

Food Aid Reform in FY2014: a Common-Sense Proposal at the Right Time

The Issue: Since its creation, U.S.-funded food assistance has helped feed more than one billion people in over 150 countries. But the system for providing this assistance is inflexible and does not meet today's need.

President Obama has proposed reforms to U.S. food aid in the FY2014 budget request that will make the program work harder for U.S. taxpayers – reaching **two to four million more hungry people per year with more efficient programs and without increasing spending.**

The Background: Our contemporary food aid system began in 1954; today, the U.S. provides in-kind donations of commodities such as corn, wheat, and soybean oil as international food aid through programs administered by USAID and USDA. The Food for Peace authorization is the chief legislative vehicle governing over 80% of food aid. In Fiscal Year 2012, the U.S. spent approximately \$1.45 billion under this program feeding hungry people around the world in both emergency and non-emergency situations.

In recent years, a number of trusted sources, including the GAO, the Organization for Economic Co-operation and Development (OECD), Chicago Council on Global Affairs, Center for Global Development, and researchers at Michigan State, Cornell, and Tufts Universities have highlighted the inefficiencies in the current system and urged the government to reform its approach to food aid. Why? Despite the best of intentions, American food aid is too often slow reaching people in need, inefficient, and wastes money. **With common-sense reforms, more people in need will receive life-saving help at no additional cost to the U.S. taxpayer.**

What's wrong with the current system?

- **Inefficient Procurement:** The vast majority of U.S. food aid is in the form of U.S.-grown commodities, but according to a USDA's own assessment of its pilot program to buy food aid in developing countries and surrounding regions, delivery of U.S.-grown emergency food aid takes an average of 130 days, while local procurement of emergency food aid takes an average of 56 days. ***That's a difference of two months; a lifetime when a child is starving.*** Local procurement also spurs local production, helping poor countries to develop their own agricultural systems that will reduce their dependence on aid.
- **High Transportation Costs:** In 2001 the cost per metric ton to ship food aid was approximately \$390.00; today it is \$1,180.00. Transportation and other overhead costs can eat up as much as 53 cents for every dollar of grains shipped. ***That means that less than half of the money spent on food aid is actually used for food.***
- **'Monetization' of Aid:** While the majority of U.S. food aid is for emergencies, we also provide hundreds of millions of dollars in valuable, non-emergency assistance each year through a process known as monetization. Food is shipped to developing countries; NGOs sell that food, and use the money to administer important development projects. In 2011 the GAO called this practice, which also distorts local markets and undercuts local farmers, "inherently inefficient;" in fact, it is 25% less efficient than providing direct funding to these projects. ***In FY2012, the \$31.7 million lost due to the inefficiency of monetization could have fed more than 800,000 more people.*** The U.S. should end monetization and fund these valuable projects directly.

The Proposal:

The President's proposal would shift food aid funding from the Department of Agriculture to USAID, and end the inefficient practice of monetization -- funding non-emergency development projects directly. This change would provide the U.S. with the flexibility to respond to hunger needs around the world – both emergency and

non-emergency, and to address chronic food insecurity in areas of recurrent crises. In FY2012, Food for Peace funding was \$1.466 billion; while final FY2013 figures are not yet available, it is estimated that the funding level will be \$1.359 billion. For FY2014, funds would be re-allocated as proposed:

- **\$1.1 billion in International Disaster Assistance (IDA) funds to respond to emergencies.** When added to the \$300 million already in the IDA account, **a total of \$1.4 billion would be available for emergency food aid.**
- **\$250 million for a Community Development and Resilience Fund in the Development Assistance (DA) account.** When added to \$80 million already in DA to address chronic poverty, build resilience, and help prevent food crises, **a total of \$330 million would be available for these important programs, which have been funded through monetization of aid.**
- **\$75 million for a new Emergency Food Assistance Contingency Fund for unexpected needs worldwide.**

Reaction to the President's Proposal:

"U.S. international food aid programs have long embodied the compassion of the American people. After nearly 60 years of experience, we are encouraged by the President's proposal to fundamentally alter our food aid program to reach more people, more quickly, at less cost. Several recent studies have highlighted the need for reform. We look forward to working with the Administration and our colleagues in Congress to modernize U.S. food aid programs while ensuring maximum impact and efficiency."

– Chairman and Ranking Member of the House Foreign Affairs Committee, Reps. Ed Royce (R-CA), and Eliot Engel (D-NY)

"I am pleased the Administration is working to make food aid more efficient and effective. In a time of tight budgets, it is critical to get the best value possible for services and investments, including relieving hunger. This is an important proposal, and I look forward to working with the Administration and my colleagues to move toward more efficiency in food aid."

– Ranking Member of the House Appropriations Committee and SFOPS Subcommittee Rep. Nita Lowey (D-N.Y.)

"Any idea that would allow the aid to be spent more wisely and get it in the hands of the deserving at a cheaper cost, within reason, I would support."

–Senate Appropriations SFOPS Ranking Member Sen. Lindsey Graham (R-SC)

"By bringing more flexibility to the way we distribute food aid, our programs will save more lives, serve more hungry people and do more to advance America's reputation and interests around the globe. In a world that continues to look to American leadership in times of crisis, there is no better time to make every dollar count."

–Former executive director of the U.N. World Food Program Catherine Bertini and former U.S. agriculture Secretary Dan Glickman

"This budget reflects a strong commitment to helping the hungry in times of crisis as well as securing long-term food security for the world's most vulnerable. The reforms the President proposes would make these critical programs more effective and efficient while expanding their reach to millions more people...Reform is long overdue and the Administration's proposal is a solid step in the right direction. Such a policy will begin the process of making our assistance more cost effective and reducing long-term food aid dependency."

–Statement signed by ActionAid, American Jewish World Service, Bread for the World, CARE, Church World Service, Institute for Agriculture and Trade Policy, Maryknoll, The Modernizing Foreign Assistance Network, ONE, Oxfam America and Partners in Health