food aid within the recipient country or in nearby regional markets has been growing rapidly. Until 1999, local and regional purchases accounted for 5 to 15 percent of global food aid flows. Between 1999 and 2005, however, donors increasingly provided cash rather than in-kind food resources to the World Food Program, and the worldwide value of WFP’s procurement of food aid in developing countries quadrupled.

Between 2001 and 2004, the WFP bought an annual average of 1.25 million MT of food aid, worth \$263 million, in developing countries (Webb, 2006). The developing country share of total WFP procurement rose to an all-time high of 73 percent (Tschirley, 2006b). WFP has commissioned studies of several of their programs, and an analysis of WFP experience with developing country procurement has recently been completed by Michigan State University for USAID’s Food for Peace office (Tschirley, 2006b). These assessments help to clarify the role that local and regional purchases of food can play in the operation of food aid programs.

PVO project reports also aid in better understanding the contexts in which local and regional procurement are useful. PVOs have used USAID Office of Foreign Disaster Assistance (OFDA) funds and private funding to undertake local purchases of food aid or, in other cases, to

provide cash or vouchers directly to recipients so that they can buy their own food supplies locally.

- In late 2005, for example, Catholic Relief Services used private funding to locally purchase refined and fortified vegetable oil and pigeon peas for distribution to more than 80,000 households in Malawi. This action was undertaken to diversify the white maize-only ration that was being distributed pending arrival of Title II pulses some months later (CRS, 2006).
- In 2005-06, Save the Children tested another approach to tapping local markets for the provision of food aid by providing vouchers that enabled tsunami victims in Aceh, Indonesia to purchase approved foods (rice, oil, sugar) from participating merchants (Cole, 2006).
- In both programs, food was available in markets, but those in need lacked resources to purchase it. The PVO interventions helped to bridge that gap by providing food assistance from local suppliers.

### **Emerging Lessons**

While the history of local and regional purchases is still relatively new, available information indicates that the potential *advantages* of local/regional purchase of food aid include:<sup>33</sup>

- Assisting the development of local agriculture and livelihoods in the source countries, including supporting crop diversification and agro-industry development;
- Contributing to the development of more transparent and efficient domestic and regional grain marketing systems, with higher quality standards, better access to bank financing for capital investments, and more mechanisms for stabilizing markets, such as commodity exchanges;
- Lower delivered costs for food aid, thereby increasing the ability to deliver more food for a given budget;
- Reduced transport and handling costs;
- Reduced delivery time;
- Provision of types of food more preferred by or nutritionally valuable to the recipients; and
- Capability of local food aid staff to control pipelines by more flexible procurement.

The potential *drawbacks* encountered in local/regional purchase of food aid to date include:

- Inadequate production and market information, especially for regional markets, which raises the risk of driving up prices on limited supplies and harming other poor consumers;
- The limited number of traders or processors capable of assembling and delivering tonnages that respond to food aid needs with some economies of scale;

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<sup>33</sup> This section largely draws on Walker, et al., 2005 and Walker and Boxall, 2004.

- A limited capacity to produce the fortified, processed products needed for some kinds of programs and/or to guarantee sufficiently high levels of quality control during processing;
- The potential for market manipulation and collusion, including the provision of low-quality and contaminated products;
- Continued centralization of decision-making and slow release of funds from donors;<sup>34</sup>
- The inability of food aid donors to provide multi-year markets, which can destabilize local and regional markets;
- Inadequate capital investment to ensure the quality of commodities; and
- Inadequate coordination among donors implementing local/regional procurement operations simultaneously.

A recent analysis drawing on WFP's experience and U.S. purchasing and shipping data estimated that local and regional procurement of white maize food aid in Kenya, Uganda, and Zambia would have resulted in the provision of 75 percent more food to vulnerable populations in these countries for the same budget. (Tschirley, 2006: 21). The cost of local procurement was estimated to be 57 percent of the costs of direct purchase in the U.S. plus shipping to these countries. These estimates are similar to Clay, et al., findings that local procurements can be completed, on average, for just two-thirds of the costs of a commercial transaction in the donating country (Clay, et al., 2005).

The GAO's 2003 Evaluation of the Afghanistan food and agricultural programs considered the option of local/regional purchase in that situation and found that:

*...if the United States had provided cash or regionally-purchased commodities in 2002, WFP could have purchased approximately 103,000 additional metric tons of commodities and saved 120 days in delivery time. ...Ninety-three percent of the commodities WFP purchased [with non-U.S. funding] for the emergency operation that began in April 2002 (157,128 metric tons) were from Kazakhstan and Pakistan. (GAO, 2003a:26)*

Had the funds spent by USAID and USDA on the ocean freight needed to haul the commodity from the United States (\$178 million) been spent instead on regional purchases, the GAO estimated that 685,000 people could have been fed for one year (GAO, 2003a:27).

The GAO then recommended to Congress that:

*To increase the United States' ability to respond quickly to complex emergencies involving U.S. national security interests, such as that in Afghanistan, Congress may wish to consider amending the Agricultural Trade Development and Assistance Act (P.L. 83-480), as amended, to provide the flexibility, in such emergencies, to purchase commodities outside the United States when necessary and provide cash to assistance agencies for the procurement of non-U.S.-produced commodities (GAO, 2003a: 47).<sup>35</sup>*

<sup>34</sup> The evaluation of the EU Food Aid/Food Security Budget Line operation by Madrid (2004) explains well the delays that both local and headquarters oversight can cause.

<sup>35</sup> The GAO also addressed the cargo preference requirement in the same recommendation: "In addition, Congress may wish to amend the Merchant Marine Act of 1936, as amended, to allow waiver of cargo preference requirements in

To date, Congress has taken no action on this recommendation. Rather, it has strongly rejected providing USAID the option of purchasing food locally or regionally for use in food aid programs. One reason given for rejection of the Administration's FY 2007 proposal was that it was introduced as part of the appropriations process, rather than through the authorizing committees, thereby raising jurisdictional issues and bypassing the hearing and review process. Another might be that information on the costs and benefits of local and regional purchase programs under different circumstances and using different program approaches is still limited, so there is little confidence that potential advantages would be realized and potential drawbacks avoided.

The following issues related to developing country procurement may also play an important role in the political assessment of this option:

- Currently, political support for the P.L. 480 program is associated with the “buy America” and U.S.-flag shipping requirements already discussed. Some workshop participants believe that allowing local or regional procurement could result in the loss of political support for the food aid program and bring down budget levels that many agree are already inadequate to meet the needs.
- Since markets in developing countries are relatively thin and often dominated by a few large brokers or traders, tendering for food aid in such environments could add considerable business risk to a U.S. government program.
- There is concern that local or regional procurement could distort these markets, fueling speculation and hoarding, if local traders anticipate food aid procurements by donor governments or their implementing partners. Market distortions could be especially damaging if many donors decided to make procurements in the same markets at the same time, increasing the potential for price spikes, shortages, and disruptions in local commercial trading.
- There is some uncertainty about the management capabilities of USAID to plan and oversee (and implementing PVOs to undertake) local procurements successfully.

Within the U.S. PVO community, there is some support for local procurement of food aid supplies with funding allocated for Title II programs as long as overall congressional support for food aid funding is not threatened. Not only could local procurement ensure more culturally acceptable foodstuffs (e.g., white maize, food-grade sorghum) for the community-based programs that PVOs and NGOs specialize in, but the availability of a variety of foods may provide important nutritional benefits when food is being supplied for school meals, therapeutic feeding and child nutrition.<sup>36</sup> USAID's proposal that local/regional purchase authority be exercised only in emergency situations would not be consistent with these uses, however, so there is room for further discussion between USAID and its implementing partners as to when and how a local/regional purchase tool might best be used.

Further discussion might also benefit from putting into perspective the relative magnitudes of proposed local/regional procurement and the volume of U.S. production and exports, using the most recent available data, such as the following:

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emergencies involving national security. These amendments would enable the United States to reduce assistance costs and speed the delivery of assistance, thus better supporting U.S. foreign policy and national security objectives.”

<sup>36</sup> Note that the McGovern-Dole Food for Education program already allows for the local purchase of commodities as well as procurement in the United States.

- Total U.S. grain production in 2004-2005 was 348 million MT, of which 89 million MT were exported. Coarse grains, including corn, barley, and sorghum, accounted for 81 percent of production and 20 percent of exports. Wheat accounted for only 16 percent of production but 46 percent of exports (USDA, 2005).
- Total food aid shipments in FY 2005 were 3.5 million MT, of which 80 percent, or 2.8 million MT, was wheat, sorghum, rice or corn, or products based on these grains (such as flour, bulgur wheat, corn-soy blend or wheat-soy blend). This volume was equivalent to 0.8 percent of U.S. grain production and 3.2 percent of U.S. grain exports in that year.

Looking forward, growing international demand for food and feed grains is projected by nearly all analysts, and rising prices in late 2006 seem consistent with such projections. Further, there is consensus that, at least in the short- to medium-term, greater volumes of U.S. corn and soybeans will be converted into biofuels. The impact that such use will have on food aid supplies is unclear. It might simply make it more expensive to meet minimum tonnage requirements. It could, however, also undermine the political support of legislators from farm states for continued food aid programs.

### **Going Forward: Local/Regional Purchase**

The Administration's decision to request the authority for local/regional purchase for the second time in FY 07 and a third time in FY 08 indicates the importance it places on having this additional tool in the food aid toolkit. The extensive WFP experience with local procurement of food aid supplies, as well as the experience of some PVOs, indicates that such procurement is feasible and likely to result in more food being available for distribution as food aid. The lessons learned indicate strongly that local/regional purchase programs need to be based on a thorough understanding of the local market environment and supported by the recipient government or governments, in the case of regional procurement.

Given the concerns raised and the downside risks associated with broader implementation of local and regional procurement, an incremental approach to introducing this practice into the U.S. food aid program seems essential.

Congressional leadership is needed if the contentious issues are to be resolved. A pragmatic, incremental approach in the context of the Farm Bill might include the following steps:

- USAID and USDA work through the Food Aid Consultative Group (FACG) to develop procedures for a pilot program for local or regional purchase of food aid, especially for emergency responses (including criteria for justifying procurement outside of the United States and supporting analytical requirements).
- USAID and USDA consult with the Congressional Agriculture Committees as plans are made for undertaking pilot local/regional procurement, using the procedures developed in consultation with the FACG.
- The dimensions of the pilot and potential funding limits are defined in the law. The House Foreign Operations Appropriations Subcommittee's proposal to pilot activities at the \$10 million level might be considered as a first step.
- A carefully designed pilot program should enable assessment of performance against the procedures established and the criteria for use of this tool. Points for assessment are likely to include the ability to accurately analyze local markets and potential price and nutritional impacts; competitiveness and transparency of procurement processes; logistics management

capabilities and costs; and speed of response (from identification of need to delivery of commodities).

- USDA and USAID should be required to report fully on outcomes, using rigorous ex-post evaluation methodologies.

### ***Swaps and Twinning***

The United States currently is the largest single donor of food aid, but the WFP receives food or cash donations from more than 60 countries. As an important member of the WFP, the United States has the ability to work with other donors and to program the use of its own commodity donations in ways that complement those of other donors. Swaps are in general not controversial, but it is important to note them as a useful food aid tool.

Swapping of a U.S.-supplied commodity for a commodity supplied by another nation has proved to be an effective way of ensuring a timely response to emerging food needs. The most notorious swap occurred in 2002, when the Government of Zimbabwe prohibited the import of any food aid corn that was genetically modified—even though the country desperately needed food. Since biotech and non-biotech corn are mixed in normal U.S. grain-handling operations, U.S. food aid was not acceptable. The Government of Zimbabwe, however, was prepared to accept milled biotech corn, so a swap of stocks held by the Government of Zimbabwe for the food aid imports from the United States was organized, with WFP ensuring the distribution of the swapped corn to the NGOs charged with distribution. Similar swapping arrangements to respond to other commodity preferences also have been arranged by WFP as well as by PVOs.

The managers of the BEHT also routinely swap wheat stocks held in the Trust for other commodities on the U.S. market that are preferred by the recipient nations or organizations or, when time is short, for commodities that are already loaded on ships.

Implementing organizations occasionally enter into “triangular transactions” as well. These transactions involve selling U.S. food aid in one country and using the generated resources to purchase food in that country for delivery as commodity assistance in another country. Thus, for example, wheat, a plentiful commodity in the United States, is swapped for white, food-quality sorghum. Triangular trade is not a major part of food aid volumes but can be locally important.

Twinning is another way of putting together the resources needed for a particular food aid program. As John Powell, the Deputy Executive Director of the World Food Program, put it in his presentation at the 2006 Kansas City International Food Aid Conference, “twinning... basically means matching up donations of food from developing countries with cash from other places.” He noted that many developing countries are eager to help and offer the WFP commodities, often for projects in their own countries.<sup>37</sup> They may be “commodity-rich” but “cash-poor.” He gave a practical example of the benefits of twinning:

*With the same amount of cash we could purchase food in the donor country and provide a meal in school to a little over 7,000 children in Kenya; or we could purchase locally, or regionally, and provide a meal in school to some 15,000 children; or we could twin the cash from the donor with the food from Kenya and reach more than 22,000 children. Let me be clear, twinning is about the host country being a donor through WFP alongside the US, EC, and other donors. Twinning encourages developing countries to take responsibility for hunger*

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<sup>37</sup> Algeria and Bangladesh are among the top 20 donors to WFP.

*problems at home and abroad. It also sends important signals to the international community about their commitment to the programme; and the prospects for its long-term sustainability (Powell, 2006).*

### ***Monetization of Food Aid for Development***

Use of commodity food aid to support development efforts in poor countries is widely accepted. There is a long tradition of providing food-for-work in the construction of community infrastructure, especially in chronically food-deficit areas where populations are exceptionally vulnerable to food insecurity and alternative employment is scarce. Well-designed programs to expand access to potable water can improve health, while developing irrigation facilities opens possibilities for seasonal production of high-value vegetables. Construction of roads improves access to markets and reduces the costs associated with providing food aid supplies in the future. Building schools helps to bring educational opportunities to illiterate populations.

Experience shows, however, that food is rarely the only resource needed for successful development efforts. At a minimum, funding is needed to provide the construction materials and tools needed to complement the labor for the building of roads and water systems. Even school feeding programs will have little impact if teachers are badly paid or incompetent, instruction materials are lacking, and school buildings are not available.

Therefore, it was a logical evolution of the food aid program to enable implementing organizations to use food aid sales or “monetization” to generate funding to complement the food resource. Generated funds can be used for logistics costs to deliver food, to fund complementary activities and technical assistance to improve the impact of food distribution programs, and to design and implement food security projects in which little or no food aid is actually distributed.

#### **Monetization: A Well-utilized Food Aid Tool**

Title II data for 1996-2005 show monetization levels averaged 536,000 MT a year, with a total value (commodities plus freight) of \$181 million. FY 2001 was the high point for monetization of Title II over the decade, but monetization has been on a downward trend since then (Table 4.1).

Food for Progress programs and Section 416(b) have also employed monetization approaches. Between 1996 and 2000, volumes monetized in these two programs rose markedly. In 1996-98, an average of 230,000 MT were monetized annually (USDA/FAS, 2001). In contrast, more than ten times that volume was monetized in both 1999 and 2000. The share of commodities monetized by organizations implementing the USDA-managed programs (Food for Progress) generally are higher than the share of USAID-funded Title II programs (USDA/FSA, 2001). Nearly 80 percent of Food for Progress and Section 416(b) was monetized in 1996; by 2000, this share had dropped to around 40 percent but on significantly increased volumes.

Data on USDA’s monetization since 2000 is not available, although Food for Progress continues to use monetization as part of its program approaches. USDA’s McGovern-Dole International Food for Education and Child Nutrition Program provides an interesting alternative to monetization. In these programs, “financial assistance” is an explicit part of the program design, obviating the need to sell the commodity to generate needed cash resources (USDA, 2006d).

**Table 4.1. P.L. 480 Monetization Program Approvals  
Title II Emergency and Non-Emergency Combined  
1996-2005**

<b>Fiscal Year</b>	<b>Metric Tons (‘000)</b>	<b>Commodity Value (millions of U.S. \$)</b>	<b>Total Value (millions of U.S. \$)</b>
1996	201,970	68.3	91.3
1997	373,470	101.5	141.0
1998	484,240	113.8	168.0
1999	597,995	139.2	200.0
2000	559,867	114.5	178.6
2001	909,650	161.0	251.0
2002	692,910	123.9	194.3
2003	647,320	161.4	230.4
2004	473,298	127.1	186.8
2005	416,482	110.9	166.1
Total for Decade	5,357,202	1,221.7	1807.6

*Source:* USAID files. See also Annex X. “Total value” is defined as the cost of the commodity plus ocean freight and internal transport, distribution, and handling (ITSH) costs. ITSH is generally only a component of value for programs in landlocked countries.

Following adoption of the 1994 Food Aid and Food Security Policy by USAID, PVOs implementing Title II multi-year developmental programs were encouraged to improve the impact of their food aid programs and to monitor impact through specific food aid indicators, such as decreased stunting in young children and improved household food supplies in rural areas. Monetization increased both in volume and as a share of developmental food aid program totals. A 2002 assessment found that these organizations did indeed improve program impact, thanks in large measure to the use of monetization to provide the cash resources needed to implement integrated food security programs (Bonnard, et al., 2002).

The share of Title II developmental food aid that was monetized increased from 28 percent in 1994 to 75 percent (of a larger volume) by 2001. Many programs involved 100 percent monetization. The development activities carried out by the implementing organization with the proceeds from monetization are generally indistinguishable on the ground from food security projects undertaken with grants of development assistance funding. Evaluations of these activities generally focus on the impacts associated with the project activity: greater food security, higher agricultural production or incomes, improved health practices, better school attendance, etc. (for example, Sullivan and Selvester, 2006). Few analyze the impact of the food aid on national food security although it is often argued that, by definition, the addition of food aid increases available supplies in food-deficit countries and thus improves food security status.

Implementing organizations have had mixed experiences with the monetization process itself. Some have developed techniques that help ensure high cost recovery and beneficial impacts on the overall market availability of products in the recipient country (including, in some cases, stabilization of prices). The process of monetization has also helped to disseminate market information and to give more traders and processors opportunities to access the imported commodities. ACDI/VOCA’s “Best Practices Manual” reflects this positive experience as well as the management challenges that implementing organizations need to meet (ACDI/VOCA, 2003).



However, not all recipient countries welcome monetization (WTO, 2006a, Riley, et al., 2002). Management requirements and the costs of purchasing, shipping and handling food aid can be high. And, given the variability in the year-to-year availability of non-emergency Title II funding as well as in local prices, projects that depend on monetization of Title II commodities alone can experience significant swings in funding for their activities.

### **Debate About the Monetization Tool**

Given the costs and management challenges associated with monetization, many implementing organizations committed to carrying out food security projects would prefer direct cash grants as an alternative to monetization. At the present time, congressional budget jurisdictions for development assistance (the “150 account”) and food aid are separated, and substitution of one resource (cash) for the other (food) is not a clear option. Moreover, many PVOs believe that their access to the development assistance (DA), child survival (CSH), and HIV/AIDS (PEPFAR) funding that would enable them to pursue needed food security programs is limited, if not totally blocked, by competition from the for-profit firms that also implement development programs for the U.S. government. For these PVOs, then, Title II monetization, along with 202(e) funds for management support, provides an opportunity to develop integrated, community-based programs to address a wide range of food security objectives, under conditions in which competition for resources is restricted to the PVO community.

Others believe that USAID country assistance programs should recognize the importance of the developmental aspects of food aid programs being carried out by PVOs and provide allocations of cash (non-food aid) resources to complement (or even replace) food aid-supported efforts. This would help to stabilize the variable resources flows associated with Title II monetization and facilitate more stable programs. This is not, however, common practice. USAID country management teams are reportedly rarely willing to provide complementary bilateral DA or CSH funding to compensate for inadequate resource generation through monetization. Some would argue that, if such is the case, the PVO efforts may be seen as marginal to overall country program objectives and probably ought not go forward.

Greater fungibility between Title II and DA/CSH resources, more integrated program planning processes at the country level, greater participation of implementing organizations in the development of assistance strategies at the country level, and greater stability and predictability in Title II non-emergency budgets and DA/CSH funding would all contribute to the resolution of these dilemmas. A change in the U.S. commitment to providing in-kind food aid could also help by enabling more Title II resources to be allocated as cash resources for developmental projects focusing on improved food security.

In recent years, monetization also 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 the displacement of commercial imports. Discussions in the Doha Development Round focused in particular on the issue of commercial displacement and raised the possibility that monetization would be defined as a hidden “export subsidy” and either severely constrained or eliminated altogether (WTO, 2005; AITIC, 2005).

Such discussions reflected an abundance of anecdotal information regarding the negative impacts of food aid sales into local markets (Oxfam, 2005; Murphy and McAfee, 2005, Donovan, et al., 2005). There is some truth in the stories. Inadequate purchasing power, for example, is often misinterpreted as inadequate market supply, and monetization does little to improve the situation for the most vulnerable. Or, due to poorly timed arrivals, food aid commodities are sold into markets just as the local harvest is arriving, thereby depressing food prices. Or, if

governments or traders assume that food aid is about to arrive, they do not take other steps that might improve the local market supply on a more sustainable basis.

A study published in October 2005 provided perhaps the first quantitatively rigorous research on the local disincentive effects of food aid (Abdulai, et al., 2005: 1689-1704). This analysis found that food aid (both distributed and monetized) was not a disincentive to local production and marketing in Ethiopia and was associated with improved agricultural production, once a range of factors affecting supply and demand had been taken into account. More such studies could help to guide future monetization efforts and make them more market-friendly.

The view that monetized food aid displaces other suppliers of commercial imports is usually countered with data on the relative volumes of food aid monetized compared to the overall volume of imports. MacKay and Shaw's analysis of Title II monetization data from 2001 to 2005 and global market information indicates:

- the importance of wheat and wheat flour in both import patterns and monetization programs, with edible oil taking second place;
- that monetized commodities combined accounted for about 10 percent of the import market for comparable commodities in recipient countries in an average year, although the monetized volumes in some cases exceeded 20 percent of the recipient country's market; and
- that monetization accounts for just under 9 percent of consumption of these commodities.

They conclude that "there is no apparent evidence PL-480 monetization created disincentives to or disruption of domestic production or trade (during the period analyzed)" (MacKay and Shaw, 2006).

There are mechanisms that guard against the risks of monetization and improve the likelihood that it will result in minimal market disruption and commercial displacement. In principle, the CSSD monitors the impact of food aid on "usual marketing requirements" (meaning average levels of commercial imports) in recipient countries. The Bellmon Amendment of 1985 specifically required U.S. implementers to conduct analyses to ensure that negative effects would not occur. A well-done Bellmon analysis can provide information to guide the selection of the commodity to be monetized, timing of sales, and methods of marketing.

Both mechanisms have their limits. Information reporting to the CSSD is voluntary, and enforcement capabilities are limited. Bellmon analyses are often difficult to do, and, as noted earlier, are generally done by the same parties most interested in demonstrating that there will be no negative commercial effects. Further, even the best-laid plans for marketing can go awry. For example, if food aid commodities are not sold in advance of delivery and arrive simultaneously with commercial imports of competitive products, food aid must be stored until prices rebound or risk driving prices down (and receiving lower-than-anticipated proceeds). More regular, independent evaluations of monetization programs in terms of their potential displacement or disruption effects would help to lay a firmer empirical foundation for future utilization of this approach.

The U.S. food aid community has split on the issue of monetization. The 15 PVO members of the Alliance for Food Aid, all of which implement international food aid programs, emphasize their positive experiences:

*monetization can have multiple benefits and is appropriate for low-income countries that must depend on imports to meet their nutritional needs. Limited liquidity or limited access to credit for international purchases make it difficult for traders in these countries to import adequate amounts of foodstuffs and monetization is particularly helpful in such cases. Monetization can also be an effective vehicle to increase small-trader participation in the local market and financial systems, can be used to address structural market inefficiencies, and can help control urban market price spikes (Alliance for Food Aid, 2006).*

Implementing organizations such as ACDI/VOCA (which often acts as the monetization agent for other PVOs) explicitly have sought to invite smaller traders with greater reach into the countryside to bid in monthly auctions of food aid, giving them access to commodities and experience in a competitive tendering process. In other situations, implementing organizations and commodity groups have provided technical assistance to millers and processors on the use of food aid commodities with which they may not be familiar (e.g., certain varieties of wheat and soy products).

However, CARE, also a food aid practitioner, laid out a different position in its November 23, 2005, White Paper on Food Aid Policy:

*Experience has shown that monetization requires intensive management, and is fraught with risks. Procurement, shipping, commodity management, and commercial transactions are management intensive and costly. Experience has shown that these transactions are also fraught with legal and financial risks. ... When monetization involves open-market sale of commodities to generate cash, which is almost always the case, it inevitably causes commercial displacement. It can therefore be harmful to traders and local farmers, and can undermine the development of local markets, which is detrimental to longer-term food security objectives (CARE USA, 2005).*

CARE has stated its intention to phase out monetization programs by 2009.

## **Renewed Attention to Monetization in Food Aid Programming**

Over the last decade, the Title II program has monetized commodities worth an average of \$180 million per year. Assuming that 80 percent of this value is recovered through sales for use in funding development activities aimed at improving food security, \$144 million, on average, has been made available by selling just over a half million tons of food each year. There are limited alternative sources of funding for the projects currently being implemented by PVOs with the proceeds from monetization. Even reductions in the allowable share of monetization within Title II non-emergency programs will require those PVOs committed to using monetization to support their food security programming to look for additional resources. And those PVOs seeking to reduce their use of monetization will be challenged to sustain programming that has employed this resource in the past.

Recognition of the following challenges associated with reducing use of the monetization tool will be a first step in identifying solutions:

- The authorizing statutes and administrative procedures governing both food aid and development assistance (defined broadly as DA, CSH, and HIV/AIDS funds) make it nearly impossible to blend different sources of funds through one program agreement.

- USAID has communicated that, at current DA and CSH appropriation levels, such funds are unlikely to be available to make up for any loss of monetization proceeds.
- Separate jurisdictional authorities for food aid and other international assistance in Congress make it difficult for the budgetary process to consider food aid and development assistance funding as fungible government resources. Beyond this, there is little likelihood of establishing a new account for food security that could be used for community-based programs similar to those being implemented under Title II, as some have proposed.
- Finally, according to PVOs, private fundraising could not compensate for a federal budget shortfall.

### **Going Forward: Monetization of Food for Development**

The Administration has supported continuation of monetization as a valuable tool that facilitates the use of food aid to support development efforts. The volume of food monetized is small in relation to production, and imports in recipient countries and the resources generated enable implementing organizations to undertake developmental activities that seek to improve food security on a sustainable basis.

Concerns with the possibility that such monetization could have negative impacts on local markets and/or displace commercial imports have been raised in the context of international trade talks, but no concrete agreements have been reached. Many PVOs urge that the U.S. continue to support the position taken in the negotiations to date: that food monetization be permitted. These PVOs believe that the identified market risks can be managed and significant benefits will result from the development efforts. Other implementing organizations, however, have determined that it is in their interests to reduce their use of monetization and to seek alternative approaches to funding food security-related activities.

Some steps that could be further explored include:

- Providing all PVOs with greater access to cash for program support, perhaps through the expansion of the authorities in section 202(e). The law currently allows up to 10 percent of Title II funds to be provided for management and logistic support, although USAID limits use of only 5 to 7 percent. Title II program support allowances might be expanded to more closely resemble the ratios of “financial assistance” to commodity assistance in the McGovern-Dole program. In FY 2004, just under 30 percent of total McGovern-Dole program costs were identified as “financial assistance” (USDA, 2006).
- Greater consultation with the PVO community could help to identify ways to include their food security programs within the DA or other budgets (CSH, ESF, PEPFAR, supplementals, etc.). While there is concern that all such budgets are “zero-sum,” and offsets to more funding for PVO food security programs would be made elsewhere, the greater integration of all country-level program resources being pursued by the new Director of Foreign Assistance in the Department of State is consistent with such an approach.
- Working toward broader legislative change that would either allow for a greater percentage of non-emergency food aid funding to be used as cash for food security-related development efforts or begin to bridge the current food aid/foreign aid divide.

- Revising the language authorizing Title V, also known as the John Ogonowski Farmer-to-Farmer Program, and expanding funding as a means of increasing P.L. 480 cash support for agricultural development projects in developing countries. Currently, Title V provides PVOs committed to programming American farm and agribusiness volunteers minimum funding equivalent to 0.5 percent of the total P.L. 480 appropriation through FY 07.

### *A Diversified Mix of Eligible Commodities*

The U.S. food aid program has historically included a number of non-food commodities, including timber and tobacco! But the most recent commodity eligibility information for Title II describes a list of eligible non-processed foods (whole grains and legumes) and value-added foods, which are manufactured and fortified for the program on an as-needed basis (USAID, 2003). The Secretary of Agriculture determines that the U.S. has adequate supplies to make listed commodities available for food aid purposes. USAID coordinates the eligibility, procurement, allocation, and delivery of commodities for Title II with USDA.

Implementing organizations conduct needs assessments for either emergency or developmental food aid programs and, within the constraints of funding and commodity availabilities, select the commodities best suited to achieve their program purposes. Commodity groups provide advice in this process.

Some analysts (e.g., Marchione, 2002) have found that the dominant influences when formulating, selecting and distributing food have been non-nutritional priorities. Food-for-work commodities, for instance, are often selected for their income value rather than their nutritional content. Food commodities selected for monetization appropriately respond to market opportunities. And, while meals ready-to-eat are used only infrequently in emergency food aid programs, such rations have been provided in a few recent cases, generally for political messaging as much as for nutritional purposes (GAO, 2003a).<sup>38</sup>

Title II legislation, however, requires that 75 percent of non-emergency food aid be processed or value-added, and emergency supplies, too, are often processed. This enhances their nutritional content (e.g., through fortification with micronutrients) or makes nutrients more available to malnourished consumers. Complementary benefits of processing are reduced cooking time and lower fuel costs for preparation.

Moreover, other analysts have found that, over time, changes in the formulation of food aid baskets and in the quality of food aid commodities have allowed better management of the symptoms and causes of malnutrition. According to the WFP:

*two important factors contributed to this improvement. The first was an evolution in medical and nutritional sciences during the 1990s, coupled with an increasingly professional application of knowledge. A wealth of applied research has recently been accumulated that continues to inform humanitarian strategies for responding to nutritional emergencies, including medical protocols for the treatment of severe malnutrition and guidelines for effective uses of food in emergency programming (WFP, 2004a).*

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<sup>38</sup> The GAO Report on Afghanistan (GAO 2003a: 30) estimated that a daily ration air-dropped into Afghanistan cost \$20.44. Even though the rations accounted for only 0.78 percent of the amount of food aid delivered into Afghanistan in 2002, the amount of money spent on this high-profile program could have fed approximately one million people for one year if the same amount had been spent on traditional food aid commodities.

The success of the French-manufactured “Plumpy’nut” now used in emergency feeding programs demonstrates that processed food products can be both beneficial in addressing nutritional challenges and popular with malnourished consumers. According to the Doctors without Borders working in Niger since 2005, “with this one product, we can treat three-quarters of [the] children on an outpatient basis. Before, we had to hospitalize them all and give them fortified milk” ([www.en.wikipedia.org/wiki/Plumpy’nut](http://www.en.wikipedia.org/wiki/Plumpy'nut)).

Processed, nutrient-dense or micronutrient-fortified foods generally cost more per serving than bulk commodities. Implementing organizations, therefore, often seek to develop food baskets that respond to nutritional needs at the least cost. This has led to the continued dominance of whole grains, such as wheat and other cereals, in food baskets. Grains address basic energy (caloric) deficits and can be complemented with relatively smaller amounts of vegetable oil and pulses for a more nutritionally complete ration. Nevertheless, the food aid community has articulated interest in the development of a “second generation” of processed U.S. food aid products, adapted to the critical nutritional challenges facing individuals experiencing acute malnutrition as well as the millions of people who are chronically under-nourished.

For example, the HIV/AIDS situation in Africa has drawn new attention to the issue of nutrient delivery using food aid. Implementing organizations suggest that rations specially developed to provide nutritional supplements to people receiving anti-retroviral treatments could be important in ensuring that the health intervention actually works.<sup>39</sup>

Until recently, there have been few analytical tools to help program designers address nutritional content, nutritional need, processing requirements, and cooking requirements simultaneously. The WFP and others have, however, begun to develop these tools. Project SUSTAIN analysts have tested these tools and found them to be potentially useful. Further development and training is likely to be needed to put them into broader use (SUSTAIN, 2006).

Food for education programs, too, are generating information on incorporating food aid supplies into dietary planning so that school feeding programs can be based on both imported and local products (IPHD, 2006). This approach promises more program sustainability when food aid supplies are no longer available, especially when local governments begin early in the program to assume the costs of the locally purchased contributions.

### **Going Forward on Improving the Available Commodity Mix**

There is a need for further development of the list of commodities eligible for food aid, especially commodities that would provide more nutritionally balanced rations and respond to new opportunities for nutrient supplementation (e.g., HIV/AIDS patients, school feeding, disaster assistance).

The U.S. could also consider extending support for processing of high-valued or blended and fortified products by industries in recipient countries or nearby countries. PVOs that have provided this type of support on a limited scale have found that it serves as an impetus to develop internal capacities to deal with food security and develops local agricultural industries and marketing channels.

New analytical tools that incorporate the costs associated with preparation and utilization of specific commodities, their nutrient availability, and potential for supplementation with

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<sup>39</sup> A brief prepared by Ellen Piwoz (Piwoz, 2004) provides a useful overview.

micronutrients would be very helpful in determining the appropriate commodity mixes for specific situations.

### ***Insurance and Other Risk Management Mechanisms***

Most countries do not produce enough food to completely satisfy their populations' food needs in all years. Even the United States imports nearly as much as it exports. FY 2006 imports, for example, were forecast for record levels, driven by strong consumer demand for horticultural products (fresh fruits and vegetables), wine, and beer. A positive balance in favor of exports was projected to be only \$3 billion (USDA, 2005) on a total volume of agricultural trade worth more than \$120 billion.

Developing countries, however, often aim for food self-sufficiency in staple crops as a key element of their food security strategies. For many, this remains an unattainable goal, especially when drought, pests, or diseases affect their agricultural production year after year. Many have tried using systems of state-managed commodity reserves, agricultural price and import/export controls, and state-led food distribution systems to stabilize supplies and ensure affordable prices for consumers. Few have succeeded in smoothing year-to-year variability with domestic resources alone.

There is now broad agreement that greater reliance on commercial markets, combined with greater efforts to promote domestic agricultural development, is the best approach to building long-term food security. But "given the continued importance of food staples as a wage good, their high share of national income and expenditures in low-income countries, and political sensitivities to sharp changes in food prices," translating theoretical agreement on this market-led approach into practice has proven difficult (World Bank, 2005: xi).

A recent World Bank Conference explored options for managing food price risks and instability in an environment of market liberalization (World Bank, 2005). One role identified for public-sector responsibility was that of providing countercyclical safety nets which was described as kicking in when "high food prices or low production threaten household food security... Food aid and food-for-work programs remain the most important safety nets in many countries. In the past, however, untimely imports and sales of food aid, along with poor targeting, often undermined market development" and changes were recommended to make food aid and other safety nets better support long-run market development (World Bank, 2005: xiv).

Many of the other methods that developing-country governments have used to manage supply risks are no longer working well. The food security reserve stock systems established in the 1970s and 1980s proved to be expensive and were either reduced in scope or abandoned during the 1990s.<sup>40</sup> Agricultural subsidies often were ineffective in stimulating production, as the incentive effects often were offset by consumer-oriented price controls on the commodities. "Halfway" reforms to liberalize commodity markets created the "worst of all possible worlds, where the private sector is encouraged to operate in an environment in which governments continue to intervene in discretionary and unpredictable ways that make prices even less stable" (World Bank, 2005:xi).

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<sup>40</sup> A more recent study conducted for the New Partnership for African Development (NEPAD) recommended against re-establishing commodity reserves as a means to cope with variability in production and markets.

Only a few low-income, food-deficit countries have trusted the private commercial market, in spite of the risks associated with fluctuations in global prices and supply, to manage the import and distribution of needed food supplies. Mozambique has been perhaps the most successful in this regard. Analysis confirmed, for example, that its market-driven food security strategy with full private-sector involvement was more effective in providing needed supplies and stabilizing food prices than strategies based on government involvement during the southern Africa food crisis of 2002 (Tschirley et al, 2004).

Donors, too, have not been swift to factor risks into the design of their long-term assistance programs. While it long has been recognized that food aid availability tends to decline when world prices rise, there are few mechanisms, such as the BEHT, that donors can mobilize rapidly for either greater commodity supplies or more funding when this happens. The evidence of the last 15 years is that emergency food aid needs crowd out non-emergency food aid commitments without regard to the effect that non-delivery of promised non-emergency food aid or other development assistance will have on countries and vulnerable populations (e.g., AusAid, 1997).

Fortunately, several innovations to address supply and price variations deriving from climatic or market changes are now being tested (see below). Outcomes from these activities should inform possible future change.

- In September 2005, the Malawian government signed an options contract with the Standard Bank of Africa giving the government the right, but not the obligation, to buy enough maize to meet the food gap if donor and private-sector commercial imports did not reach predicated levels at a price fixed at the time the contract was signed. This provided Malawi protection against the risk that import prices would increase due to regional maize shortages. The United Kingdom's Department for International Development provided the funding to pay the premium for this options contract, and the World Bank provided technical support. The options were exercised by January 2006, and the food was used for humanitarian distributions with great savings, as prices on the SAFEX (South Africa Exchange) were \$50 to \$90 per ton over the contract price (Slater and Dana, 2006).
- The International Finance Corporation (IFC) has taken the lead on weather-related insurance as another mechanism for risk management. The IFC program has invested \$10 million in a "weather risk management project aimed at introducing weather hedges to emerging markets. ...Farmers particularly benefit from weather hedge products, since they offer a valuable shield against crop risk failure owing to drought or severe weather. ...IFC has joined with Aquila, Inc. to create the \$80 million Global Weather Risk Facility."<sup>41</sup>
- The WFP, with support from USAID, tested a similar product in Ethiopia in 2006. To pilot this approach, the WFP entered into the first-ever humanitarian aid weather derivative contract with a leading European re-insurer (Axa Re). The contract provided contingency funding in case of an extreme drought during Ethiopia's 2006 agricultural season. Payment was to be triggered when data based upon a calibrated index of rainfall data gathered from 26 weather stations across Ethiopia and gathered over a period from March to October indicate that rainfall is significantly below historic averages. This experimental pilot transaction provided only a small amount of contingency funding, but the model was calibrated to the potential losses suffered by the 17 million poor Ethiopian farmers who risk falling into destitution as a result of extreme drought. Essentially, the contract's value was programmed to vary according to the incoming data. As the 2006 season turned out, the trigger conditions

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<sup>41</sup> See [web.worldbank.org/WBSITE/EXTERNAL/NEWS](http://web.worldbank.org/WBSITE/EXTERNAL/NEWS).



were not met. However, as determined from historical precipitation data, were the insurance to be used consistently, it would provide a useful tool for mitigation of the likelihood of severe losses.

### **Going Forward: Insurance and Other Risk Management Tools**

Several new tools for risk management (both for recipient countries and donors) are being tested. The outcomes of these efforts should be monitored closely for potential expansion or replication.

## ***Organizational Capabilities***

The organizations that implement U.S. bilateral food aid programs on the ground include a wide range of private voluntary organizations (PVOs), cooperative development organizations, and other nongovernmental organizations (NGOs). Many of these organizations also operate programs funded with other bilateral development resources (including from governments other than the United States) and implement programs managed by intergovernmental organizations such as the World Food Program (WFP). For some, private charitable contributions constitute a significant share of program resources; for others, U.S. government grants are the major source of revenues.

Several factors affect the capabilities of the various organizations implementing food aid activities to use the tools currently available and to fully implement multi-year food aid program plans that have been approved:

- **Stability and predictability of funding, especially for non-emergency or developmental food aid projects.** Title II “emergency” and “non-emergency” programs are separated in statutes as two distinct authorities, and Congressional intent to encourage non-emergency (developmental) uses of food aid is made clear by establishment of a minimum level of tonnage for those programs (the “subminimum” requirement). Unforeseen emergency needs, however, have the effect of limiting resources available for developmental programming. USAID is charged with overall management of food aid resources for both purposes, and the law gives the USAID Administrator the authority to use greater flexibility for determining appropriate responses to emergency situations, including waiving operational requirements set by Congress. This authority has been exercised regularly over the last decade; as a consequence, implementing organizations’ non-emergency program funding expectations have not been met.
- **A new USAID strategy for relief and development.** In its Food for Peace Strategic Plan for 2006-2010, USAID articulated one strategic objective (“Food insecurity in vulnerable populations reduced”) that “encompasses both emergency and non-emergency (development and transition) programs, expecting it to break down the existing artificial distinctions between these programs” (USAID, 2005a). However, there is little experience yet with implementing this new policy as few new multi-year programs have been approved since the new Plan was issued. Further, USAID’s guidelines for proposals submitted by implementing organizations continue to differentiate between programs to be carried out in emergency situations (where one-year agreements are the norm) and those carried out with local partners in non-emergency situations, where multi-year commitments are made.

- **Availability of capable staff and logistics support systems.** Staff who understand both the tools available and the dynamics of the local situation are important to success in both emergency and non-emergency situations—particularly in countries prone to highly variable production patterns or market failures. In general, the participants agreed that PVO/NGO involvement in non-emergency food aid programs or other ongoing development programs makes it easier for them to mobilize quickly and successfully in response to emergencies, as their staffs already “know the ropes.” They can identify emergencies early on, take steps to prevent the worst from happening, draw upon tested logistics systems to accelerate response time, and monitor the situation against known baselines.
- **New partnership opportunities to respond to more complex needs.** As chronically poor and highly food-insecure populations have emerged in several regions of sub-Saharan Africa, even a short-term “emergency” due to drought or conflict is now likely to be followed by years of recovery, food insecurity, and poorly functioning markets. The WFP’s growing numbers of Protracted Relief and Rehabilitation Operations (PRROs) reflect this reality in an increasing number of countries. Other food aid donors (especially the European Union) have adjusted their programming to provide both food aid and funding for food security programs. These situations provide new partnership opportunities for U.S. implementing organizations to use Title II food aid resources in more complex program designs, for example, in Ethiopia, Zambia, and Malawi (where new ways of combining commodity and cash assistance at the household level, along with pursuing broader agricultural and economic growth, are being tested) and through the Ethiopian Productive Safety Nets program (which combines the resources of several donors and the Government of Ethiopia, with the United States providing much of the in-kind food aid through its PVO partners). Such collaborations may, however, make accountability much more difficult. Implementing organizations may be asked to measure the impact of food aid-as-food within a much larger, complex assistance delivery environment and to assess their effectiveness relative to a large number of partners.
- **Lack of PVO flexibility in programming.** Many implementing PVOs believe that the U.S. government does not adequately foster programming flexibility. One value of the monetization tool is that it provides flexibility, allowing implementing organizations to monetize more or less depending on the need for in-kind commodity assistance. An emerging concern stems from USAID’s recent decision to prioritize certain countries for non-emergency Title II programming. Many PVOs believe that they are being forced to close longstanding, effective programs in non-priority countries that are responding to the needs of food-insecure populations.
- **Access to direct private contributions.** Such access gives PVOs and NGOs potential flexibility in their food aid programming activities to, for example, use a combination of private contributions and public-sector funding to build their capabilities. Some large PVOs are able to raise relatively large amounts of funding or access private foundation support. The annual reports of the largest PVO implementers of U.S. food aid programs (World Vision, Catholic Relief Services, CARE, and Save the Children US), however, reported a greater share of revenue, including food aid, from public sources in 2004-2005 than the average level of government funding for non-profits (Reid and Kerlin, 2006). Smaller PVOs, many with excellent track records in community organization and program implementation, are often not able to sustain high levels of private funding. A relatively new NGO, the Foods Resource Bank (FRB), has developed a more sustainable, innovative financing model that builds an alternative vision of food aid and taps directly into private contributions. The FRB organizes agricultural “growing projects” supported by rural and

urban churches across the U.S. Sale in the United States of the commodities produced generates annual funding for food security projects in developing countries.

- **The capacity of recipient country partner organizations and institutions to plan, manage, and account for programs.** This factor is often cited as a key barrier to “country ownership” and program sustainability. The ability to use the local/regional purchase tool, for example, is often constrained by such factors as poor development of local markets; the inability of external buying organizations to contain corrupt practices or collusion among local traders and/or government officials; incapacity to enforce contracts and ensure product quality; and inadequate information on supplies, prices, and logistics, which can make it difficult to plan and implement successfully.

### **Going Forward: Organizational Accountability and Capacity-Building**

Many of the issues that hamper organizational effectiveness appear to stem from year-to-year volatility in funding, as well as inadequate overall levels of PL 480 funding. Emergencies crowd out developmental programs in Title II. Overall constraints in funding have caused USAID to focus developmental programs in fewer countries, causing closure of longstanding non-emergency programs in some countries. In addition, new U.S. development assistance policies and approaches, the launching of the new Strategic Plan at USAID for Food for Peace, and political and economic changes in recipient countries raise the level of uncertainty in the non-emergency project environment for implementing organizations. PVOs believe that they are more effective in preventing and addressing hunger and malnutrition when they are engaged and on the ground managing developmental programs before emergencies occur.

The need for multi-year funding, especially for developmental programs, needs to be addressed in USAID and USDA project funding to promote organizational innovation and effectiveness and to ensure greater benefits for recipients.

- Program implementation takes time. The first assessments of program effectiveness often cannot be made until three to five years have passed.
- Effective local partnerships with other donors and recipient organizations also require multi-year investments in order to build trust, develop mechanisms for collaboration, and achieve measurable, sustainable results.

Greater understanding of how PVOs use (or can use) their private funding and public resources other than food aid would help to inform appropriate actions that USAID or USDA might take to foster greater food aid program stability.

### ***Additional Sources of Funding for Food Security Programs***

In 2003, President Bush announced his intention to create a new mechanism for addressing the underlying causes of hunger. The president’s budget request for FY 04 asked for a \$200 million Famine Fund in the DA account. USAID was to use these resources to complement food aid with innovative development programs in countries with a high vulnerability to famine. Congress agreed to an initial appropriation of \$20 million in FY 04, within the DA account. The FY 05 Famine Fund appropriation was \$34 million; FY 06 and FY 07 requests, though, stabilized at \$20

million. Most observers agree that this level of funding is unlikely to have a significant impact on reducing the threat of famine, especially as rules have been developed that limit USAID missions' access to the Fund on a multi-year basis.

Apart from the Famine Fund, the Administration has not specifically requested expanded funding for agriculture and rural development in the President's budget, even though such assistance is critical to fighting hunger and poverty and promoting food security. An analysis by the Partnership to Cut Hunger and Poverty in Africa estimated that between 2000 and 2004, total U.S. government funding for African agriculture development, broadly defined, went from \$380 million in FY 00 to a high of \$416 million in FY 03 and then declined to \$408 million in FY 04. The trend is expected to continue downward in FY 05 and FY 06. The Partnership concluded that the total package of official development assistance targeted toward food security (reducing hunger and poverty) is not responding to the projected growth in the number of hungry people, especially in sub-Saharan Africa (Taylor and Howard, 2005).

Development assistance funds allocated for programs in trade capacity development or "aid for trade" in low-income, food-deficit countries might also be helpful for increasing the ability of recipient countries to address food shortfalls through commercial imports. Focused analysis of the extent to which trade policy and other supported trade-related reforms actually are helping countries to engage in trade and to use commodity trade to manage their domestic risks would be useful.

In the future, Millennium Challenge Account allocations could be assessed with respect to their contributions to improving food security in recipient countries. Programs, including agricultural development support and the expansion of critical transportation infrastructure, could be important in strengthening the ability of recipient countries both to produce and import food supplies more efficiently.

It is important to note the small, but important, contribution that DA funds make in enabling USAID to operate the Famine Early Warning System Network (FEWS NET). The \$9 million that it currently costs to operate FEWS NET each year provides invaluable information that enables the USAID food aid program to be responsive to emerging crises. This is discussed further below.

An area of great potential is combining resources from the President's Emergency Response for AIDS Relief (PEPFAR) program that support care and therapeutic treatment with food aid. People on anti-retroviral treatment need adequate nutrition in order to utilize the medications effectively. Proper nutrition is also critical for helping people with compromised immune systems to strengthen their ability to ward off disease. Communities and families that have been hard hit by the HIV/AIDS pandemic broadly suffer economic hardship, with less labor to work the farms or other jobs, a loss of breadwinners in affected families, and greater costs for health care. Food assistance can play an important role in the fight against HIV and AIDS.

## V

# The Effective Use of Information

Improving any system's operations, efficiency, and impact requires the effective use of information. Timely and accurate information on food production and availability, markets, climate conditions, demographic indicators, and consumption is at the heart of early warning systems that set in motion the process of emergency food response. Analyzed over time, such data increase understanding of chronic food insecurity and potential points for developmental interventions. Information on sources of commodity supply, costs, and shipping requirements shape the logistics supply management systems that actually result in food aid deliveries to people at risk of serious malnutrition. Information on individuals' and families' nutritional status, access to markets, incomes, eating habits, and social and community networks provides the framework for designing food aid allocations (called "targeting" those who are at risk) in ways that are culturally appropriate, operationally feasible, and effective. Information on the results of a food aid program is essential to assessing performance against objectives.

Workshop participants noted the importance of having solid empirical information about the factors affecting the timeliness of food aid deliveries and the effectiveness of different types of food aid project and program designs. They also noted that time and resources for information gathering and analysis activities from the program analysis to the policy analysis level are always constrained. Further, available information on U.S. programs is not uniformly available, and information on programs funded by other donors is not always shared. Anecdotal assessments of impact, the difficulty of designing cost/benefit analyses and limited circulation of evaluations often lead different people to different conclusions, as the discussion of differing views of monetization and local purchase demonstrate. Several issues need to be considered here:

- The United States is committed to funding and managing an effective early warning system that is closely linked to its own food aid decision-making structures. Should responsibility for this system be more widely shared among donors and/or should capacity be built to enable recipient countries to "own" the information system? How can this information be integrated more effectively into decisions regarding the timing, size, and methods of food aid intervention?
- Literature on the importance of "targeting" food aid delivery to the most needy recipients illustrates the importance of using results from the many programs conducted over the years, analysis of local conditions, and assessments of need to support program and project decision-making (Coady et al, 2004; Barrett and Maxwell, 2004, Lentz and Barrett, 2006). While much information exists, work is needed to make it more accessible and distill the most useful lessons. Both policymakers and practitioners would benefit from such information.
- Less well appreciated by many is the importance of developing information and analytical approaches that can facilitate integration of food aid policy and practice into the broader contexts of food security and economic development, especially in country-level processes such as Poverty Reduction Strategy Programs (PRSPs).

## *Early Warning Systems*

For areas vulnerable to crises, early warning systems can provide information that identifies emerging crises in time to enable an effective response. Used consistently over time, such systems have highlighted variations in production and market availabilities and alerted donors and national policymakers to impending crises. However, early warnings are not always heeded (Adly, 2006). Longitudinal data generated by sustained early warning systems could be better linked with trend analysis and used to support interventions to enhance food security and reduce the need for food aid over time. In addition, externally funded early warning systems are not necessarily used by or made accessible to developing country governments so they may take greater responsibility for securing and analyzing information critical to their national food security goals.

USAID's FEWS NET provides regular updates on food availability, markets, prices, and poor populations' access to food supplies to a wide readership, including implementing organizations, other donors, and USAID. Managed by the Office of Food for Peace, FEWS NET has local operating teams in Africa, Central America, Haiti, and Afghanistan. The roughly \$9 million in annual FEWS NET funding is sourced from DA resources and is largely invisible to the congressional committees responsible for food aid resource allocations. Given its constant presence in many food aid-recipient countries for more than 20 years, FEWS NET is as much a monitoring system as an early warning tool. PVOs with food aid operations in countries where FEWS NET operations are located are also an important source of information about local trends and changes.

Since the early 1980s, USAID committed resources to continuously upgrade FEWS NET methodology and coverage. There is no question that FEWS NET data have been critical in stimulating timely responses to preserve livelihoods and save lives, helping to avoid local market distortions, and, to a more limited extent, helping to identify the vulnerable populations where food aid should be targeted.

The FEWS NET effort complements those of international organizations such as the WFP's Vulnerability Assessment Mapping (VAM) system, FAO's Global International Early Warning System (GIEWS), and USDA's monitoring of the food situation in 70 low-income, food-deficit countries. FEWS NET is working closely with WFP/VAM on the use of a livelihoods approach to analyzing vulnerability to hunger and to improve the quality of WFP's emergency assessments. Other donors are providing support, with FEWS NET, to strengthen national Vulnerability Analysis Committees. GIEWS receives multi-donor funding for its work and focuses largely on food production and availability in its Crop and Food Supply Assessments. With no specialized staff in the field, however, GIEWS does not assess cross-border markets or their impact on availability or access.<sup>42</sup> Funding for GIEWS reportedly has been tight and is somewhat linked to the UN Office for the Coordination of Humanitarian Affairs' appeals for emergency food aid funding, raising some concerns about its objectivity. USDA's monitoring systems include both an Economic Research Service effort to project food availability in 70 low-income countries and the Global Agricultural Monitoring Project, a collaboration with NASA and others that results in a global agricultural production outlook and an analysis of the conditions affecting it. Both rely on secondary and remotely sensed data; neither effort involves on-the-ground staff or input from PVOs operating in areas of vulnerability.

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<sup>42</sup> FEWS NET has more than 30 food security professionals in countries ground-truthing remotely sensed and other data, so it is able to take regional trends into account more easily.

There are other, more localized, early warning systems as well, including the Livestock Early Warning System (LEWS) and community early warning systems. In parts of the world where livestock plays an integral role in household livelihoods, LEWS, like FEWS NET, provides useful forecasts for pastoral herder societies on future conditions (with a time horizon of 30, 60, and 90 days), including rangeland forage quantity and quality, livestock conditions, and market information. These help herders and organizations supporting them to address their food security issues. Community early warning systems are encouraged by USAID's Strategic Plan in order to increase communities' resiliency and capacity to cope with natural shocks. Activities associated with such community-based systems could include preparation of an emergency plan, construction of physical infrastructure such as cyclone shelters, water retention structures, and dike improvement; and planting trees and other measures for soil and water conservation.

FEWS NET has demonstrated the importance of real-time, accurate information for timely decision-making on food aid and the utility of longitudinal datasets that allow current observations to be placed in context. FEWS NET's work on cross-border trade also has shown the importance of viewing current conditions at both regional (multinational) and sub-national levels. Recently initiated efforts by USAID to build Strategic Analysis and Knowledge Support System (SAKSS) capacity in Africa could build on the FEWS NET analytical effort to improve understanding of the underlying agricultural conditions and factors that cause production and market variability. FEWS NET's efforts to build independent food security networks could be complemented by the SAKSS process, which envisions broader institutionalization of analytical capability at the national or regional levels.

FEWS NET's and GIEWS's experience underscores the difficulties of ensuring adequate funding for an international public good, even when the importance of being prepared is recognized. To quote the conclusion of an analysis of climatic variability and economic performance in Malawi and southern Africa:

*Good quality, trustworthy data is a necessary condition for effective natural disaster risk management and all areas of public action. Strengthening and sustaining information systems as a public good in low-income countries has to be an international priority. As soon as there is evidence of an enhanced risk of an extreme event, the international community as well as SADC [Southern African Development Community] countries need to use the available information to prepare for aid policy discussions and to develop economic strategies for the countries involved (Clay et al, 2003).*

## Going Forward: Early Warning Systems

Action is critically needed to ensure integration of the current FEWS NET system with local early warning systems as well as with the actions of U.S. food aid operations.

There are opportunities to:

- Reconsider U.S. policy and practice regarding early warning systems to share costs and information more widely, while recognizing that getting the broad array of potential users to contribute to FEWSNET may not be easy.
- Improve the synergies among the many analytical efforts touching on food, agriculture, poverty, and markets to increase the quality and timeliness of information generated (e.g., WFP’s Strengthening Emergency Needs Assessment effort, further development of SAKSS, local early warning systems, and the analytical work underpinning PRSPs).
- Increase the potential for institutionalization of such capacities at the regional or national levels by more closely coordinating FEWSNET, WFP, and SAKSS efforts in this regard.

## Targeting

Although FEWS NET and other early warning systems provide considerable information to guide the programming of food aid on a geographic basis, such systems do not provide detailed enough information for *ex ante* selection of specific beneficiaries or groups of recipients for food aid. The WFP and implementing PVOs/NGOs, along with local government and community organizations, assume the principal responsibility for the so-called “targeting” of food aid resources to those defined as needy, vulnerable, or at risk.

A range of targeting approaches have been used. The provision of the type of commodities largely consumed by low-income households generally results in the neediest self-selecting themselves as recipients. When food is provided as compensation for work, the value of the commodity is generally calculated to provide a wage that will disproportionately attract the neediest workers. Strong community participation in program design builds on local knowledge of household and individual circumstances and develops a community stake in program outcomes. The linkage of food aid to the services provided through other programs, such as health care programs, provide additional information that permits targeted selection of recipients.

Analyses show that accurate targeting is critical to maximizing the impact and efficiency of food aid programs, especially when the goal is to deliver nutrients to malnourished individuals or livelihood support to the poorest and most vulnerable households (Coady et al, 2004; GAO, 2002b). To achieve such accuracy, implementing organizations must be able to identify those individuals and families for whom the food aid is most needed and include them in the program, while, at the same time, excluding the less-needy from receiving food aid (Tschirley, 2006a; Lentz and Barrett, 2006). WFP’s VAM tools are useful in targeting populations at risk and are widely used, although they are too general for use in selecting particular program participants in many cases. PVOs often conduct specific needs assessments prior to proposing non-emergency



or developmental programs, often in collaboration with local partners, to ensure socially acceptable approaches.

Coady, et al., found that efforts to target food aid to the most needy recipients using various techniques resulted in over 25 percent more resources flowing to the target group than they would have with either universal distribution or random allocation. But they also found that “a staggering 21 of the 85 programs for which we can build our performance measure—more than 25 percent—are regressive...in these cases, a random selection of beneficiaries would actually provide greater benefits to the poor” (Coady, et al., 2004: 42).

The explanation for such differences in the accuracy of targeting efforts is not clear. Differences in country characteristics—availability of official records, social policies, and cultural factors—appeared to provide part of the explanation. Choice of method (e.g., means testing, geographic targeting, self-selection with a work requirement) was also important but varied by country. Other constraints included the political economy of the recipient country, poor information, and low administrative capacity of implementing organizations.

### **Going Forward: Targeting**

The practice of effective targeting could be improved, and doing so would increase the efficiency of food aid programs, especially those in which the food aid is distributed directly to recipients. Where monetization approaches are used, the market, rather than implementing organizations, guides the benefits generated by the food itself.

Implementing organizations are exploring ways to improve needs assessments when food supplies must be delivered to selected populations or individuals and can be encouraged to do more. Funding and time constraints limit the ability of implementing organizations to implement more comprehensive techniques and to share information about successful methodologies.

Practical questions that might be further considered are:

- Do limitations on 202(e) funding pose limitations on the quality of assessments done?
- Are other sources of funds available to operational PVOs to support their work on improving targeting as part of their program design, monitoring and evaluation efforts?
- What measures might be suggested to encourage greater information sharing on targeting approaches and their outcomes?

### ***Integrated Approaches: Food Aid and Other Assistance Resources***

In 2000, the international community committed itself to the achievement of the Millennium Development Goals (MDGs). The first MDG aims at the eradication of extreme poverty and hunger: specifically, reducing by half the proportion of people living on less than a dollar a day and reducing by half the proportion of people who suffer from hunger. The second focuses on achieving universal primary education and the last on building a global partnership for development, including partnerships between public and private sectors.

The U.S. government commitment to these goals is reflected in both U.S. food aid legislation and the Foreign Assistance Act of 1961, as amended, which governs the broader

foreign aid program. However, the integration of food aid and foreign aid goals and objectives into comprehensive operational assistance programs focused on improving food security and reducing hunger and poverty is still far from the reality.

Many workshop attendees called for improved capacity to use food aid and development funds (DA, CSH, PEPFAR, etc.) together in one program plan. USAID's Food for Peace Strategic Plan calls for a "development-relief" approach in which food aid contributes to programs designed to achieve immediate impact—protecting lives and maintaining consumption levels—and longer-term impact—helping people and communities build more resilient livelihood bases (USAID, 2005b). However, food aid increasingly is serving the purpose of saving lives in crisis situations and responding to the survival needs of the chronically poor. Unless the root causes of food insecurity and hunger are addressed with developmental food aid and cash resources, the emergence of chronically poor populations dependent on annual "emergency" food aid is likely. Food aid could play a more strategic role in developing countries if it were available on a more reliable and predictable basis. In Ethiopia, for example, the Food Security Working Group considers use of both food aid and other resources.

The Food for Peace Strategic Plan also suggests that implementing organizations should seek to coordinate their Title II programs with other DA program funds, but no actions have been taken to facilitate this process. Some PVOS have been able to coordinate food aid funding with child survival or PEPFAR funding, but this remains the exception rather than the rule. Monetization programs, as they draw only on the Title II account, give implementing organizations the greatest ability to integrate food aid into grassroots development programs aimed at the causes of hunger and food insecurity and to avoid the bureaucratic barriers associated with integrating USAID mission-managed development funds. McGovern-Dole and Food for Progress resources similarly enable implementing organizations to address development objectives on a fairly independent basis. The downside risk of this approach is that factors essential to the sustainability of project results (macroeconomic policy, investments in agricultural research or public extension systems) cannot be assured.

While developing country governments increasingly are preparing national strategies around the MDGs, and the reduction of poverty in particular, it appears that few countries recognize food security as an inherent issue or articulate a strategy for using food aid as well as other development resources to reach their goals (e.g., Kite, 2004). The New Economic Partnership for Africa (NEPAD) may be changing that situation by including food security as a pillar in its Comprehensive African Agricultural Development Program (CAADP), but there is little evidence to show success to date.

A 2004 evaluation of the effectiveness of the European Commission's effort to integrate food aid and food security programs in the EU development assistance effort looked at the way that food aid and food security operations had been integrated following the 1996 decision to fund them jointly in a Food Security Budget Line (FSBL) (Madrid, et al., 2004). It then considered whether this integration had helped to bridge the gap between relief, rehabilitation, and development. An earlier evaluation found that linking relief, rehabilitation, and development was not easy "because of the complicated and chronic nature of many crises." The 2004 findings confirmed the continued difficulties in Ethiopia, Central America, and even Bangladesh. However, the team also found cases where the integration of food aid and food security into larger development efforts aimed at reducing poverty did work. In Malawi and Mozambique, for example, policies on food security have been formulated, and the FSBL was working with other donors in supporting them.

### **Going Forward: Integrating Food Aid and Development Assistance Resources**

Through the Food Aid Consultative Group, USAID, USDA and implementing organizations could:

- Identify priority areas where greater complementarity of food aid and other assistance resources would be particularly beneficial, e.g., nutritional supplementation for HIV/AIDS patients, child survival, education, and agricultural development;
- Identify and document ways in which food aid programming has been integrated successfully with other development assistance and has contributed to the achievement of the MDGs or national development goals.
- Using this information, develop mechanisms that would facilitate access to development assistance resources simultaneously with food aid resources.



## VI The Public's View

The “CNN moment” is an important factor in America’s commitment to food aid. The dramatic images of starving children on the nightly news call forth a strong humanitarian response from the public. Once the feeding programs have been established, however, public awareness fades and attention turns to the next crisis. P.L. 480 support may continue for months or even years as those children and their families struggle to recover, but little recognition is given to the importance of that continued assistance. Even less attention is given to the “hidden hunger” that affects nearly a billion people every day. Yet it is this chronic malnutrition that causes the high rates of mortality and morbidity in the developing world and limits the potential of those affected for the rest of their lives.

Polling data or other information about the public’s views of food aid is virtually non-existent. Political opinion and support for food aid funding is, rather, shaped by the most vocal voters and interest groups: those who see food aid as a potential market for their products, those who advocate for specific food aid approaches or programs, and those who have had some direct experience with the issues of international poverty and hunger.

However, more polling information is available on whether voters see global hunger and poverty as important for the U.S. as an issue and who might be in the constituency that would support food aid for reasons of reducing global hunger and poverty. That information is presented here in an effort to gauge potential interest in the future of the U.S. food aid program and opportunities for reaching out more effectively to a broader range of interest groups.

### *What Does the Public Think?*

Several surveys and focus groups organized around the issues of hunger and poverty have generated information useful in considering public opinion on these questions.<sup>43</sup>

#### **A Moral Obligation to Fight Hunger?**

How strong is the American commitment to fighting world hunger and poverty and, implicitly, to providing food aid? And how much of this commitment reflects a sense of moral obligation? The short answer seems to be “quite a lot.”

- When asked the best reason for working to reduce world hunger, 36 percent of the respondents in the 2006 Alliance to End Hunger survey said “it is the moral and right thing to

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<sup>43</sup> In early 2006, a national survey commissioned by the Alliance to End Hunger addressed both domestic and international hunger issues. The German-Marshall Fund also surveys public opinion in the United States and Europe on a periodic basis. A 2005 report on “Reconciling Trade and Poverty Reduction” provides some insight on issues related to hunger and poverty, and how assistance might best address them. The Aspen Institute’s Global Interdependence Initiative ([www.aspeninst.org/gii](http://www.aspeninst.org/gii)) summarized the results of several recent surveys and focus group discussions on issues related to humanitarian and development aid. The findings emphasize many of the themes articulated in the workshop and confirm some of the views expressed in both the Alliance to End Hunger and German-Marshall Fund surveys.

do.” A lower percentage—22 percent—emphasized that such assistance is important for the more pragmatic reason of helping people escape poverty and better their lives.

- In a 2001 survey commissioned by the Vietnam Veterans of America Foundation, 54 percent agreed with the statement: “As the world’s wealthiest nation, the United States has a moral responsibility to provide assistance to improve economic and social conditions in other nations.” However, 41 percent disagreed with this statement.
- The German Marshall Fund (GMF) 2005 survey concluded that “[c]itizens in all four countries surveyed [the United States, United Kingdom, Germany, and France] expressed a nearly universal, morally grounded, and strong belief that no one should die from hunger.” Fully 93 percent of the respondents to the GMF survey registered the view that fighting starvation is a “good reason” for fighting poverty in the developing world. A total of 94 percent of respondents felt that the desire to see that everyone has a chance to work and earn a living for themselves and their families is a good reason to fight poverty.
- The findings of the survey and focus groups on international assistance commissioned by InterAction in 2001 echo the “moral imperative” argument for supporting the hungry and poor articulated by respondents to other surveys. Nearly two-thirds of voters said the most important reason to fight hunger is that it is the “moral and right thing to do” (as reported in Aspen Institute, 2003).

### **What Is the Role of Government in Fighting Global Hunger?**

While surveys yield some information on citizens’ views regarding government’s role in fighting global hunger, information on private contributions to charitable organizations that work toward this goal indicate that Americans are not waiting for the government to do it all.

Only the Alliance to End Hunger survey addressed the organizational effectiveness question directly. It found that 48 percent of respondents thought government at some level would be most effective in fighting hunger and 43 percent preferred non-governmental organizations such as not-for-profits (24%) and religious organizations (19%) to do so.

Recent analyses by Carol Adelman and colleagues at the Hudson Institute estimate that Americans’ “private assistance” for developing countries outweighs official development assistance by a factor of three to one (Hudson Institute, 2006). This estimate includes remittances and other flows that many feel may exaggerate the comparison, but the central point, confirmed by others, is that voters can choose to sidestep perceived governmental ineffectiveness by making private contributions to international NGOs or PVOs (Oxford Analytica; Harford, et al., 2005).

Some workshop attendees see these figures as an indication of public confidence in the effectiveness of various NGOs in fighting hunger and poverty and their relative satisfaction with NGO performance when compared to governmental organizations. The Program on International Policy Attitudes survey in 2001 showed that “strong majorities see private charitable organizations as a more effective channel for aid money” (Aspen Institute, 2003).

Indeed, private giving through international NGOs has risen sharply since the 1990s. Reid and Kerlin of the Center on Nonprofits and Philanthropy estimated that in 2003, NGOs working in international development and assistance had revenues of \$15.7 billion—very close to the \$16.3 billion reported as all official development assistance from the United States. The 1,200 U.S.-registered NGOs stating that their mandate is “international relief” constituted a significant

share of the 4,125 NGOs focused on “international development and assistance” that registered continuous increases in private contributions from FY 2001 to FY 2003 (Reid and Kerlin, 2006). The study also showed that, for the international development and assistance NGOs as a group, some 20 percent of total revenues were from government grants and 70 percent were from private contributions. Fully 85 percent of the \$6.4 billion<sup>44</sup> in revenues that the international relief NGOs reported in FY 2003 were from private sources; only 13 percent was derived from government grants.<sup>45</sup>

International relief NGOs lead the group of international development and assistance NGOs in the percentage of revenues derived from private contributions (85 percent compared to an average of 71 percent).

Such facts support the notion that the American public responds quickly and generously to global hunger and disasters through private channels and may be less attentive to the way that their government works on these issues. However, Oxford Analytica (2005), looking at the larger context of humanitarian and development aid, concluded that “private aid has its limitations. For one thing, while an outpouring of charitable giving generally follows a disaster of major proportions, such as the Indian Ocean tsunami, tragedies that garner less media attention, or that follow a series of major disasters and generate “donor fatigue,” do not generate the same level of support.

U.S. donations abroad are strikingly high relative to other wealthy nations. Several cultural factors may account for this discrepancy. The Japan Fund for Global Partnership noted that the Japanese avoid seeking personal credit for charitable giving. Europeans largely view social problems as the responsibility of government, a factor that may limit direct private contributions but also explains the greater degree of support for official assistance.

The United States can be justifiably proud that its citizens give relatively liberally to overseas charities. However, the U.S. government cannot expect private assistance to promote the United States’ foreign policy objectives or foster the national interest. To achieve these goals—and to improve the U.S. image abroad—continued increases in official aid might be necessary (Oxford Analytica, 2005).

### **What Is the Role of U.S. Self-Interest in Fighting Global Hunger?**

Survey and focus group data show considerable recognition of self-interest as a motivation for providing foreign assistance. Respondents indicated some ambivalence, however, regarding the use of self-interest to justify foreign aid—especially for reducing hunger and poverty. For instance, only 13 percent of the voters surveyed for InterAction thought that the U.S. economy was the most important reason to fight hunger (Aspen Institute, 2003).

The InterAction respondents also indicated that the general American public is skeptical about messages that link preventing terrorism with foreign assistance. Seventy-three percent of the respondents to the GMF survey, however, felt that poverty contributes to the danger of war and terrorism and presents a good reason or very good reason for fighting poverty. The Vietnam Veterans of America Foundation survey in 2001 on humanitarian and development aid explored

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<sup>44</sup> Both cash and in-kind contributions (of goods, volunteer time) are included.

<sup>45</sup> By contrast, financial data from the web sites of the largest PVOs implementing Title II programs indicate a larger share of their funding comes from government grants.

public opinion on these topics in the context of the war on terrorism. The survey found that 78 percent of voters thought that “helping other people get better education, health care and democratic freedoms is a core part of ensuring future peace and stability.” But when forced to choose between foreign and domestic priorities, 47 percent believed that the U.S. government should concentrate its resources on programs that directly help American citizens.

Focus groups convened in 2004 at the request of the Open Society Institute were asked to weigh their preferences for a focus on domestic programs against support for global assistance. The results were virtually identical to those of the Vietnam Veterans of America survey. The Open Society Institute focus groups also established that different demographic groups held significantly different opinions and responded to issues differently. Experience in traveling abroad, for example, strongly affected attitudes regarding U.S. engagement in problems abroad.

Partnership workshop participants also held a variety of views on the question of appropriate goals for food aid. To many, food aid is a good way of using America’s agricultural abundance *both* to do good by helping hungry people and to support U.S. farmers and agribusinesses.

### ***A Food Aid Success Story***

The experiences in India and Bangladesh in the 1960s and early 1970s are a good example of the transitory use of food aid both to “do good” for world hunger and to provide an outlet for American surplus. These countries were major recipients of U.S. and European food aid in those years. They then seized the opportunities for agricultural transformation afforded by the new “Green Revolution” agricultural production technologies to address their domestic food shortages—with great success. Moreover, donations of nonfat dry milk and butter oil, primarily from the EU, were used in dairy processing plants in India as part of “Operation Flood,” fueling the development of a robust dairy sector that continues to provide higher incomes and standards of living for dairy cooperative members. Although both India and Bangladesh continue to receive U.S. food aid, it no longer serves as a large-scale safety net. India has accumulated substantial grain reserves. Bangladesh relies on commercial food imports (del Ninno, et al., 2005). Indeed, both countries are now exporting food to the United States, and both have begun to provide food aid support themselves.

Some experts believe that food aid flows distort global trade and thus are not in the long-term interest of the United States. To these observers, food aid provides short-term advantages to American farmers at the expense of farmers in recipient countries and, in the long run, may delay the emergence of developing countries as good markets for American exports by hampering development of their agriculture sectors—the one sector in which many developing countries have an advantage. These critics argue that food aid represents a form of “hidden dumping” and have called for more trade discipline to be imposed on food aid (Oxfam, 2005).

### **Is the Current Level of U.S. Food Assistance Appropriate?**

The United States is the world’s largest food aid donor and the world’s largest donor of development assistance in absolute terms (OECD, n.d.). The United States not only maintains a large bilateral food aid program but is the major contributor to the multinational WFP. Nevertheless, the United States is widely criticized for the amount of official assistance it provides, ranking last, in relative terms, in “official development assistance as a percentage of



GDP.” The survey and focus group data indicate that a majority (or at least a plurality) of respondents appear to be open to increased U.S. government support for efforts to reduce hunger and poverty.

- The results reported by the 2006 Alliance to End Hunger survey indicate that a growing share of the voters (up from 27 percent in 2003 to 47 percent in 2006) would like to see government spending on world hunger increase.
- The Program on International Policy Attitudes study of U.S. Public Attitudes on Foreign Aid and World Hunger conducted in 2000 found that 83 percent of respondents supported multilateral efforts to cut world hunger in half by 2015 and 75 percent said that they would be willing to pay the costs of such a program. These costs apparently were assumed to be higher than the current level of support.
- Many of the surveys found that there was little support for increasing foreign aid in general but when asked about increased spending for specific programs, such as basic education and training and health care, large numbers of respondents indicated that such programs were under-funded and that they would be willing for the government to spend more.

### **Is Food Aid Perceived To Be Fighting Hunger and Poverty Effectively?**

Although there is broad support for providing food aid when there are televised picture of hungry people, especially children, opinion polls show that people are more skeptical about the contribution of foreign aid to the reduction of hunger and poverty overall. Public polling reflects concern with aid program costs, issues of fraud and corruption, poor project design and implementation, and the relative effectiveness of one approach over another.

According to the InterAction survey, “Messaging which voters find convincing revolves around the concepts of investment and effectiveness...Increased public accountability for humanitarian and development assistance through independent audits of their finance and concrete measures of their results would give voters confidence that foreign assistance is meeting this key ‘effectiveness’ criterion” (Aspen Institute, 2003).

When respondents to the GMF survey were asked whether they thought the most effective way to help developing countries was through aid or by making it easier to trade their products on the global market, 64 percent picked the trade route over aid. German and British respondents were more strongly in favor of trade; Americans and French less so.

When respondents in The Alliance to End Hunger survey were asked “what percentage of the money spent on hunger programs in poor countries ends up in the hands of corrupt officials,” the mean response was that nearly 50 percent is wasted. On the other hand, 63 percent believed that “government programs actually make a real difference in helping hungry people.”

Information regarding public opinion on the specific use of food aid as a governmental instrument for addressing hunger and poverty, however, is virtually non-existent.

## **What Is Public Opinion on Short-Term Food Aid or Long-Term Assistance for Economic Growth?**

Echoing the old saw, “give a man a fish, feed him for a day; teach a man to fish, feed him for a lifetime,” the survey data seem to indicate a preference for aid that enables people to become economically self-reliant.

The surveys did not explore directly peoples’ willingness to trade off short-term assistance for long-term investments, but a few did attempt to gauge the importance of short-term responses to hunger (such as food aid) against support for other approaches that would reduce poverty over the longer term.

When asked how best world hunger can be addressed through foreign aid, respondents in several surveys emphasized providing assistance that would enable recipients to become more self-sufficient or self-reliant. For example, the 2001 study of U.S. Public Attitudes on Foreign Aid and World Hunger conducted by PIPA found that 73 percent of respondents favored the “idea that the U.S. should go beyond hunger alleviation to address the long-term goal of helping poor countries develop their economies.” The 2002 Worldviews survey commissioned by the Chicago Council on Foreign Relations and GMF found that 74 percent of respondents supported aid that helps the economies of needy countries.

The Foods Resource Bank’s experience in the United States is an interesting experiment in involving the public in translating a tangible short-term outcome—the production of a crop in the U.S. heartland—into a long-term program of economic growth based on improving agriculture in poor developing countries ([www.foodsresourcebank.org](http://www.foodsresourcebank.org)). While still small (with revenues of \$2 million in 2005), the growth of the Foods Resource Bank program provides evidence that Americans are likely to embrace participatory approaches in which they learn about the recipients’ needs and contribute funding to specific programs. Foods Resource Bank “growing projects” start by producing crops for sale in the U.S. market and end by providing financial and technical assistance financed by the sales to partner churches in the developing world. Farm families and their urban supporters in the growing projects have learned that their financial support for longer-term food security projects is more cost-effective than directly sending the commodity that they grow.

### **Is the American Public Adequately Informed?**

Both the PIPA survey and the Worldviews 2002 survey found that respondents vastly overestimated the amount of U.S. government funding going to foreign aid programs. For example, only 2 percent of respondents in the Worldviews survey gave an accurate estimate of 1 percent or less. When PIPA surveyors informed respondents of the current level of foreign aid funding, only 13 percent continued to state that the amount was excessive. Sixty-seven percent of The Alliance to End Hunger survey respondents approved of increasing federal funding specifically to fight global hunger and poverty.

Little information is available in these surveys or focus groups as to the public’s concrete understanding of food aid levels as compared to foreign aid levels. This remains an area for further investigation.

## *Reshaping Public Policy on Food Aid*

The persistent challenge of world hunger, indications of fairly strong public support for U.S. government action to address global hunger and poverty, and the diversity of views expressed in the workshop and other discussions regarding the benefits of introducing some change in the current program provide a clear rationale for reconsidering public policy on food aid programs. Less clear is how that process might unfold, both as part of the upcoming Farm Bill process and the ongoing effort led by the State Department to reform development assistance.

Congressional leadership on food aid is principally provided by the agriculture committees. Leadership on these committees often represent agricultural districts and are critical in shaping U.S. policy on production and resource conservation. National food assistance programs are also a major area of focus and financing for these committees. Somewhat surprisingly, there are few bridges between the domestic food assistance program concerns and the international food aid policies and programming.

Several other congressional committees share responsibility for specific areas that intersect with food aid. For example, the Ways and Means Committee addresses trade issues; the House Foreign Affairs Committee addresses both food aid and broader development assistance; and the Senate Foreign Relations Committee has responsibility for development assistance. But, with the exception of the House Foreign Affairs Committee, these committees do not share jurisdiction with the agricultural committees on food aid or the global hunger legislative process.

In the past, the Select Committee on Hunger played an important motivational role for legislative development, as agriculture committees conducted few oversight hearings on food aid. The recently established House and Senate Hunger Caucuses may have the potential to stimulate congressional action. While some members concerned with the issue of hunger are active in the Agricultural committees and sub-committees that affect food aid, the policy concerns that dominate congressional interest often seem to reflect the interests of agricultural producers and agribusiness. However, in remarks and actions, Members of Congress show that humanitarian interests are also important motivating factors.

Some of the factors that might shape legislative debate regarding food aid include the following:

- The “surplus disposal” rationale is gone, so food aid is no longer driven by government-held surpluses with no alternative use but to add them to the resources available for global development.
- Only Food for Progress is a “mandated” food aid program that receives funding without direct appropriations. Declining appropriations for Title I, however, have led to greater reliance on CCC funding for Food for Progress (Annex Table 1.4).
- As the Administration’s reorganization of foreign assistance gains steam, the Senate Foreign Relations Committee, the House Foreign Affairs Committee, and the foreign operations subcommittees of the respective appropriations committees may review food aid in the context of their oversight of foreign policy and the implementation of development assistance, economic and security assistance, and specific accounts.

## **The Impact of Changes in Administration Priorities and Approaches**

In addition to better reflecting the views of Americans concerned with global hunger and poverty, there is room for reshaping food aid policy to increase its alignment with foreign policy goals, the newly emerging approaches to providing foreign assistance, trade policy objectives, and, potentially, national security policy aimed at reducing the threat of terrorism. Some implementing organizations are concerned that such a realignment could pose problems by, for example, implying that food aid is a political tool or should be made available only to countries in which broader foreign policy interests are at stake. Others believe that food aid goals and objectives are too often lost in the constantly evolving set of development priorities and that more stability of food for development needs to be ensured.

For example, the Clinton Administration convened an interagency task force on food security in preparation for the 1996 World Food Summit and laid out an ambitious agenda for U.S. action on both domestic and international hunger and food security. The Bush Administration revitalized this inter-agency effort to participate in the “World Food Summit: Five Years Later” that was held in 2002. However, this task force has not been maintained.

The separation of legislative authority for food aid and foreign aid has given rise to a practice in the Administration of treating food aid, especially non-emergency food aid, as an *additional* resource for development—a complement to the financial and technical resources provided through other foreign aid programs. There are many reasons to rethink this approach, especially in countries where food aid resources dominate other development assistance funding aimed at food security, and food aid-resourced projects could play a more strategic role in achieving development goals. If commodity markets are working reasonably well, however, there is no inherent advantage to converting food aid into cash (through monetization) for use in agriculture, infrastructure, or health projects, and greater allocations of development assistance for those projects might be a more efficient alternative.

On the Administration side, responsibilities for U.S. food aid are split among departments and agencies in ways that contribute to divergent food aid policies and programs. For example, jurisdiction for the implementation of food aid programs was split by the 1990 Farm Bill between USDA and USAID. Coordination between USAID and USDA on the amounts and types of commodities provided was required, but the law intentionally eliminated the interagency working group as it was believed to interfere in program approvals and lacked transparency. USDA has authority for Title I, Food for Progress, Section 416, the BEHT, and the McGovern–Dole International Food for Education and Child Nutrition program. USAID has authority for Title II (Food for Peace), Title III, and Title V (Farmer-to-Farmer). The presidential budget for USDA, however, contains all food aid funding requests; USDA has the Administration’s lead on budget discussions, except for Title II. The Food Assistance Policy Council facilitates consultation, but its role is not well defined and its operations are not sufficiently transparent to the implementing community.

Furthermore, the liaison to international food security coordinating or implementing mechanisms is handled by different departments and agencies. An ambassador is named through the State Department (with the advice and consent of the Senate) to the cluster of organizations dealing with food and agriculture in Rome (FAO, WFP, and the International Fund for Agricultural Development [IFAD]). Both USAID and USDA have staff in Rome specifically designated to support this work. The State Department is the official representative to the FAO CSSD but coordinates closely with USDA. USAID is now taking the lead with regard to the WFP and the Food Aid Convention. The Treasury Department provides oversight to both IFAD

and the World Bank. The State Department, USDA, and USAID participate in meetings of all international organizations related to food aid, including the G-8 meetings, which are formally led by the White House. As a result of these responsibilities being held by so many agencies, consistent messaging in the international community with regard to U.S. policy on hunger, poverty, food security, and related topics (agriculture, trade, etc.) is difficult to achieve.

Moreover, jurisdiction for the implementation of food aid programs is further divided within USAID, with different bureaus managing various elements of the program. For instance, while the Office of Food for Peace in the Bureau for Democracy, Conflict, and Humanitarian Affairs (DCHA) has primary responsibility for implementing the food aid program, the Office of Agriculture in the Bureau for Economic Growth, Agriculture, and Trade manages the Farmer-to-Farmer Program as part of a broader portfolio of programs (funded with DA resources) to address agriculture and food security globally. USAID mission leadership at the country level must coordinate resource planning with the Washington-headquartered Office of Food for Peace. At the same time, USAID's country-based missions, supported by the Washington-based regional bureaus, are largely responsible for all assistance programming related to economic growth, agriculture, trade, health, and education at the country level. Funding resources are largely channeled through regional bureaus (Africa, Asia/Near East, Eastern Europe and Eurasia, Latin America and the Caribbean). The Bureau for Democracy, Conflict, and Humanitarian Affairs/Food for Peace, on the other hand, assumes responsibility for central programming of food aid resources. While these varied jurisdictions allow USAID to respond more flexibly to emerging needs and fulfill other roles, it does not facilitate the integration of food aid programming with country-focused development assistance priorities. Now, though, the trend seems to be shifting toward greater central control of all foreign assistance resources and some programs are allocated separately from the USAID mission country strategy process.

The somewhat confusing, constantly evolving organizational structures for foreign aid provide both challenges and opportunities for adjusting food aid policies and programs. The establishment of the President's Emergency Program for AIDS Relief (PEPFAR) in the State Department and the Millennium Challenge Corporation as a semi-independent entity further complicate the jurisdictional issues associated with food aid. Implementing PVOs have noted, for example, that nutrient supplementation is a valuable complement to the anti-retroviral treatments offered by PEPFAR, but there is no clear mechanism in most countries to link food aid support with PEPFAR initiatives. The Millennium Challenge Corporation, similarly, is transferring U.S. budget resources to countries (such as Cape Verde) that are major food aid recipients, with little recognition of or coordination with these flows. Finally, while the Department of Defense often has played a role in international disaster response, it is increasingly intervening in conflict and post-conflict situations and areas with weak governments. Coordination of its relief or risk-reduction efforts requires Bureau for Democracy, Conflict, and Humanitarian Affairs leadership.

## Going Forward: Public Policy on Food Aid

The survey data, as well as available information on private international giving, support the view that the American people are aware of world hunger, think it is growing, and feel it is an important issue for U.S. attention. The strongest motivation for fighting global poverty and hunger seems to be the moral obligation of Americans to help those in need. The one survey that mentioned food aid as a means of international assistance received a high positive response (84%) to in-kind assistance. This suggests that to the American public, food aid is likely to be seen as an appropriately compassionate response to world hunger.

The level of direct support for organizations that pursue international development and assistance, including international relief, indicates the strength of American generosity and concern. Opinions also seem to support greater government funding although there is concern over corruption or misuse of foreign aid and misunderstandings about how the programs operate.

The surveys reviewed show that several themes related to foreign aid in general (and hunger specifically) resonate positively with the public and could guide the formation of public policy:

- **Focusing on optimism.** The Alliance to End Hunger survey found that “it’s possible to significantly reduce hunger over the next decade” resonated across partisan and demographic lines. The Open Society survey found “significant support for a foreign policy agenda that focuses on hope rather than fear.”
- **Developing realistic expectations for success.** There is little consensus that assistance (including efforts to address hunger and poverty) will be effective in preventing conflict and fighting against terrorism. In the international arena, however, a plurality of voters (38 percent) said the most effective way to fight hunger in other countries was to “help farmers in poor countries produce more food.”
- **Addressing concerns with waste and inefficiency.** The Alliance to End Hunger survey respondents strongly endorsed the statement: “It is our moral obligation to try and help those who are in need now while addressing the issues of mismanagement and wasteful spending at the same time.”

Additional polling, focused more specifically on food aid, its relationship to other kinds of foreign aid, and the roles of both public- and private-sector organizations in managing food aid, could be useful for developing messages that would build more vocal support for global food aid. Further exploration of public opinion on the relationship between private international charitable contributions and the role that the U.S. government plays in leading the global response to hunger and poverty also would be useful.

Developing a more coherent policy on international food aid could help to better integrate the disparate resource flows provided by the U.S. government to fight global hunger and poverty. Expanded public support for such a policy could help to focus efforts in both Congress and the administration to resolve the issues that now hamper program effectiveness.

## VII

# **Beyond PL480: Complementary Resources and Other Areas of Collaboration**

Some issues have moved beyond the food aid community and into the larger arena of foreign policy as development has been highlighted as one of the “three D’s” of national security policy (defense and diplomacy are the others). Other issues may require reconsideration of the role of the United States in global organizations and forums concerned with issues of global hunger and poverty.

### *Greater Intragovernmental Consultation*

As noted, the U.S. government divides responsibility for food aid and food security programs among several departments and agencies in ways that do not encourage close collaboration in planning or implementing projects in recipient countries. Thus, USDA provides food aid as meals and take-home rations for school children, but these programs are not necessarily in countries where USAID is focused on improving basic education. Rather, proposals from implementing organizations are to identify how education is part of the recipient country’s strategic planning, often laid out in the PRSP and supported by other donors. Thus USDA food aid may support recipient country strategies where USAID cannot. Title II funds go toward “emergency” assistance programs in some countries year after year, while PVO non-emergency Title II programs that could integrate these food aid flows into more targeted developmental aid for agricultural development and vulnerable groups in those same or other countries are constrained for lack of funding. Development assistance funds for agriculture or economic growth are so limited as to provide little contribution towards those countries’ prospects for escaping the poverty trap.

Several ideas for improving coordination among and within agencies and the overall coherence and impact of food aid include:

- Revitalizing efforts launched for U.S. representation at the 1996 World Food Summit and the 2002 follow-up summit to refocus on hunger and its causes across the Administration’s operations;
- Launching new efforts to bring the Department of Defense into the dialogue in recognition of the role that conflict plays in creating food emergencies and that food security can play in reducing the potential for conflict;
- Reallocating additional food aid policy and management responsibilities (e.g., the BEHT) to USAID; and
- Using the reorganization of the State Department and USAID under the newly created Director of Foreign Assistance to rethink ways in which food aid and other foreign assistance (DA, CSH, PEPFAR, and the Millennium Challenge Corporation) can be more effectively integrated and managed.

Any changes in direction will require leadership at senior levels in all organizations. While there is scope for better intragovernmental coordination at the operational levels, better integration of food aid resources with other foreign aid resources and improved coordination of the different kinds of food aid resources and efforts to improve food security are likely to be the result of consistent, high-level leadership.

### ***U.S. Government Collaboration with Implementing Organizations***

USAID and USDA are responsible for administering different food aid programs, although USDA's Farm Service Agency procures the commodities for both USAID and USDA programs (except Title I loans, where the country tenders for the commodities). Implementing organizations (PVOs, cooperatives, WFP, and recipient country governments) arrange the shipping and are responsible for the commodity once it crosses the ship's tackle. Implementing organizations also plan and carry out the programs on the ground. The U.S. agribusiness community provides the commodities to the program in response to competitive tenders. The U.S.-flag carriers load commodities at U.S. ports and transport them to ports in Europe, Africa, Asia, and Latin America. Each player in the food aid system recognizes the importance of what they do in addressing the problems of global hunger and poverty.

Each player also realizes that there are ways in which collaboration and communication could be improved. The quarterly Food Aid Consultative Group (FACG) meeting is one mechanism for promoting closer working relationships and general sharing of ideas. But the workshop discussions surfaced different organizational perspectives that need attention. The major issues and some of the reasons underlying them include the following:

- Unilateral decision-making on the part of USAID and USDA, with insufficient transparency regarding the decision-making process.
  - USAID's decision to restrict Title II funding to 15 selected priority countries has generated considerable debate. While there is some agreement with the principle of focusing limited budget resources, many believe that the criteria for deciding priority countries were not adequately discussed and the outcome of the selection process will not result in an effective Title II program. PVOs will have to close longstanding program operations in non-priority countries even though they believe that they are meeting the significant needs of targeted populations.
  - USDA's and USAID's development of the new Internet-based, one-step ordering process for both commodity and carrier services was seen by some as an advance in collaborative design and by others as representing too little collaboration.
- More effective multilateral collaboration. There are no countries in which the U.S. is the only food aid donor. Although the U.S. dominates in the provision of in-kind assistance in many countries, there are opportunities in an increasing number of cases for productive collaboration with other donors in more complex programs to address issues of chronic hunger and food insecurity. Although organizational complexities within both the food aid and development assistance systems make it difficult to seize these opportunities, lessons might be gleaned from ongoing collaborations, such as the following:



- The multilateral Productive Safety Nets Program in Ethiopia, in which Title II resources complement the financial resources provided by other donors and the Government of Ethiopia within a common program framework.
- The FEWS NET collaboration with the WFP's VAM efforts, a collaboration that involves no food, but could have a significant impact on efforts to improve food security.
- The President's Initiative to End Hunger in Africa (IEHA), which attempts to combine both food aid and non-food aid resources through partnerships with other donors and individual countries in Africa as well as with the New Partnership for Africa's Development (NEPAD).
- Broad participation of PVOs, vendors, and carriers in the implementation of food aid programs.
  - There are relatively few participants in each area of food aid operations. Some perceive any collaboration among these organizations as collusion; others suggest that a collaborative approach is the only way to ensure efficient operations.
  - The number of agribusiness companies providing vegetable oil is very limited because it is hard to attract companies into the business. The product specifications are unique to food aid and are not sold commercially. The amount procured has been decreasing as the U.S. turns to less expensive and bulk products and reduces developmental food aid.
  - The U.S.-flag container carrier industry involves only three firms, each of which has specialized in certain routes, thus limiting the bids for food aid cargoes going to certain ports.
  - While USDA invites a wide range of PVOs and cooperatives to participate in its food aid programs, the budgets are relatively small compared to levels of funding (e.g., for FY 2007, 80 proposals totaling \$850 million were presented for a McGovern-Dole food for education budget of \$100 million).
- Inadequate attention to the costs as well as the benefits of various approaches.
  - Better targeting is critical to cost-effectiveness, but this is an area that has proven to be very difficult to address.
  - Benefits, including those that accrue to the United States, need to be more accurately assessed as a way of raising public support.
  - Comparing costs and benefits is not easy. The U.S.-flag shipping requirements involve somewhat higher financial costs for per metric ton of food aid delivered and program costs in terms of the reduction of people served, but the primary benefits are measured in a totally unrelated sector: maritime security.
- Inadequate information sharing and a lack of solid data to support positions.
  - Given the often urgent nature of food aid deliveries, collecting, analyzing, and sharing data on a real-time basis is difficult. But such information is critical, especially for crisis prevention and improving performance and future program planning.
  - It is difficult to translate available information (e.g., on the emerging food crisis in Niger) into action. A variety of factors contribute to this difficulty: bureaucratic inertia, conflicting data, and lead times needed to mobilize logistics.
  - Funding the kinds of databases that would facilitate detailed analysis of markets, food needs, and impact presents difficulties.

## *Food Aid and the WTO*

The collapse of the Doha Development Round in July 2006 was attributed to the inability of the global community to agree on how agricultural and market access issues should be addressed. Resolution of the issues surrounding food aid, included in the communiqué from the Hong Kong Ministerial in December 2005, has also been suspended within the context of the WTO. This provides an opportunity for food aid donors to pursue discussions elsewhere.

The U.S. Doha position strongly argued that food aid should be exempt from trade disciplines, that is, rules that would govern flows of food aid. In part, this position reflects food aid's small share of worldwide commodity flows, but it also reflects the strong commitment of the United States to providing food aid to hungry people as a moral obligation.

The EU pushed hard in the Doha talks for limiting food aid in parallel with the phase-out of commercial export subsidies by 2013. Instead, Ministers agreed that so-called *bona fide* emergency food aid would be protected from further disciplines and the treatment of other food aid would be decided later.

Some concerns informally expressed by the workshop participants regarding some of the proposals associated with the Doha talks include the following:

- Monetization would be banned as a food aid tool because it implies displacement of commercial sales.
- Bureaucratic obstacles would surround the definition of “emergency” food aid that would be placed in the “safe box.”
- The European approach to food aid—bundling food aid into the food security budget of the European Union and providing it to implementing organizations as cash rather than in-kind—would be forced on the United States.
- Total support for food aid in the United States would decline.

Generating a broader international consensus on food aid approaches is now an option that can be pursued and can include:

- Working through the OECD and the WFP to agree on measures that could improve donor efforts to use in-kind food aid effectively, including the development of monitoring and assessment tools that would be implemented jointly with recipient countries. (Building on the assessment methods and approaches used by implementing organizations would help to ensure that these tools have broad support and recognition.)
- Studying innovative programs, such as the Productive Safety Net Program in Ethiopia as well as other approaches that integrate agriculture and food system development and community-based safety nets, to better understand the possibilities for using multi-year food aid to address the needs of highly vulnerable populations.
- Collaboration with the food security program of the New Partnership for African Development to mobilize more African partners in proactive planning for effective uses of

food aid and in building sustainable food security policies, as well as other kinds of assistance.

### ***The Food Aid Convention, the CSSD, and the WFP***

The Food Aid Convention (FAC) has traditionally provided an important venue for the United States to collaborate with other food aid donors, with the expected outcome a joint commitment to providing a minimum number of tons of food aid. Historically, the minimum annual commitments of donor countries have been well below the actual amounts delivered, so many participants have questioned the utility of the convention. However, it also sets the terms and conditions for food aid that can be counted against the commitments. Under the Uruguay Round Agreement on Agriculture (URAA), food aid provided on terms permitted under the FAC is considered “bona fide” and is not subject to limitations placed on agricultural export subsidies. In its 1996 policy shift, the European Union moved away from food aid tonnage commitments altogether by establishing a Food Security Budget Line (FSBL), undermining the Food Aid Convention’s utility.

Another mechanism for monitoring flows of food aid is located at the FAO. The CSSD was established to provide oversight on volumes of food aid voluntarily reported by donating countries. Reporting is required in advance for certain food aid transactions but not for emergencies. However, reporting is sporadic, and the mechanism for determining whether the food aid transaction will interfere with usual levels of commercial imports is controversial. FAO has taken several steps to look at possibilities for redefining the CSSD in the context of the WTO discussions on new disciplines for food aid. A January 2005 proposal outlines several areas for possible action (Konandreas, 2005). Some of the suggestions (e.g., replacing the “usual marketing requirements” concept with the “commercial import requirement” idea, renaming the body to avoid the “surplus disposal” notion) already have gained some currency in multilateral forums.

The U.N. World Food Program is an operational organization that receives commodities and funds from donors, primarily governments, and uses them in food aid programs approved by its governing board. WFP identifies emergency food needs and appeals for the resources it estimates are needed based on assessments. WFP also conducts non-emergency programs, although contributions to those activities have decreased over the past decade. WFP programs are conducted in partnership with recipient country governments and NGOs. Most of the global food aid donors rely on its database, Interfais, for accurate information on food aid flows and funding. WFP manages a large portion of the international food aid program by dint of major contributions from large donors, including the United States, which channeled between a third and a half of its annual food aid resources through the organization between 2001 and 2005, and accounted for 55 percent of total WFP resources (WFP, 2006). WFP has a staff presence in most developing countries likely to require emergency flows of food aid.

In some circles, there is concern that the United States has become too dominant in the WFP, or, conversely, that the WFP is too reliant on the U.S. for both resources and leadership. The issue might more fairly be whether WFP is successfully playing its role as an international organization capable of brokering among various interests—food aid recipients and donors alike. On this score, there seems to be considerable satisfaction with WFP’s track record in bringing new donors to the table and using donors’ cash and food resources in appropriately complementary ways. WFP points to its recent successes in bringing new donors, including some

who received food aid in the past, to the table as evidence of its strength as an international organization serving the needs of both donors and recipient countries.

Other multilateral organizations, too, have mandates which intersect with the issues of food aid and food security, among them the World Health Organization, UNICEF, UNHCR (the U.N. Refugee Agency), the International Fund for Agricultural Development, and the U.N. Office for Coordination of Humanitarian Affairs. When concerned continental organizations such as the African Union's New Partnership for Africa's Development (NEPAD) are also taken into account, it is evident that forging new collaborative mechanisms will be a complex undertaking.

### **Going Forward: The U.S. Government Role in International Food Aid**

As the dominant provider of food aid, the U.S. government and its implementing partners play a leadership role in the global food aid arena. Further increasing the levels and predictability of food aid supplied through U.S. government food aid programs is an objective that workshop participants endorsed and are prepared to support.

The United States cannot act alone, however. Other donors have decreased their food aid commitments, and new donors have not made up the loss. It may be appropriate and useful to consider this changing environment for global food aid in one or more of the many venues for consultation and debate: the Food Aid Convention, the WFP Governing Council, OECD forums, and FAO.

It may also be useful for the U.S. and other donors to seek ways to include more fully the recipient countries' governments and NGO sectors in these discussions. Increased national "ownership" of poverty-reduction strategies, increased regional attention to food security issues in sub-Saharan Africa, and the greater focus on building trade capacity that has accompanied the Doha negotiations have raised recipient countries' interest in the effective use of food aid for increasing food security and protecting the vulnerable in their societies.

## VIII

# Going Forward: Continuing the Dialogue

After more than 50 years of experience as the nation leading in the provision of international food aid, the United States now faces the challenge of defining its role in food aid for the coming decades.

The process might usefully start from the common ground articulated by both the food aid and broader development communities. This common ground includes:

- *A shared commitment*
  - The dominant goal of the U.S. food aid program is—and must be—the reduction of hunger and poverty.
  - American contributions to international programs must be preserved and enhanced.
- *The perception of major problems*
  - Current resource levels are inadequate to the needs.
  - Increased stability and predictability of resources is desirable.
- *And agreement that there are some opportunities for beneficial change*
  - New program approaches could increase effectiveness, e.g., better tailoring of rations to reduce malnutrition and greater use of food aid in multiyear programs to address underlying causes of food insecurity.

Discussions at the March 2006 workshop hosted by the Partnership to Cut Hunger and Poverty in Africa revealed, however, that there was little agreement on how the major problems could be addressed, whether any legislative action (as in the Farm Bill) was needed to accelerate beneficial changes, and, perhaps most important, whether the U.S. food aid program could even be sustained as it is—let alone enhanced.

The Partnership agreed to help continue the dialogue by preparing a paper that would objectively explore the issues on which there was a marked divergence of views at the workshop. The aim was to flesh out the major issues and seek out evidence that would support one view or another; suggest potential areas for collaborative action; and indicate the need for further analysis and debate.

The paper was organized around four big questions emerging from the March 2006 workshop discussions. The key findings are summarized below.

### **Question 1. Are food aid policy goals, objectives and funding levels appropriate to the needs and opportunities associated with food aid?**

- Current goals and objectives are ambitious. They include much more than reducing global hunger and poverty and increasing food security.
- U.S. food aid programs are not fully achieving these goals and objectives. Declining food aid funding plays a role, but so do the way in which the goals and objectives are defined, prioritized, and monitored, the lack of integration of food aid programs with complementary resources that could improve food security conditions in the food aid-

- recipient countries, and the increasing emphasis on emergency response in food aid programming.
- Going Forward: Policy, legislation, and funding levels
    - Establish an expanded database for ongoing analysis
    - Seek greater legislative clarity regarding the program's goals, objectives and requirements
    - Integrate food aid with other assistance resources
    - Foster greater leadership from the developing countries themselves

**Question 2. Is the food aid toolkit well-suited to the challenge of reducing hunger and poverty?**

- The U.S. uses a range of food aid tools. Many work well and are being improved while others do not work as well as intended. New tools are available or being developed and tested. They merit broader consideration.
- The ability of implementing organizations to work effectively is key. Currently, there are many issues that hamper such efforts: funding constraints (stability and predictability); frequent changes in U.S. Government strategy; the difficulties in finding and retaining capable staff and putting into place efficient logistics support systems; flexibility; access to private contributions; and the availability of partners to address complex needs, especially recipient country partners.
- Going Forward: Updating the food aid toolkit
  - Explore options for improving current commodity procurement and delivery monitoring systems
  - Make legislative and policy changes to improve the response capability of the Bill Emerson Humanitarian Trust
  - Add local/regional purchase to the U.S. toolkit (initially on a pilot basis)
  - Explore options for increasing implementing organizations' access to cash for development programs and reduce their dependence on monetization
  - Expand the list of commodities eligible for food aid, especially to respond to opportunities to improve nutrition for target groups
  - Explore and test new tools for risk management (U.S. Government, implementing organizations, and recipient countries)
  - Explore options for stabilizing funding for multiyear programs

**Question 3. Is information being used effectively to increase the impact of food aid and to avoid potential negative outcomes?**

- There is significant room for improvement, both in the collection and analysis of information and in its utilization.
- Going Forward: Using information to improve impact and efficiency
  - Integrate FEWS NET with local early warning systems and other U.S. food aid operations
  - Increase funding and program incentives to improve food aid targeting methods and practice

**Question 4. Does the American public understand and endorse the need for more efforts to address global hunger and poverty?**

- The public believes that the U.S. has a moral obligation to help improve the economic and social conditions in other nations, and is open to increasing U.S. Government efforts to reduce global hunger and poverty.
- Americans in general have little knowledge about how global and U.S. food aid and development programs actually work. This limits the extent to which the broader public can effectively support increased levels of funding or policy/program changes to improve the effectiveness of food aid and development programs.
- There is general concern with aid program costs, fraud and corruption, and poor project implementation
- Policymakers' response to these concerns is hampered by jurisdictional separation of congressional responsibilities for food aid and for foreign assistance more broadly; strong political interests advocating for specific programs and approaches; and fragmented policy and organizational structures in the administration of food aid and development assistance.
- Going Forward: Public opinion and public policy
  - Significantly expand outreach and education efforts through the media and non-profit channels to increase the American public's understanding of the critical role played by U.S. food aid and the importance of linking food aid with longer-term efforts to combat hunger and poverty
  - Improve collaboration and communication among U.S. Government agencies and with the broader domestic and international food aid community to make food aid a more effective and integral part of overall U.S. efforts to address hunger and poverty

In conclusion, the Partnership to Cut Hunger and Poverty in Africa hopes that this report may serve as an important reference for individuals and organizations working separately and in collaboration to define the future U.S. role in food aid. The Partnership will remain engaged in this important dialogue, which will continue in many venues, including the 2007 Farm Bill discussions but also well beyond, as issues and options related to legislative change, policy reform, and innovations in program design and management are considered.





## **Annex 1: Tables**

### Annex Table 1.1

Value of U.S. food aid, 1946-2004, by program and region  
(millions of current USD)

	All Countries	Middle East and North Africa	Sub-Saharan Africa	Latin America and the Caribbean	Asia	Oceania	Eurasia	Eastern Europe	Western Europe	Rest of World, not specified
<b>TOTAL FOOD AID, ALL PROGRAMS</b>										
Post-War Relief Period, 1946-48	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marshall Plan Period, 1949-52	83.2	25.5	0.1	0.1	3.1	0.0	0.0	24.8	29.6	0.0
Mutual Security Act Period, 1953-61	6,415.0	802.2	30.0	591.3	2,812.5	0.1	0.0	611.5	1,411.7	155.7
Foreign Assistance Act Periods, Total	67,166.1	8,790.1	14,510.7	8,984.7	23,402.5	4.9	4,633.8	2,151.1	980.4	3,707.9
1962-2000	59,034.0	8,301.6	10,358.5	8,022.0	21,539.4	4.9	4,184.5	1,979.4	980.4	3,663.2
2001	2,058.8	120.0	752.1	268.5	614.0	0.0	183.9	120.3	0.0	0.0
2002	1,360.8	6.6	593.8	168.4	497.2	0.0	60.3	15.1	0.0	19.3
2003	2,578.8	273.4	1,505.8	263.5	395.3	0.0	107.9	22.8	0.0	10.1
2004	2,133.7	88.4	1,300.5	262.3	356.7	0.0	97.1	13.5	0.0	15.2
Total Loans and Grants, 1946-2004	73,664.3	9,617.8	14,504.8	9,576.1	26,218.1	0.0	4,633.8	2,787.4	2,421.8	3,863.6
Of which: Loans, 1946-2004	28,184.8	6,335.4	2,257.7	3,951.5	11,982.2	0.0	1,594.5	994.8	1,068.7	0.0
<b>TITLE II</b>										
Post-War Relief Period, 1946-48	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marshall Plan Period, 1949-52	83.2	25.5	0.1	0.1	3.1	0.0	0.0	24.8	29.6	0.0
Mutual Security Act Period, 1953-61	2,548.6	457.1	30.0	188.1	714.4	0.1	0.0	216.7	786.4	155.8
Foreign Assistance Act Periods, Total	30,238.1	2,139.4	10,556.3	4,104.1	8,460.2	2.8	140.2	826.6	327.9	3,680.5
1962-2000	24,772.1	1,928.3	6,835.4	3,591.0	7,576.2	2.8	33.6	790.9	327.9	3,635.9
2001	887.2	0.9	507.9	120.4	198.0	0.0	26.0	34.0	0.0	0.0
2002	1,051.6	6.6	562.5	127.5	304.4	0.0	29.6	1.7	0.0	19.3
2003	1,978.4	194.9	1,410.7	150.1	184.5	0.0	28.1	0.0	0.0	10.1
2004	1,598.8	8.7	1,239.8	115.2	197.1	0.0	22.9	0.0	0.0	15.2
Total Loans and Grants, 1946-2004	32,869.9	2,622.0	10,566.3	4,292.3	9,177.7	2.9	140.2	1,068.1	1,144.0	3,836.3
Source: USAID. <a href="http://qesdb.usaid.gov">http://qesdb.usaid.gov</a>										

**Annex Table 1.2**  
**Value of U.S. food aid, 1946-2004, by program and region, 2004 USD**  
(millions of constant 2004 USD)

	All Countries	Middle East and North Africa	Sub-Saharan Africa	Latin America and the Caribbean	Asia	Oceania	Eurasia	Eastern Europe	Western Europe	Rest of World, not specified
<b>TOTAL FOOD AID</b>										
Post-War Relief Period, 1946-48	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marshall Plan Period, 1949-52	502.7	154.1	0.6	0.6	18.7	0.0	0.0	149.8	178.8	0.0
Mutual Security Act Period, 1953-61	34,361.3	4,224.5	154.0	3,179.3	14,951.7	0.6	0.0	3,324.6	7,693.3	833.0
Foreign Assistance Act Periods, Total	146,282.7	21,399.4	21,139.4	17,841.0	64,061.6	14.0	5,337.4	4,805.7	3,854.6	7,829.6
1962-2000	137,361.7	20,893.3	16,891.2	16,851.2	62,136.3	14.0	4,873.1	4,626.0	3,854.6	7,784.0
2001	2,177.3	126.9	795.3	284.0	649.3	0.0	194.5	127.2	0.0	0.0
2002	1,412.9	6.9	616.5	174.9	516.2	0.0	62.6	15.7	0.0	20.0
2003	2,630.1	278.9	1,535.7	268.7	403.2	0.0	110.1	23.2	0.0	10.3
2004	2,133.7	88.4	130.5	262.3	356.7	0.0	97.1	13.5	0.0	15.2
Total Loans and Grants, 1946-2004	181,146.7	25,777.9	21,294.0	21,021.0	79,032.1	14.6	5,337.4	8,280.1	11,726.8	8,662.9
<b>TITLE I</b>										
Post-War Relief Period, 1946-48	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marshall Plan Period, 1949-52	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mutual Security Act Period, 1953-61	20,608.0	1,814.6	0.0	2,165.3	11,097.7	0.0	0.0	2,139.6	3,383.2	9.4
Foreign Assistance Act Periods, Total	77,720.5	14,018.4	4,662.9	7,802.3	43,450.4	0.0	2,696.0	2,822.0	2,268.6	0.0
1962-2000	76,777.0	13,901.9	4,557.6	7,661.3	42,973.2	0.0	2,608.3	2,806.0	2,268.6	0.0
2001	283.4	10.6	29.3	44.9	133.7	0.0	48.8	16.1	0.0	0.0
2002	194.5	0.0	10.4	37.7	125.6	0.0	20.8	0.0	0.0	0.0
2003	249.7	47.9	43.4	21.9	136.5	0.0	0.0	0.0	0.0	0.0
2004	216.1	57.9	22.2	36.5	81.4	0.0	18.1	0.0	0.0	0.0
Total Loans and Grants, 1946-2004	98,330.3	15,833.0	4,662.9	9,967.6	54,548.1	0.0	2,696.0	4,961.6	5,651.8	9.4
<b>TITLE II</b>										
Post-War Relief Period, 1946-48	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marshall Plan Period, 1949-52	502.7	154.1	0.6	0.6	18.7	0.0	0.0	149.8	178.8	0.0
Mutual Security Act Period, 1953-61	13,751.5	2,409.9	154.0	1,014.0	3,854.0	0.6	0.0	1,185.0	4,310.2	823.9
Foreign Assistance Act Periods, Total	59,596.5	6,775.8	14,635.4	8,702.4	18,557.1	11.2	37.2	1,465.7	1,504.5	7,797.5
1962-2000	53,949.8	6,560.6	10,835.7	8,174.5	17,646.3	11.2	147.1	1,427.9	1,504.5	7,751.9
2001	983.3	1.0	537.1	127.3	209.4	0.0	37.2	35.9	0.0	0.0
2002	1,091.9	6.9	584.0	132.4	316.0	0.0	27.5	1.8	0.0	20.0
2003	2,017.7	198.7	1,436.8	153.0	188.2	0.0	30.8	0.0	0.0	10.3
2004	1,598.8	8.7	1,239.8	115.2	197.1	0.0	28.6	0.0	0.0	15.2
Total Loans and Grants, 1946-2004	73,850.7	9,339.7	14,790.0	9,717.0	22,429.8	11.8	22.9	2,800.5	5,993.5	8,621.4

**Annex Table 1.3**  
**Quantity of U.S. food aid, 1999-2005, by program, title and region**  
('000 metric tons)

	1999	2000	2001	2002	2003	2004	2005
<b>TOTAL FOOD AID PROGRAM</b>							
PL 480	11,835.09	7,891.97	6,362.62	4,669.83	4,558.70	3,717.80	4,233.00
Title I	2,674.25	1,250.96	753.20	504.18	252.50	229.20	126.00
Title II	2,582.39	1,615.03	1,515.75	1,246.41	1,604.60	1,307.50	1,343.80
Title II/WFP	147.61	637.97	618.26	991.85	1,618.90	1,383.30	2,077.10
Title III	152.00	0.00	0.00	0.00	0.00	0.00	0.00
Regular	4,332.20	2,915.98	1,136.43	758.15	212.60	76.50	37.00
WFP	1,497.30	1,059.02	1,415.62	609.95	37.00	4.70	0.00
Food for Progress	302.66	267.56	310.52	0.00	321.00	354.70	204.80
Sec. 416(b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CCC purchase	146.67	145.45	125.75	285.42	381.60	295.70	340.30
Reg& WFP	0.00	0.00	487.09	273.86	130.50	66.20	104.10
<b>Africa</b>							
Total	876.10	1,900.17	1,966.81	1,553.87	2,429.20	2,102.20	2,977.40
PL 480	83.57	24.74	82.00	52.83	0.00	0.00	0.00
Title I	410.80	662.27	695.44	545.66	1,000.50	886.80	945.00
Title II	58.82	279.43	373.99	524.39	1,218.30	1,081.10	1,833.00
Title II/WFP	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Title III	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regular	88.38	167.70	25.00	38.73	32.40	0.80	0.50
WFP	191.54	742.02	608.77	284.98	0.90	0.70	0.00
Food for Progress	0.00	0.00	42.17	0.00	98.30	72.70	49.50
Sec. 416(b)	0.00	0.00	111.92	0.00	0.00	0.00	0.00
CCC purchase	42.99	24.00	23.80	38.10	40.30	27.30	116.00
both PVO.WFP	0.00	0.00	3.72	69.18	38.60	32.70	33.40
<b>Asia and the Middle East</b>							
Total	3,603.02	2,034.61	2,505.95	1,529.80	743.30	637.50	605.50
PL 480	440.36	283.35	479.80	285.85	117.80	58.20	63.50
Title I	251.07	358.24	484.76	272.77	257.30	158.20	105.40
Title II	60.79	298.02	118.26	370.19	137.70	239.20	186.70
Title II/WFP	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Title III	1,576.50	815.00	622.50	185.76	45.20	24.90	24.80
Regular	1,264.30	280.00	667.90	290.80	9.20	4.00	0.00
WFP	0.00	0.00	35.50	0.00	67.20	49.00	54.30
Food for Progress	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sec. 416(b)	10.00	0.00	12.00	45.30	72.70	101.00	134.80
CCC purchase	0.00	0.00	85.86	79.13	36.50	2.90	24.40
Food for Education	157.83	259.69	348.49	94.67	98.80	22.80	7.10
<b>Europe</b>							
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PL 480	28.34	77.50	0.00	0.00	0.00	0.00	0.00
Title I	0.00	19.89	53.00	3.00	0.00	0.00	0.00
Title II	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Title II/WFP	62.00	106.00	140.00	23.16	30.00	0.00	0.00
Title III	20.00	35.00	38.50	0.00	0.00	0.00	0.00
Regular	40.44	5.30	42.92	0.00	0.00	0.00	0.00
WFP	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Food for Progress	7.05	16.00	30.20	19.29	47.20	10.20	0.00
Sec. 416(b)	0.00	0.00	43.87	49.22	21.60	12.60	7.10
CCC purchase	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Food for Education	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**Annex Table 1.3 (contd.)  
U.S. Food Aid, 1999-2005, by Program, Region, and Volumes**  
"000 Metric Tons

<b>Caribbean</b>	PL 480	Title I	236.43	605.90	794.38	615.10	572.90	523.40	409.30
		Title II	388.14	337.98	295.81	333.29	282.70	215.60	207.00
		Title II/WFP	27.00	24.34	27.14	33.10	35.80	14.40	18.50
		Title III	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Section 416(b)	Regular	419.30	97.28	103.20	1.50	60.90	35.60	8.70
		WFP	15.96	0.00	17.59	0.80	16.90	0.00	0.00
	Food for Progress	Title I	79.49	83.80	99.98	0.00	65.50	101.50	101.00
		Sec. 416(b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		CCC purchase	40.60	16.00	14.00	79.18	88.70	102.10	59.50
	Food for Education		0.00	0.00	152.46	60.23	22.50	16.90	14.70
<b>Near East</b>	Total		201.00	382.99	200.52	430.67	432.90	214.40	120.10
	PL 480	Title I	0.00	0.00	0.00	0.00	134.70	133.70	62.50
		Title II	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		Title II/WFP	1.00	0.99	0.52	9.67	188.20	13.20	15.60
		Title III	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Section 416(b)	Regular	200.00	380.00	200.00	408.00	0.00	10.00	0.00
		WFP	0.00	2.00	0.00	0.00	10.00	0.00	0.00
	Food for Progress	Title I	0.00	0.00	0.00	0.00	90.00	57.50	0.00
		Sec. 416(b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		CCC purchase	0.00	0.00	0.00	0.00	0.00	0.00	30.00
	Food for Education		0.00	0.00	0.00	13.00	10.00	0.00	12.00
<b>Newly-Independent States/ Eurasia</b>	Total		3,619.29	1,406.53	506.74	351.03	217.30	170.80	40.00
	PL 480	Title I	1,517.93	603.23	107.20	58.52	0.00	0.00	0.00
		Title II	0.00	0.00	0.00	0.00	0.00	0.00	12.80
		Title II/WFP	0.00	15.30	45.35	51.50	38.90	35.40	23.20
		Title III	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Section 416(b)	Regular	1,867.09	520.09	45.73	101.00	44.30	5.20	3.00
		WFP	5.50	0.00	82.86	33.36	0.00	0.00	0.00
	Food for Progress	Title I	182.74	178.46	108.32	0.00	0.00	74.00	0.00
		Sec. 416(b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		CCC purchase	46.03	89.45	65.83	103.55	132.70	55.10	0.00
	Food for Education		0.00	0.00	51.45	3.10	1.40	1.10	1.00
<b>Other:</b>									
	Unspecified		93.98	44.21	39.74	94.69	64.20	46.80	73.60
	Allocated Commodities		9,758.13	6,634.09	6,362.62				
	Reserve		2,076.96	1,257.88	0.00				73.60





**Annex Table 1.5**  
**Value of U.S. Official Development Assistance, selected categories**

Source: OECD Statistics Portal  
*(millions of current USD)*

	Total Bilateral Official Dev Assistance (ODA)	Agriculture, Forestry, Fishing	Food Aid Excluding Relief Aid	Relief Food Aid	Total Food Aid (Calc'd)
1967	1,609	103	na	na	na
1970	1,421	158	942	na	na
1975	3,764	559	1,320	na	1,320
1980	5,378	1,079	963	127	1,090
1985	9,157	1,037	1,727	197	1,924
1990	20,446	471	1,174	120	1,294
1995	7,693	462	436	503	939
1999	10,139	236	952	1,061	2,013
2000	10,030	405	1,001	210	1,210
2001	9,600	354	896	174	1,070
2002	12,126	398	1,092	778	1,871
2003	20,936	199	901	1,597	2,498
2004	23,521	489	938	1,161	2,099



**Annex Table 1.6a.**

**U.S. Food Aid Shipments, 1993 - 2000**

Source: U.S. Maritime Administration, Office of Cargo Preference, The Humanitarian Food Report

Metric tons

	1993	1994	1995	1996	1997	1998	1999	2000
Title I	4,862,684	1,520,250	910,687	669,737	712,769	974,510	1,853,882	1,078,757
Title II	1,670,811	2,367,781	1,072,762	1,357,538	1,582,927	1,150,324	1,674,557	2,230,966
Title III	1,062,941	1,178,294	495,851	204,759	124,515	132,659	123,866	24,485
Section 416(b)	1,711,014	239,486	1,520	0	0	541,079	5,093,079	2,620,745
Food for Progress	1,634,474	510,673	622,925	349,444	291,778	388,243	418,634	388,109
Food for Education	0	0	0	0	0	0	0	0
<b>TOTAL TONNAGE</b>	10,941,924	5,816,484	3,103,745	2,581,478	2,711,989	3,186,815	9,164,018	6,343,062
<b>In U.S. \$</b>								
Title I	na	na	na	na	152,708,600	205,261,000	420,705,000	76,900,000
Title II	na	na	na	na	821,000,000	888,800,000	949,095,700	949,303,300
Title III	na	na	na	na	40,400,000	29,900,000	21,700,000	5,473,100
Section 416(b)	na	na	na	na	0	0	738,878,840	501,503,080
Food for Progress	na	na	na	na	79,063,760	84,235,000	295,375,544	133,288,460
Food for Education	na	na	na	na	na	na	na	na
<b>TOTAL FUNDING</b>					1,093,172,360	1,208,196,000	2,425,755,084	1,666,467,940

**Annex Table 1.6b.  
U.S. Food Aid Shipments, 2001 - 2007**

Source: U.S. Maritime Administration, Office of Cargo Preference, The Humanitarian Food Report

Metric tons

	2001	2002	2003	2004	2005	2006	2007
Title I	643,271	620,212	256,266	229,200	245,588	92,709	42,500
Title II	1,934,751	2,399,826	3,649,218	2,656,740	2,989,837	2,891,050	364,676
Title III	0	0	0	0	0	0	0
Section 416(b)	2,874,536	2,032,124	237,535	81,300	77,141	8,400	4,001
Food for Progress	417,837	385,901	686,330	65,040	458,773	630,208	253,781
Food for Education	0	0	32,194	62,600	64,235	107,603	61,813
<b>TOTAL TONNAGE</b>	<b>5,870,395</b>	<b>5,438,063</b>	<b>4,861,543</b>	<b>3,094,880</b>	<b>3,835,574</b>	<b>3,729,970</b>	<b>726,771</b>
<b>In U.S. \$</b>							
Title I	105,200,000	114,300,000	60,000,000	160,000,000	92,100,000		na
Title II	915,169,000	958,800,000	1,185,000,000	1,185,000,000	1,192,000,000		na
Title III	0	0	0	0	0		na
Section 416(b)	629,900,000	410,000,000	159,000,000	118,000,000	138,000,000		na
Food for Progress	107,110,000	37,100,000	96,000,000	156,000,000	125,000,000		na
Food for Education	na	na	100,000,000	50,000,000	75,000,000		na
<b>TOTAL FUNDING</b>	<b>1,757,379,000</b>	<b>1,520,200,000</b>	<b>1,600,000,000</b>	<b>1,669,000,000</b>	<b>1,622,100,000</b>		na

**Annex Table 1.7a**  
**2002 U.S. food aid shipments by program, shipping mode, U.S. and foreign flag tonnage and revenue**  
**By program, mode, U.S. flag tonnage and revenue, Foreign flag tonnage and revenue**

	Total MT		U.S. Flag MT		Foreign MT		Total Ocean Freight Revenues (OFR)		Foreign OFR		U.S. OFR		\$/MT		Differ ence		% addt'l	
<b>All Programs, Total 2002</b>	5,886,885	4,378,878	1,507,905	520,845,494	446,413,105	73,791,830	102	49	53	108%								
<b>Title I</b>	<b>Total</b>	780,949	606,369	174,579	57,489,599	51,210,127	84	36	48	135%								
	Bulk/tug/barge	485,273	358,514	126,758	31,647,668	28,210,405	3,437,263											
	Liner	111,430	69,804	41,626	9,015,979	6,479,221	2,536,758											
	Tanker	184,246	178,051	6,195	16,825,952	16,520,501	305,451											
<b>Title II</b>	<b>Total</b>	2,222,907	1,634,201	588,706	207,236,969	176,612,964	108	52	56	108%								
	Bulk/tug/barge	1,060,399	728,678	331,721	71,260,224	58,794,604	12,465,619											
	Liner	1,010,814	784,875	225,939	126,513,996	109,950,559	16,563,427											
	Tanker	151,694	120,648	31,046	9,462,749	7,867,801	1,594,948											
<b>Food for Education</b>	<b>Total</b>																	
	<b>Bulk/tug/barge</b>																	
	<b>Liner</b>																	
<b>Food for Progress</b>	<b>Total</b>	476,015	346,368	129,646	49,022,055	42,406,877	122	46	76	166%								
	Bulk/tug/barge	315,678	205,474	110,204	20,196,412	16,581,234	3,615,179											
	Liner	160,337	140,894	19,442	28,825,643	25,825,643	2,359,452											
	<b>Tanker</b>																	
<b>Section 416</b>	<b>Total</b>	2,407,014	1,791,940	614,974	207,096,871	176,183,137	98	50	48	96%								
	Liner	699,763	555,986	143,777	97,626,215	82,224,863	15,401,352											
	Bulk/tug/barge	1,198,551	815,249	383,202	70,651,483	59,010,383	11,641,100											
	Tanker	508,700	420,705	87,995	38,819,173	34,947,891	3,871,281											

**Annex Table 1.7b**  
**2003 U.S. food aid shipments by program, shipping mode, U.S. and foreign flag tonnage and revenue**  
*By program, mode, U.S. flag tonnage and revenue, Foreign flag tonnage and revenue*

	<b>Total Ocean Freight Revenues</b>										
	<b>U.S. Flag</b>		<b>Foreign</b>		<b>US OFR</b>		<b>Foreign OFR</b>		<b>\$/MT US For</b>	<b>\$/MT Differ</b>	<b>% addtl</b>
	<b>Total MT</b>	<b>MT</b>	<b>MT</b>	<b>MT</b>	<b>US OFR</b>	<b>Foreign OFR</b>	<b>US OFR</b>	<b>Foreign OFR</b>	<b>US For</b>	<b>Differ</b>	<b>%</b>
<b>All Programs, Total 2003</b>	5,155,638	3,753,321	1,402,318	606,319,918	457,879,017	148,430,900	122	106	16	15%	
<b>Title I</b>	<b>Total</b>	228,035	204,369	23,666	23,151,154	21,659,597	106	63	43	68%	
	Bulk/tug/barge	161,436	146,993	14,443	14,166,735	13,408,407					
	Liner	64,986	55,763	9,223	8,831,147	8,097,918					
	Tanker	1,613	1,613		153,272	153,272					
<b>Title II</b>	<b>Total</b>	3,351,082	2,385,841	965,242	427,495,259	304,793,023	128	127	1	1%	
	Bulk/tug/barge	1,849,622	1,313,453	536,169	163,998,261	134,418,377					
	Liner	1,350,068	954,592	395,477	248,712,804	157,662,207					
	Tanker	151,392	117,796	33,596	14,784,194	12,712,439					
<b>Food for Education</b>	<b>Total</b>	0	0	0	0	0	0	0	0	0	
	Bulk/tug/barge										
	Liner										
<b>Food for Progress</b>	<b>Total</b>	490,507	339,662	150,845	52,649,449	43,668,785	129	60	69	116%	
	Bulk/tug/barge	332,972	219,131	113,841	28,736,674	23,435,813					
	Liner	138,237	109,231	29,005	21,854,223	19,375,931					
	Tanker	19,298	11,300	7,999	2,058,552	857,041					
<b>Section 416</b>	<b>Total</b>	1,086,014	823,449	262,565	103,024,056	87,757,612	107	58	48	83%	
	Liner	299,534	224,487	75,047	45,492,902	37,013,229					
	Bulk/tug/barge	624,485	472,966	151,519	42,086,670	36,970,158					
	Tanker	161,995	125,996	35,999	15,444,484	13,774,225					

**Annex Table 1.7c**  
**2004 U.S. food aid shipments by program, shipping mode, U.S. and foreign flag tonnage and revenue**  
**By program, mode, U.S. flag tonnage and revenue, Foreign flag tonnage and revenue**

	Total MT		U.S. Flag		Foreign		Total Ocean Freight Revenues (OFR)		US OFR		Foreign OFR		\$/MT For		Differ ence		% addtl	
<b>All Programs, Total 2004</b>	4,157,499	3,101,329	1,056,170	546,077,557	438,021,422	108,056,139	141	102	39	38%								
<b>Title I</b>	<b>Total</b>	253,669	209,208	44,461	21,404,571	18,985,993	2,418,579	91	54	36	67%							
	Bulk/tug/barge	229,798	203,696	26,102	19,200,829	18,241,571	959,258											
	Liner	23,871	5,512	18,359	2,203,742	744,422	1,459,321											
<b>Title II</b>	<b>Total</b>	3,147,275	2,261,369	885,907	416,556,238	321,692,737	94,863,502	142	107	35	33%							
	Bulk/tug/barge	1,658,898	1,205,564	453,334	187,934,925	146,854,682	41,080,244											
	Liner	1,419,511	1,016,996	402,516	220,895,630	170,981,970	49,913,660											
	Tanker	68,866	38,809	30,057	7,725,683	3,856,085	3,869,598											
<b>Food for Education</b>	<b>Total</b>																	
	Bulk/tug/barge																	
	Liner																	
<b>Food for Progress</b>	<b>Total</b>	680,587	563,376	117,211	91,602,458	82,321,671	9,280,788	146	79	67	85%							
	Bulk/tug/barge	458,109	379,052	79,057	48,875,848	43,778,677	5,097,171											
	Liner	189,813	159,659	30,154	34,930,188	31,382,793	3,547,395											
	Tanker	32,665	24,665	8,000	7,796,422	7,160,201	636,222											
<b>Section 416</b>	<b>Total</b>	75,968	67,376	8,591	16,514,290	15,021,021	1,493,270	223	174	49	28%							
	Liner	75,968	67,376	8,591	16,514,290	15,021,021	1,493,270											

**Annex Table 1.7d**  
**2005 U.S. food aid shipments by program, shipping mode, U.S. and foreign flag tonnage and revenue**

	<b>Total MT</b>	<b>U.S. Flag MT</b>	<b>Foreign MT</b>	<b>Total Ocean Freight Revenues (OFR)</b>	<b>US OFR</b>	<b>Foreign OFR</b>	<b>\$/MT US</b>	<b>\$/MT Foreign</b>	<b>Difference</b>	<b>% addtl'</b>	
<b>All Programs, Total 2005</b>	3,602,600	2,431,375	1,171,226	495,414,742	371,460,416	123,954,325	153	106	47	44%	
<b>Title I</b>	<b>Total</b>	294,588	235,262	59,326	25,045,662	21,293,886	3,751,776	91	63	27	43%
	Bulk/tug/barge	264,037	224,660	39,377	22,845,078	20,883,042	1,962,035				
	Liner	30,551	10,602	19,949	2,200,584	410,844	1,789,741				
<b>Title II</b>	<b>Total</b>	3,001,957	1,945,545	1,056,412	414,372,567	300,875,137	113,497,430	155	107	47	44%
	Bulk/tug/barge	1,837,807	1,159,993	677,814	207,763,454	146,025,107	61,738,347				
	Liner	1,070,307	736,160	334,147	193,550,736	147,126,537	46,424,199				
	Tanker	93,843	49,392	44,451	13,058,377	7,723,493	5,334,884				
<b>Food for Education</b>	<b>Total</b>	64,235	58,772	5,464	11,376,147	10,699,265	676,881	182	124	58	47%
	Bulk/tug/barge	12,500	12,500	0	861,605	861,605	0				
	Liner	51,735	46,272	5,464	10,514,542	9,837,660	676,881				
<b>Food for Progress</b>	<b>Total</b>	162,685	119,660	43,025	26,746,627	21,689,601	5,057,026	181	118	64	54%
	Bulk/tug/barge										
	Liner	141,187	119,660	21,527	24,429,360	21,689,601	2,739,759				
	Tanker	21,498	0	21,498	2,317,267	0	2,317,267				
<b>Section 416</b>	<b>Total</b>	79,135	72,136	6,999	17,873,739	16,902,527	971,212	234	139	96	69%
	Liner	79,135	72,136	6,999	17,873,739	16,902,527	971,212				

**Annex Table 1.7e**  
**2006 U.S. food aid shipments by program, shipping mode, U.S. and foreign flag tonnage and revenue**

	<b>Total MT</b>	<b>U.S. Flag MT</b>	<b>Foreign MT</b>	<b>Total Ocean Freight Revenues (OFR)</b>	<b>US OFR</b>	<b>Foreign OFR</b>	<b>\$/MT US</b>	<b>\$/MT For</b>	<b>Difference</b>	<b>% addtl'</b>
<b>All Programs, Total 2006</b>	3,374,163	2,743,076	986,824	555,824,365	432,992,781	123,831,585	158	125	32	26%
<b>Title I</b>	92,709	70,000	22,709	7,069,341	5,831,700	1,237,641	83	55	29	53%
Bulk/tug/barge	92,709	70,000	22,709	7,069,341	5,831,700	1,237,641				
Liner										
<b>Title II</b>	2,891,050	2,122,940	768,110	428,984,664	328,170,741	100,813,923	155	131	23	18%
Bulk/tug/barge	1,612,343	1,299,787	312,556	191,646,091	167,334,823	24,311,268				
Liner	1,129,122	726,074	403,048	218,322,164	147,390,918	70,931,246				
Tanker	149,585	97,079	52,506	19,016,409	13,445,000	5,571,409				
<b>Food for Education</b>	107,603	96,277	11,326	23,045,276	21,815,905	1,229,371	227	109	118	109%
Bulk/tug/barge	39,115	31,065	8,050	6,412,741	5,722,271	690,470				
Liner	68,488	65,212	3,276	16,632,535	16,093,634	538,901				
<b>Food for Progress</b>	274,401	445,982	184,157	94,726,521	75,270,160	20,456,361	169	111	58	52%
Bulk/tug/barge	39,533	271,353	123,986	48,073,305	35,463,091	12,610,214				
Liner	142,825	109,621	33,135	31,085,617	27,540,074	4,545,543				
Tanker	92,043	65,008	27,036	15,567,599	12,266,995	3,300,604				
<b>Section 416</b>	8,400	7,877	522	1,998,563	1,904,275	94,289	242	181	61	34%
Liner	8,400	7,877	522	1,998,563	1,904,275	94,289				

**Annex Table 1.8a**  
**Quantity of European Food Aid, 1996 - 2005**  
(Metric tons, grain equivalent)  
Source: WFP Interfais data

By Year	Total Global	EU	EC	Bilateral	EU as a % of Global	EC as % of EU
1996	7,228,341	2,600,948	1,472,116	1,128,832	36%	57%
1997	7,327,727	2,258,412	1,167,007	1,091,405	31%	52%
1998	8,404,789	1,954,019	923,310	1,030,709	23%	47%
1999	15,050,966	3,698,323	2,496,089	1,202,234	25%	67%
2000	11,355,246	2,207,976	1,038,833	1,169,143	19%	47%
2001	10,980,485	2,151,744	1,018,770	1,132,974	20%	47%
2002	9,448,209	1,415,712	590,563	825,149	15%	42%
2003	10,308,623	2,313,359	1,209,631	1,103,728	22%	52%
2004	7,533,492	1,550,544	596,990	953,554	21%	39%
2005	8,249,610	1,464,085	623,231	840,854	18%	43%
TOTAL	95,887,488	21,615,122	11,136,540	10,478,582	23%	52%
<b>Two-Year Moving Average</b>						
1996-97	7,278,034	2,429,680	1,319,562	1,110,119	33%	54%
1997-98	7,866,258	2,106,216	1,045,159	1,061,057	27%	50%
1998-99	11,727,878	2,826,171	1,709,700	1,116,472	24%	60%
1999-00	13,203,106	2,953,150	1,767,461	1,185,689	22%	60%
2000-01	11,167,866	2,179,860	1,028,802	1,151,059	20%	47%
2001-02	10,214,347	1,783,728	804,667	979,062	17%	45%
2002-03	9,878,416	1,864,536	900,097	964,439	19%	48%
2003-04	8,921,058	1,931,952	903,311	1,028,641	22%	47%
2004-05	7,891,551	1,507,315	610,111	897,204	19%	40%



**Annex Table 1.8b**  
**Value of European Food Aid and Food Security Funding in Food Security Budget Line, 1996 - 2005**  
(In Euros and U.S. Dollars)  
Source: AIDCO E:6 and calculations

	FOOD AID					FOOD SECURITY					FSBL
	Total (in millions of euros)	Contribution to WFP (only food aid)	Grants to NGOs (inc. Euronaid)	Financing agreements to others (ICRC, UNWRA, Governments)	Total (in millions of Euros)	Financing agreements to governments (food security direct aid)	Grants to NGOs (food security indirect aid)	Financing agreements to international institutions (FAO, CGIAR)	Food Security Budget Line		
1996	329.70	111.45	100.34	117.92	230.46	224.29	6.17	0.00	560.16		
1997	322.56	110.99	66.03	145.54	200.94	179.76	21.18	0.00	523.50		
1998	274.82	141.47	50.15	83.20	303.48	240.04	63.44	0.00	578.30		
1999	172.00	104.00	55.00	13.00	332.00	289.50	30.00	12.50	504.00		
2000	151.85	90.00	48.05	13.80	306.15	244.35	60.00	1.80	458.00		
2001	189.00	98.00	76.00	15.00	265.00	203.06	60.00	1.94	454.00		
2002	215.50	132.00	60.50	23.00	294.50	256.94	20.00	17.56	510.00		
2003	257.00	120.00	71.00	66.00	183.00	130.30	25.00	27.70	440.00		
2004	185.00	110.69	20.31	54.00	234.00	152.11	52.19	29.70	419.00		
2005	157.66	110.00	26.66	21.00	255.34	180.00	42.34	33.00	413.00		

	FOOD AID					FOOD SECURITY					FSBL
	Total (in millions of dollars)	Contribution to WFP (only food aid)	Grants to NGOs (inc. Euronaid)	Financing agreements to others (ICRC, UNWRA, Governments)	Total (in millions of dollars)	Financing agreements to governments (food security direct aid)	Grants to NGOs (food security indirect aid)	Financing agreements to international institutions (FAO, CGIAR)	Food Security Budget Line		
1996	412.13	139.31	125.42	147.40	288.08	280.36	7.72	0.00	700.20		
1997	362.43	124.71	74.19	163.53	225.78	201.98	23.80	0.00	588.20		
1998	298.72	153.77	54.51	90.43	329.87	260.91	68.96	0.00	628.59		
1999	175.51	106.12	56.12	13.27	338.78	295.41	30.61	12.76	514.29		
2000	144.62	85.71	45.76	13.14	291.57	232.71	57.14	1.71	436.19		
2001	160.17	83.05	64.41	12.71	224.58	172.08	50.85	1.64	384.75		
2002	213.37	130.69	59.90	22.77	291.58	254.40	19.80	17.39	504.95		
2003	298.84	139.53	82.56	76.74	212.79	151.51	29.07	32.21	511.63		
2004	225.61	134.99	24.77	65.85	285.37	185.50	63.65	36.22	510.98		
2005	187.69	130.95	31.74	25.00	303.98	214.29	50.40	39.29	491.67		

**Annex Table 1.8c**  
**European Food Aid: share of Food Security Budget Line going to NGOs, 1996-2005**  
(millions of Euros)

<b>Year</b>	<b>Contribution to WFP (only food aid)</b>	<b>Food Aid Grants to NGOs (inc. Euronaid)</b>	<b>Food Security Grants to NGOs (food security indirect aid)</b>	<b>Food Security Budget Line</b>	<b>WFP Grants as % of FSBL</b>	<b>NGO Food Aid Grants as % of FSBL</b>	<b>NGO Food Security Grants as % of FSBL</b>	<b>Both NGO spigots as % of FSBL</b>
1996	111.45	100.34	6.17	560.16	20%	18%	1%	19%
1997	110.99	66.03	21.18	523.50	21%	13%	4%	17%
1998	141.47	50.15	63.44	578.30	24%	9%	11%	20%
1999	104.00	55.00	30.00	504.00	21%	11%	6%	17%
2000	90.00	48.05	60.00	458.00	20%	10%	13%	24%
2001	98.00	76.00	60.00	454.00	22%	17%	13%	30%
2002	132.00	60.50	20.00	510.00	26%	12%	4%	16%
2003	120.00	71.00	25.00	440.00	27%	16%	6%	22%
2004	110.69	20.31	52.19	419.00	26%	5%	12%	17%
2005	110.00	26.66	42.34	413.00	27%	6%	10%	17%
<b>Total</b>	<b>1,128.60</b>	<b>574.04</b>	<b>380.32</b>	<b>4,859.96</b>	<b>23%</b>	<b>12%</b>	<b>8%</b>	<b>20%</b>

**Annex Table 1.9**  
**Summary of President's FY 2007 budget request, Foreign Agricultural Service**  
(millions of USD)

	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Budget</b>
Total, International Programs	5,375	5,361	5,269
Export Credit Guarantees	2,625	3,107	3,167
Market Development Programs	188	248	148
Export Subsidy Programs	0	30	63
Trade Adjustment for Farmers	21	90	90
Foreign Food Assistance:	2,335	1,669	1,574
P.L. 480 Title I Credit and Food for Progress Grants	118	73	0
P.L. 480 Title II Donations	1,620	1,335	1,310 a/
Bill Emerson Humanitarian Trust	377	b/	b/
McGovern-Dole International Food for Education Program	90	103	103
Section 416(b) Donations c/	-60	0	0
FAS Salaries and Expenses d/	206	217	227

**Notes:**

- a/ Budget authority increases \$80 million over 2006 enacted level
- b/ Up to 500,000 tons are available annually for unanticipated emergency food assistance
- c/ Total does not include the value of commodities donated under Section 416(b)
- d/ Includes administrative reimbursement for managing GSM export credit guarantee program and other reimbursable agreements.



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