

**LOCAL AND REGIONAL PURCHASES:
OPPORTUNITIES TO ENHANCE U.S. FOOD AID**

HEARING
BEFORE THE
SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH
OF THE
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LOCAL AND REGIONAL PURCHASES: OPPORTUNITIES TO ENHANCE U.S. FOOD AID

THURSDAY, JUNE 4, 2009

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:40 a.m. in room 2172, Rayburn House Office Building, the Hon. Donald M. Payne, (chairman of the subcommittee) presiding.

Mr. PAYNE. Let me call this hearing to order. I was waiting for the ranking member but many of you may know that he is involved in a very intense case of a constituent who is in Brazil, and the constituent's son is in a legal entanglement. I assume he will be here if his schedule permits, but we will move forward. As you know, there are always many conflicts in our schedule.

Let me certainly welcome all of you here this morning for this very important continuation of the subject that we have been dealing with here at the Subcommittee on Africa and Global Health for several years. Let me welcome all of you to the fourth hearing that we have had of the subcommittee this year; today's hearing is entitled "Local and Regional Purchases: Opportunities to Enhance U.S. Food Aid." The hearing will be followed by a briefing of the same title.

This is the third in a series of hearings we have held on U.S. food aid programs and security. The hearing will focus on the results of a Government Accountability Office (GAO) report, which I requested last year, related to the role that purchasing food locally or regionally can play in improving efficiency and effectiveness of the U.S. in-kind food programs.

The 2007 GAO report has shown that there was a great room for improvement within our traditional in-kind food aid programs. Local and regional procurement (LRP) and we will be using the acronym for local and regional procurement. LRP is the purchasing of food commodities in countries with emergency food needs, or in another country within the region to be provided as food aid.

As we will hear today, this approach is already being put to use to some extent in U.S. programs and is used extensively by the World Food Program, the WFP. As many of us know, the U.S. is the largest food aid provider in the world. In 2008, the U.S. gave \$2.1 billion in U.S. commodities for WFP emergency food operations. Almost all U.S. food aid is provided in the form of U.S. commodity donations and it has been that way for the last 50 years. Other donors such as the EU, the second largest provider of food

aid, have switched over almost entirely to cash donations to WFP to purchase food aid. In 2008, the WFP purchase more than \$1 billion worth of commodities or 2.1 million metric tons worldwide. More than half of those commodities were purchased in developing countries.

In recent years, LRP have been discussed as a cost-efficient time saving option to be employed to meet emergency food needs, and it has been explored through several programs. The food aid budget requests for Fiscal Year 2006 through 2009 include language authorizing the U.S. Agency for International Development (USAID) to allocate up to 25 percent of funds for food aid, Title II of P.L. 480—or as it has been recently renamed, Food for Peace—to local or regional purchase. The justification for this request was that it would increase timeliness and effectiveness of our response to emergency food aid needs. The language did not make it in the final bill.

The former administration's foreign bill proposal also authorized P.L. 480 funds for LRPs. The 2008 Farm Bill did include a 5-year \$60 million U.S. Department of Agriculture (USDA) pilot project for LRP. The U.S. Agency for International Development (USAID) provided \$125 million to implement LRP in developing countries through Fiscal Year 2008 Supplemental Appropriations Bill.

There are currently several LRP initiatives before the 111th Congress. President Obama's Fiscal Year 2010 budget proposal has, in addition to other food security-related items, \$300 million in international disaster assistance (IDA) funds for LRPs, cash transfers, and cash vouchers to meet emergency food needs.

Additionally, the President announced, at the G-20 meeting in April, his plans to double agricultural assistance toward helping nations around the world reach and sustain food security. Secretary Clinton has begun the plans, and we look forward to holding hearings and working closely with the administration on these new critical initiatives to see just what form the new administration's programs will take.

Also under consideration are the Lugar-Casey Global Food Security Act and a similar measure in the House, to be led by Congresswoman McCollum, which I am collaborating with her as this legislation moves forward.

Some of the questions which has been raised by LRP include the following: One, could the U.S. respond to emergency food needs at lower cost in a more timely manner if commodities were purchased in locations closer to where they were needed?

Two, what risks would be associated with LRPs that would make it a less effective response to emergency food needs and provisions of U.S. commodities?

Three, could LRP contribute to agricultural development, increased production, productivity, development of markets for small holders or low-income farmers in developing countries?

Finally, could LRP adversely affect agriculture development and make poor consumers more food insecure?

So there is still a number of questions that need to be answered as we move forward. It is not as simple as it might seem at first blush.

The GAO report found that, overall, LRP is more cost effective and arrives quicker than U.S. in-kind donations. In fact, 95 percent of WFP's local procurement in sub-Saharan Africa costs roughly 34 percent less than similar food purchased by USAID which was shipped from the United States to the same countries between 2001 and 2008. This is quite remarkable.

The report also mentions, however, some of the challenges that prevent wider use of LRP. These include a lack of reliability suppliers, poor infrastructure and logistical capacity, weak legal systems, timing and restrictions on donor fundings, and quality considerations.

There are also questions about the disruption factor on local markets by LRP, a feature of the in-kind approach which we have long decried. These issues highlight the need for greater United States investment in these areas in Africa, particularly in infrastructure and legal systems for long-term development.

Other issues include the limitations on LRP due to cargo preference requirements that 75 percent of the gross tonnage of agricultural foreign assistance cargo be transported on U.S.-flag vessels. These and other issues have been addressed in the GAO report and will be discussed in this hearing.

It is my belief that we must begin to think more creatively about our food aid program. Ultimately the objective should be the elimination of food assistance. This can only be reached if we focus on development of agricultural systems and infrastructure, among other things, particularly in Africa. However, food aid, including in-kind aid, will likely be a feature of U.S. Government programs for a very long time for several reasons.

One, there will always be emergencies. The global population is set to increase dramatically over the coming decades, and increasing industrialization across the globe will lead to more urbanization and less agricultural production, and we can see that in the United States. As we continue to see industrial development, we see former farmlands being taken for housing developments and industrial developments, et cetera. So this is going to be a worldwide trend, especially in new industrialized countries like India and China, countries that are large food consumers.

In other words, there will likely always be the need for food assistance somewhere in the world. It is incumbent upon our generation to think strategically about how to strike a balance between meeting the world's emergency food needs and working toward long-term food security and the elimination of chronic hunger among the world's poor.

I welcome the testimony of our distinguished panel. We will hear from Tom Melito of the GAO; John Brause of the U.S. Agency for International Development; Bud Philbrook of the U.S. Department of Agriculture; and Jean McKeever of the U.S. Department of Transportation. Following their testimonies and members' questions, we will be briefed by Allan Jury of the World Food Program.

The committee thanks each of you for your participation today. I will open our panel for remarks from our members, and then I will introduce our panelists. We will start with our representative from California, Congresswoman Watson.

Ms. WATSON. Thank you very much, Mr. Chairman.

Just to follow up with your opening, I would like to take a few minutes to discuss the monumental nature of world hunger.

A child dies every 6 seconds because of malnutrition-related causes, and already there are 963 million people worldwide who go to bed hungry or malnourished. Two-thirds of the world's hunger live in the Asian-Pacific region. Around the globe the need for food assistance is on the rise as a result of warfare, natural disasters, crop failure, or the inability to work due to medical and illness reasons.

In the future, climate change too will play a role by exacerbating water shortages in some areas while flooding others.

As most of you may already know, UNICEF's humanitarian and action report of 2009, which was released just this past weekend, found they required a 17-percent increase from its 2008 funding level to meet emergency response needs worldwide. This report also noted hunger is at a 40-year high in South Asia, especially in Nepal, Bangladesh, and Pakistan. This is in addition to the doubling in emergency needs in Eastern and Southern Africa.

Through U.S. food aid, and though it does not solely focus on emergency funding, it is a large function of the provided aid irrespective of agency. The U.S. has traditionally provided in-kind food aid which ensures quality and reliability rather than contributing cash funds. In-kind aid requires over 100 days to reach its destination and in many instances it is excessively costly. That is 100 days that food victims are without food. With local and regional procurement, food aid can reach those in need in a third of the time and at a lower cost.

In addition to speed and costs, local and regional food and procurement provides incentives for farmers to raise cash crops and government to invest in infrastructure building. I am aware that local and regional procurement faces its own set of problems. Small farmers are subject to the whims of the environment, and thus cannot always deliver their promised crop or the crop may not be up to standard. However, I feel that local procurement holds much promise.

Each situation is unique, and we must concentrate on developing a method to evaluate the best method of delivery, be it in kind or aid or cash aid.

We must consider the rising fuel cost, the availability of food in the locality, and the sustainability of the programs. We must not forget our goal, and that is to end hunger. We must feed the hungry and teach them to feed themselves as well, and I hope the panelists can enlighten us on how best to do just that, and with that I yield back my time, and thank you for the opportunity, Mr. Chairman.

Mr. PAYNE. Thank you very much, Congresswoman Watson. Another Congressperson from California, Congresswoman Woolsey.

Ms. WOOLSEY. Thank you, Mr. Chairman.

I think what I am going to be listening for today, I am so thankful to have such a great panel, is how with 850 million malnourished people in this world of ours and 30–40 percent of them in Africa, how we are going to sort of follow the parable in the Bible that I couldn't tell you where it is and I am not going to quote it right because I don't know that much about it except that there is

some truth in giving somebody a fish to eat for that day, teach them to fish, and indeed they know how to feed themselves from then on.

So I will be looking at ag development investment, local ag and whatever the United States can do to help the local areas feed themselves in the very best possible way, which means, of course, they need development assistance and they need infrastructure, irrigation, they need fertilizer, they need power and power tools and machinery, and they need roads to market. I mean, there is a lot that is missing in this picture, but rather than just bring food from our country and handing it to them I think we could do a lot better by bringing seeds and education and the support that they need. I understand that is what the Europeans and the Canadians are doing now, so I am anxious to hear more about that. Thank you.

Mr. PAYNE. Thank you very much.

Today we will hear from our distinguished witnesses, Mr. Melito, Mr. Brause, Mr. Philbrook and Mr. McKeever—Ms. If I had looked up, I would have known that, but I was looking down. Let me first introduce Dr. Melito, who is the director of international affairs and trade team at the Government Accountability Office, and they are the ones that do so much good work in giving us reports that give us the tools that we need to move forward, and I really thank that outstanding government agency.

In this capacity, he is primarily responsible for GAO work involving multilateral organizations and international finance. Over the past 10 years, Dr. Melito has been focusing on a wide range of development issues, including debt relief for poor countries, international food security, and human trafficking. Since 2007, Dr. Melito testified several times to Congress on GAO reports on challenges U.S. agencies face in improving the efficiency and the effectiveness of food aid.

Dr. Melito holds a M.A. and a Ph.D. in economics from Columbia University, and a B.S. in industrial and labor relations from Cornell University.

Next we will have Mr. Jon Brause who is currently serving as the deputy administrator in the Bureau for Democracy, Conflict, and Humanitarian Assistance. In this capacity, he is responsible for disaster response, food aid, and transitional assistance. Mr. Brause has 18 years of experience in USAID covering procurement issues, operational and budgetary policies, and programming and managerial management of humanitarian and development resources.

During his tenure in the Office of Food for Peace, Mr. Brause managed all aspects of the U.S. Government food aid programming for humanitarian activities worldwide. Prior to his current position, Mr. Brause was special assistant to the president and senior director for relief, stabilization and development at the National Security Council's Directorate on International Economic Affairs.

Mr. Brause has a bachelor's degree in international relations from University of California—Davis, and a master's degree in national security strategic from the National Defense University, National War College in Washington, DC.

Next we have Mr. Bud Philbrook representing the U.S. Department of Agriculture. In 2009, Agriculture Secretary Tom Vilsack

appointed Bud Philbrook as USDA's deputy under secretary for farm and foreign agricultural services.

In this role, Mr. Philbrook has responsibility for the international side of the Farm and Foreign Agricultural Service's mission area. His mission area includes the Foreign Agricultural Service that works to expand existing and build new markets for U.S. products, improve the competitive position of U.S. agriculture in the global marketplace, and to provide food aid and technical assistance to foreign countries.

Mr. Philbrook received his bachelor's degree from the University of Minnesota, his master's degree from the Hubert Humphrey Institute of Public Affairs at the University of Minnesota and earned a law degree from Hamline University School of Law in St. Paul, Minnesota.

He and his wife Michele have three adult sons.

And finally we have Ms. Jean McKeever—McKeever—I will get her altogether at one point. She joins us from the United States Department of Transportation. Ms. McKeever serves as the Maritime Administration's associate administrator for business and workforce development. She is responsible for the agency's Title XI ship financing guarantee program, as well as tax deferral funds for ship construction. In addition, she oversees the Maritime Administration's shipbuilding, marine insurance and labor and training programs.

Previously, she served as the associate administration for shipbuilding at the Maritime Administration, a post that was created in 2000 to combine the Maritime Administration's main shipbuilding-related functions under one single manager. She has served over 25 years in various financial and analytical positions, most recently as deputy director of the agency's Office of Ship Financing.

She holds her degree from Mount Holyoke College in Massachusetts, and an M.B.A. from Frostburg State University in Maryland.

Let me once again thank all of the panelists, and we will begin with Dr. Melito.

STATEMENT OF MR. THOMAS MELITO, DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE TEAM, UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

Mr. MELITO. Mr. Chairman and members of the subcommittee.

I am pleased to be here to discuss how local and regional purchase, or LRP, can provide opportunities to enhance U.S. food aid. This hearing is of particular importance given today's environment of growing global food insecurity in which the United States and other donors face intense pressures to feed the world's expanding undernourished population. The number of chronically hungry people in the world has been growing and now stands at almost 1 billion despite international commitment to halve the number of hungry people by 2015.

My testimony is based on our May 2009 report which is being publicly released today. I will focus on four topics. First, I will discuss the impact of LRP on the efficiency of food aid delivery. Second, I will discuss the impact of LRP on economies where food is procured. Third, I will discuss U.S. legal requirements that could

affect U.S. agencies' use of LRP. Finally, I will summarize our recommendations regarding improvements to U.S. agencies' use of LRP.

Regarding the first issue, we found that donors can reduce food aid costs and delivery time through LRP. Our analyses show that LRP in sub-Saharan Africa costs about 34 percent less than similar food aid purchased and shipped from the United States. However, the cost of LRP in Latin America was comparable to the cost of U.S. in-kind food aid. We also found that in-kind food aid donations to sub-Saharan Africa took on average 147 days compared to about 35 days for locally procured food.

Despite these benefits, donors face challenges to ensuring cost efficiency and timely delivery, including a limited number of reliable suppliers and weak legal systems that could limit buyers' ability to enforce contracts. In addition, while LRP may provide food that is more suited to local preferences, concerns persist about the quality of food aid procured in developing countries. However, evidence on how LRP affects donors' ability to adhere to quality standards and product specifications has not been systematically collected.

Regarding the second issue, LRP has the potential to make food more costly to consumers in areas where food is purchased by increasing demand. However, steps are being taken to reduce these risks, such as coordination among donors. LRP's impact can depend on the scale of procurements and whether the market is sufficiently integrated with neighboring markets to absorb increased demand. The most significant challenge to avoiding potential adverse market impacts when conducting LRP is unreliable market intelligence.

For example, in 2007, inaccurate information on production levels in Malawi led WFP to believe it was purchasing maize in a surplus market. Malawi faced food shortages a few months later.

LRP does have the potential to support local economies by increasing demand for agricultural commodities and raising farmers' income, but little data exist to demonstrate that these benefits have occurred or are sustainable in the long term.

Regarding the third issue, legal requirements may constrain agency's use of LRP.

First, LRP cannot be funded out of the Food for Peace Act, but instead must come from other authorities such as the Foreign Assistance Act.

Second, the Cargo Preference Act requires up to 75 percent of the gross tonnage of all U.S.-funded food aid to be transported on U.S.-flag vessels. However, there is disagreement among U.S. agencies on how to interpret these requirements, such as which agency is responsible for determining the availability of U.S.-flag vessels. The Memorandum of Understanding (MOU) that helps guide U.S. agencies' implementation of cargo preference does not address these areas of ambiguity. The resulting lack of clarity could constrain agency's ability to fully utilize the authorities to conduct LRP when responding to food emergencies.

Regarding the final issue, to address the concerns I have just summarized, we recommend that USAID and USDA, first, systematically collect evidence on LRP's adherence to quality standards and product specifications; second, work with implementing part-

ners to improve the reliability of market intelligence; and finally, work with the Department of Transportation to update the MOU to resolve uncertainties associated with the application of cargo preference.

In summary, the timely provision of food aid is critical in responding to humanitarian emergencies and food crises. LRP has the potential to meet the needs of hungry people by providing food in a more timely and less costly manner. However, to fully realize its potential, challenges to its effective implementation must be addressed.

Mr. Chairman, this concludes my statement. I will be pleased to respond to any questions you or the other members of the subcommittee may have.

[The prepared statement of Mr. Melito follows:]



United States Government Accountability Office

Testimony
Before the Subcommittee on Africa and
Global Health, Committee on Foreign
Affairs, House of Representatives

For Release on Delivery
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INTERNATIONAL FOOD ASSISTANCE

Local and Regional Procurement Provides Opportunities to Enhance U.S. Food Aid, but Challenges May Constrain Its Implementation

Statement of Thomas Melito, Director
International Affairs and Trade Team

GAO-09-757T

June 4, 2009

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here to discuss how local and regional procurement (LRP)¹ can provide opportunities to enhance U.S. food aid, though challenges can constrain its implementation. This hearing is of particular importance given today's environment of increasing emergencies and growing global food insecurity,² in which the United States and other donors face intense pressures to feed the world's expanding undernourished population. In September 2008, the United Nations (UN) Food and Agriculture Organization (FAO) reported that high food prices had resulted in the number of undernourished people reaching a record 963 million.³

LRP has increasingly become a key element in the multilateral food aid response over the past decade. Most bilateral donors of food aid have switched from commodity-based in-kind food aid to a cash-based food assistance program in recent years. As the largest international food aid donor, contributing over half of all food aid supplies to alleviate hunger and support development, the United States plays an important role in responding to emergency food assistance needs and ensuring global food security. The large majority of U.S. food assistance is for U.S.-grown commodities purchased competitively in the United States and shipped to recipient countries on U.S.-flag carriers.

¹We define local and regional procurement (LRP) as the purchase of food aid by donors in countries affected by disasters and food crises or in a different country within the same region. Procurements of food aid can be categorized geographically as (1) *international*: donor-financed purchases of food aid in world markets, which may include both developed and developing countries; (2) *regional*: donor-financed purchases of food aid in a different country in the same region; or (3) *local*: donor-financed purchases of food aid in countries affected by disasters and food crises.

²Food insecurity is the lack of access of all people at all times to sufficient, nutritionally adequate, and safe food, without undue risk of losing such access. The Food and Agriculture Organization (FAO) of the United Nations defines the elements of food security to include (1) food availability, (2) access, and (3) utilization.

³GAO, *International Food Security: Insufficient Efforts by Host Governments and Donors Threaten Progress to Halve Hunger in Sub-Saharan Africa by 2015*, GAO-08-680 (Washington, D.C.: May 29, 2008). In this report, we cited FAO estimates that indicate that sub-Saharan Africa is the region with the highest prevalence of food insecurity; one out of every three people there are considered undernourished.

My testimony is based on our May 2009 report, which we publicly released today.⁴ I will focus on four topics. First, I will discuss the impact of LRP on the efficiency⁵ of food aid delivery. Second, I will discuss the impact of LRP on economies where food is procured. Third, I will discuss U.S. legal requirements that could affect U.S. agencies' use of LRP. Finally, I will summarize our recommendations regarding improvements to U.S. agencies' use of LRP.

In preparing this testimony, we largely relied on our May 2009 report. To address our objectives, we compared the cost of LRP food with in-kind food aid from the United States by analyzing the per ton cost of similar commodities for the same recipient countries in the same quarter of a given year for the World Food Program (WFP) and U.S. Agency for International Development (USAID), respectively. We also examined WFP data that compared the delivery time⁶ of LRP with in-kind food aid for 10 countries in sub-Saharan Africa for 2004 through 2008. We conducted fieldwork in four selected African countries—South Africa, Kenya, Uganda, and Burkina Faso. In Washington, D.C., we interviewed officials from U.S. agencies, including USAID, USDA, State, Department of Transportation (DOT), and the Treasury; and the Millennium Challenge Corporation (MCC). In addition, we met with the Rome-based UN food and agriculture agencies, the U.S. Mission to the UN, and several bilateral donors. We conducted semi-structured interviews with 11 WFP procurement officers based in Africa and Asia. Finally, we convened a roundtable of 10 experts and practitioners to discuss key issues and challenges to the implementation of LRP. For a full description of our scope and methodology, see GAO-09-570.

We conducted this performance audit from June 2008 to May 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient,

⁴GAO, *International Food Assistance: Local and Regional Procurement Can Enhance the Efficiency of U.S. Food Aid, but Challenges May Constrain Its Implementation*, GAO-09-570 (Washington, D.C.: May 29, 2009).

⁵We define "efficiency" as the extent to which a program is acquiring, protecting, and using its resources in the most productive manner in terms of cost, delivery time, and appropriateness of food aid.

⁶In this testimony, we use the term "delivery time" to refer to the number of days that elapses from the purchase order date to the date WFP takes possession of the food in the recipient country (also referred to as "lead time"). Additional time is required for the food to reach intended beneficiaries.

appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

LRP of Food Aid Can Improve Efficiency, but Challenges Remain

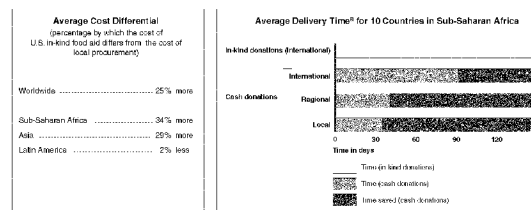
We found that locally and regionally procured food costs considerably less than U.S. in-kind food aid for sub-Saharan Africa and Asia, though the costs are comparable for Latin America. We compared the cost per ton of eight similar commodities⁷ for the same recipient countries in the same quarter of a given year and found that the average cost of WFP's local procurements in sub-Saharan Africa and Asia was 34 percent and 29 percent lower, respectively, than the cost of food aid shipped from the United States.⁸ (See fig. 1.) Additionally, about 95 percent of WFP local procurements in sub-Saharan Africa and 96 percent in Asia cost less than corresponding U.S. in-kind food aid. However, the average cost of WFP local procurements in Latin America was 2 percent higher than that of U.S. food aid, and the number of WFP's transactions with a lower cost than U.S. food aid was close to the number of transactions with a higher cost.

According to WFP data, LRPs in sub-Saharan Africa generally have a shorter delivery time than food aid procured internationally. We compared the median delivery time for LRP to the median delivery time for food aid either procured or donated internationally for 10 sub-Saharan countries. We selected these countries because they had received both LRP and international food aid. We found that international in-kind donation took the longest, averaging 147 days. Local and regional procurements took on average 35 and 41 days, shortening the delivery time from international donations by 112 days and 106 days, respectively.

⁷The eight commodities were beans, corn soy blend (CSB), maize, maize meal, rice, sorghum/millet, vegetable oil, and wheat, which represent the majority of food aid that WFP and USAID provided.

⁸The cost comparison demonstrates the difference in cost of delivering similar food products in a similar time frame to the same countries. It does not suggest that if the United States had purchased the same amount of food through LRP, it would have cost the same because additional demand in the market could have driven up the prices and there might not have been enough food available for purchase. However, LRP could have offered the United States the flexibility to explore other potential cost-saving opportunities in the region.

Figure 1: Comparison of Cost and Time in Food Aid Delivery



^aTime elapsed between the purchase order date and the date WFP takes possession of the food in the recipient country. Additional time is required for the food to reach intended beneficiaries.

Despite potential benefits, factors such as a lack of reliable suppliers, limited logistical capacity, weak legal systems, and donor funding restrictions have limited the efficiency of LRP. Of the 11 WFP procurement officers we interviewed, 9 identified finding reliable suppliers and preventing supplier default as a challenge to implementing LRP. In addition, limited infrastructure and logistical capacity could delay delivery. For example, according to some WFP officials and private traders we met with, South Africa's rail system and ports are underinvested and have limited capacity to handle food aid during peak seasons. Furthermore, a weak legal system could limit buyers' ability to enforce contracts. WFP generally requires suppliers to purchase bonds, which they will lose if they do not fulfill their obligations under the contracts. However, this requirement is not always feasible to implement, especially when procuring from small suppliers.

Local and regional procurement can provide food that is more acceptable to the dietary needs and preferences of beneficiaries in recipient countries. Experts and practitioners have mixed views on how LRP affects donors' ability to adhere to product specifications and quality standards—such as moisture content and the level of broken and foreign matter—which ensure food safety and nutritional content. However, donors have yet to systematically collect evidence that demonstrates whether food procured in different locations varies significantly in meeting product specifications and quality.

LRP of Food Aid Has Potential for Adverse Market Impacts That Can Be Mitigated by Better Market Intelligence

LRP can make food more costly to consumers by increasing demand and driving up prices.⁹ Although most of the WFP procurement officers we interviewed stated that local procurements of food aid generally do not affect market prices, our review of the literature and interviews during fieldwork show that there have been instances where LRP contributed to price hikes and price volatility in markets from which food is procured. Despite these concerns, almost all of the WFP procurement officers we interviewed stated that they supported the idea of the United States increasing its funding for LRP. However, WFP procurement officers we spoke to, NGO officials in countries we visited, and other experts we met with agreed that increased use of LRP should be done incrementally and that significant challenges remain to expanding market capacity in many countries, particularly in sub-Saharan Africa.

The most significant challenge to avoiding potential adverse market impacts when conducting LRP is unreliable market intelligence. While WFP and other food aid providers rely on market intelligence to understand market conditions, a number of WFP studies, NGO evaluations, and donor assessments show that some pre-purchase market analyses have been incomplete and inaccurate—contributing to unintended consequences such as price hikes and reduced access to food. For example, in 2007, the government of Malawi decided to export 400,000 metric tons of maize to Zimbabwe.¹⁰ In the same year, WFP also procured 48,445 metric tons of food aid from Malawi to support its operations in other countries. USAID Food for Peace, Famine Early Warning Systems Network (FEWS NET), and other private-sector officials working in southern Africa told us that Malawi's decision to export to Zimbabwe and sell to WFP was based on inaccurate production estimates. A few months later, Malawi experienced higher food prices and food shortages. WFP has significantly increased its mandate and ability to collect and analyze local and regional market information in the last decade, but WFP analyses and procurement officers confirmed that WFP's market intelligence, while improved, is often inaccurate or incomplete. In many low-income countries, national market intelligence systems are weak and unreliable,

⁹Transoceanic shipments of in-kind food aid, if not carefully targeted, can have the opposite but also detrimental market impact of depressing market prices by rapidly increasing the supply of food in markets.

¹⁰Not all of it was ultimately delivered.

and timely data are not always available, which may limit the effectiveness of WFP's market intelligence efforts, according to a WFP report.¹¹

In an effort to significantly reduce the risk of contributing to price hikes and long-term food price inflation, WFP uses import parity pricing. In addition to serving as a measure for cost-efficiency, comparing local prices with import parity prices helps those involved in local procurement to determine whether a local procurement will "do no harm" to local markets and consumers by not making local procurements when local prices are higher than international prices.

While the primary purpose of LRP is to provide food assistance in humanitarian emergencies in a timely and efficient manner, a potential secondary benefit is contributing to the development of the local economies from which food is purchased. The development benefits to local economies from LRP are secondary because in almost all cases WFP and NGO purchases are not large enough or reliable enough to sustain increased demand over time. Only recently has WFP acknowledged that LRP can contribute to local development. In several of the countries we visited, we observed WFP LRP initiatives under way that might support local economies in the long term and connect LRP to other food security initiatives. However, many of them are new and limited in scale.

¹¹ *Food Procurement in Developing Countries*, World Food Program, Executive Board First Regular Session (Rome: February 2006).

Legal Requirements for U.S. Food Aid May Constrain U.S. Agencies' Use of LRP

Legal Requirement to Purchase U.S.-Grown Food Limits Funding for Foreign-Grown Food

Most funding for U.S. food aid is authorized under the Food for Peace Act¹² and cannot be used to purchase foreign-grown food. Funding under the act, approximately \$2 billion per year, is restricted to the purchase of U.S.-grown agricultural commodities. However, a limited amount of U.S. funding has been authorized through the 2008 Farm Bill, the Foreign Assistance Act, 2008/2009 bridge supplemental, and the 2009 Omnibus Appropriations.¹³

Uncertainty Regarding Cargo Preference Could Constrain Agencies' Implementation of LRP

Because the leading U.S. food assistance agencies and DOT disagree on how to implement the Cargo Preference Act, their use of LRP could be constrained. The Cargo Preference Act, as amended, requires that up to 75 percent of the gross tonnage of agricultural foreign assistance cargo be transported on U.S.-flag vessels. DOT issues and administers regulations necessary to enforce cargo preference. Among other things, the department has the authority to require the transportation on U.S.-flag vessels of cargo shipments not otherwise subject to cargo preference (hereafter referred to as "make-up requirements") when it determines that an agency has failed to sufficiently utilize U.S.-flag vessels.

Table 1 summarizes differences in agency officials' interpretations of cargo preference requirements.

¹²The 2008 Farm Bill changed the title of the underlying legislation from the Agricultural Trade Development and Assistance Act of 1954, also known as P.L. 480, to the Food for Peace Act.

¹³Since July 2008, Congress has appropriated \$50 million to USAID that can be used for LRP in addition to \$75 million that the Administration allocated for LRP in International Disaster Assistance funding. The 2009 Omnibus Appropriations Act provided another \$75 million to USAID for global food security, including LRP and distribution of food.

Table 1: U.S. Agencies' Interpretations of Cargo Preference Requirements as They Pertain to Implementation of LRP

Requirements	Agency interpretations		
	DOT	USAID	USDA
1. Agency responsible for determining availability of U.S.-flag vessels	DOT is the sole determining agency for U.S.-flag vessel availability.	USAID is the determining agency for U.S.-flag vessel availability based on USAID program needs. However, USAID seeks DOT concurrence.	USDA is the determining agency for U.S.-flag vessel availability based on USDA program needs. DOT is not permitted to provide input into a determination of programmatic need.
2. Make-up requirements when U.S.-flag vessels are unavailable or an agency uses notwithstanding authority	Tonnage shipped on foreign-flag vessels when U.S.-flag vessels are unavailable or under USAID's notwithstanding authority is counted toward the maximum tonnage allowed on foreign-flag vessels. Any foreign-flag tonnage exceeding the maximum must be made up.	When U.S.-flag vessels are unavailable or when USAID uses notwithstanding authority, tonnage shipped on foreign-flag vessels should not be counted toward the maximum tonnage allowed.	Tonnage shipped on foreign-flag vessels is counted toward the maximum tonnage allowed on foreign-flag vessels. USDA does not have notwithstanding authority since it does not implement emergency programs.
3. Applicability of cargo preference requirements to public international organizations	The grants to international organizations are governed by regulations and guidance issued by DOT.	Cargo preference regulations apply when the authority for LRP is Food for Peace. However, the regulations do not apply when LRP is carried out under authority of the Foreign Assistance Act.	Cargo preference applies to international organizations.
4. Reimbursement methodology	DOT reimburses food aid agencies for a portion of the ocean freight and transportation costs that exceed 20 percent of total program costs.	DOT reimbursement methodology is not specified for all possible scenarios.	DOT reimbursement methodology is not specified for all possible scenarios.

Source: DOT, USAID, and USDA.

The lack of clarity on how to interpret and implement cargo preference regulations may constrain agencies' ability to utilize LRP. For example, USAID's and USDA's LRP pilot programs could be hindered if U.S.-flag vessels are unavailable. USAID officials indicated that, given the limited volume of regional shipments relative to regular Title II shipments, the agency would probably not be able to meet the U.S.-flag compliance threshold if even one shipment could not be transported on a U.S.-flag vessel. According to a USDA official, countries chosen for its LRP pilot field-based projects will likely receive food shipments only once in a fiscal year. If U.S.-flag vessels are unavailable for service at that time, it is unclear how USDA will make up tonnage by country and program the following year since the pilot is of limited duration.

The memorandum of understanding (MOU) that outlines the manner in which USAID, USDA, and DOT coordinate the administration of cargo preference requirements was last updated in 1987 and does not reflect modern transportation practices or the areas of ambiguity related to LRP. In our 2007 review of U.S. food aid,²⁴ we found that cargo preference can increase delivery costs and time frames, with program impacts dependent on the sufficiency of DOT reimbursements. Therefore, we recommended that USAID, USDA, and DOT seek to minimize the cost impact of cargo preference regulations by updating implementation and reimbursement methodologies of cargo preference as it applies to U.S. food aid. Since 2007, USAID and USDA have proposed a working group with DOT to renegotiate the MOU. To date, however, there have been few meetings and no agreement has been reached between the agencies.

Implementation of Recommendations Could Help Enhance U.S. Food Aid

To address the concerns I have just summarized, we recommend in the report we publicly released today that the Administrator of the U.S. Agency for International Development and the Secretary of Agriculture

- systematically collect evidence on LRP's adherence to quality standards and product specifications to ensure food safety and nutritional content;
- work with implementing partners to improve the reliability and utility of market intelligence in areas where U.S.-funded LRP occurs, thereby ensuring that U.S.-funded LRP practices minimize adverse impacts and maximize potential benefits; and
- work with the Secretary of Transportation and relevant parties to expedite updating the MOU between U.S. food assistance agencies and the Department of Transportation, consistent with our 2007 recommendation, to minimize the cost impact of cargo preference regulations on food aid transportation expenditures and to resolve uncertainties associated with the application of cargo preference to regional procurement.

USAID generally concurred with our recommendations. USDA generally concurred but noted that aggregating some of the products into commodity groups caused a loss of precision in our methodology. In conducting our overall analysis, we worked to ensure that we included the largest number of procurement transactions over the longest possible time period for which we had data, so some aggregation was required. DOT

²⁴GAO, *Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid*, GAO-07-560 (Washington, D.C.: Apr. 13, 2007).

noted that it implements its mandate through regulation, not the MOU. Nevertheless, the regulations contain ambiguities and we believe these ambiguities can be resolved by updating the MOU. WFP welcomed our timely examination of LRP but noted the lack of evidence showing that LRP introduces quality challenges that are not already challenges to internationally procured and donor provided food aid.

In summary, the timely provision of food aid is critical in responding to humanitarian emergencies and food crises, and LRP has the potential to better meet the needs of hungry people by providing food aid in both a more timely and less costly manner. To fully realize this potential, however, challenges to its effective implementation must be addressed.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions you or other Members of the Subcommittee may have.

Contacts and Acknowledgments

For questions about this statement, please contact Thomas Melito at (202) 512-9601 or melitot@gao.gov. Individuals who made key contributions to this testimony include Phillip Thomas (Assistant Director), Sada Aksartova, Kathryn Bernet, Carol Bray, Ming Chen, Debbie Chung, Lynn Cothorn, Martin De Alteriis, Mark Dowling, Etana Finkler, Katrina Greaves, Kendall Helm, Joy Labez, Andrea Miller, Julia A. Roberts, Jerry Sandau, and David Schneider.

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Mr. PAYNE. Thank you very much. Mr. Brause.

STATEMENT OF MR. JON C. BRAUSE, DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR DEMOCRACY, CONFLICT, AND HUMANITARIAN ASSISTANCE, UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. BRAUSE. Thank you, Chairman Payne and distinguished members of the committee. I appreciate the opportunity to be here today to address this important topic.

As I intend to keep my comments brief, I ask to submit for the record a longer response to the information requested in the committee's invitation, and a copy of the USAID/USDA Annual International Food Assistance Report.

The committee is aware of the current economic global economic downturn and continuing food security crisis impose constraints that exacerbate the severity of emergencies and further strain the capacity of both donors and the vulnerable to respond to them. This is resulting in decreased purchasing power, loss of livelihoods and the erosion of coping mechanism; thus imperiling a generation's future in many countries. Today, over 1 billion people live in poverty and chronic hunger, and this number appears to be rising, and food insecurity respects no boundaries. It is vital to U.S. Government interests to enhance the capability and flexibility of USAID to respond to emergencies.

While in-kind U.S. Government food aid remains our primarily food assistance response, and is the most visible and valuable humanitarian resource in the world, the ability to procure food aid commodities locally and regionally over the last 12 months has increased USAID's capability to meet emergency food aid needs in an efficient and timely fashion. We fill pipeline gaps prior to the arrival of food shipped from the United States. We increase the total amount of life-saving food aid that U.S. assistance resources can provide in response to the crisis. It has also increased our understanding of LRP's limitations and the need for further data collection, analysis and discussion on its roles in the U.S. Government's humanitarian tool kit.

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

The GAO report supports our own experience this year that LRP has the potential not only to stretch the food aid dollar but also to reduce response times when in-kind food assistance is not already in the pipeline. A current example of this is Pakistan where due to sharp increases in the numbers of people displaced by violence. We are procuring locally even while we expedite the shipment of additional Title II assistance from the United States.

While we agree that the impact data is currently lacking, we believe that LRP has the potential to significantly contribute to broader U.S. Government efforts to reduce global food insecurity. By stimulating local and regional food production, encouraging value-added post-harvest practices, and supporting open and fair

market practices, LRP can strengthen the rural economy and reduce the vulnerability of those who depend on it.

USAID concurs with the GAO comments on the need to pay close attention to food aid quality, and its view that reliable market intelligence is critical for any LRP efforts. We intend to work closely with our non-governmental partners, WFP, and our colleagues at USDA to tackle these important issues.

I would like to take 1 more minute of your time to give you an idea of what we were looking at as we move forward in Fiscal Year 2010. I made the point earlier that we believe LRP has a special role to play in a whole of government approach to addressing global food insecurity. As we move forward we intend to work closely with our regional bureaus in USAID and the interagency to help ensure that whenever possible our emergency response supports other U.S. Government efforts to stimulate agricultural productivity and strengthen the participation of the small holder farmers in local and regional trade in the developing world.

This could mean ensuring that Title II commodities are available when food shortages threaten the lives and livelihoods of assistance farmers, facilitating the flow of food from surplus to deficit areas through local procurement, or implementing a cash-based voucher program when food is available in local markets but vulnerable households simply cannot afford it.

Even as we respond to emergency needs, we want to make sure that we are using the right tools at the right time and in the right way to contribute to a sustainable solution to global hunger.

I would again like to thank you for the support that your committee has given the administration in addressing food security needs abroad and demonstrating to the world the great heart of the American people. I would be happy to take any questions that you might have. Thank you very much.

[The prepared statement of Mr. Brause follows:]

STATEMENT OF
JON C. BRAUSE
DEPUTY ASSISTANT ADMINISTRATOR
BUREAU FOR DEMOCRACY, CONFLICT AND
HUMANITARIAN ASSISTANCE
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH
HOUSE OF REPRESENTATIVES

JUNE 4, 2009

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

Thank you Mr. Chairman and distinguished members of the Committee. I appreciate the opportunity to be here today to address this important topic.

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

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

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

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

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

We continue to work very closely with the Department of State, USDA and other U.S. Government departments and agencies, as well as with multilateral groups, including the Food Aid Consultative Group, to share information and closely coordinate our food aid response activities. In particular USAID and USDA meet regularly to review and coordinate response plans, including domestic procurement and international shipping.

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

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

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

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

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

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

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

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

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

In this regard, \$20 million in FY 2008 supplemental funding earmarked for the World Food Program (WFP) is being programmed to support its Purchase for Progress initiative. This program seeks to help smallholder farmers in developing countries by purchasing their products in areas where WFP operates. Our contribution is being used to purchase commodities through LRP that will be utilized in WFP emergency and relief programs in Ethiopia, Kenya, Mozambique, Rwanda, Uganda and Zambia. These purchases will enable us to better support sustainable food production in these countries and address the root causes of hunger.

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

procedures and import and technical regulations—continue to impede trade in some regions.

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

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

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

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

USAID and USDA are also working on a framework focused on domestic food aid manufacturing and processing. As part of this process, USAID recently awarded a contract to Tufts University's School of Nutrition to examine the nutritional needs of food aid beneficiary populations and the commodities currently available to meet those needs in the context of total available food resources, including LRP. The USAID study includes an

active consultative process that involves industry, academic, and operational experts and will ultimately produce recommendations as to how to most cost-effectively meet the nutritional needs of beneficiary populations with food aid commodities, including through LRP.

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

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

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

Moreover, WFP, a major recipient of USAID LRP funds in FY 2008-2009, has an effective system to ensure that LRP is not only a cost-effective alternative, but also does not disrupt local and regional markets. This system includes structural analyses of many key market impact elements, including main crops; agro-ecological zones; levels of production; agricultural seasons; latest food balance sheets; size, location and importance of food markets; principal exports and imports; major barriers to the free flow of food; and inter-regional trading and transport patterns. Market intelligence is also gathered on the expected harvest; the quality of food likely to be available; significant food purchases, including those made by local institutions; commercial exports; estimates of stocks held by traders; potential disruptions to transport networks; and expected flows of food within a region. USAID plans to build upon this system.

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

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

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

Mr. PAYNE. Thank you. Mr. Philbrook.

STATEMENT OF MR. BUD PHILBROOK, DEPUTY UNDER SECRETARY, FARM AND FOREIGN AGRICULTURAL SERVICES, UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. PHILBROOK. Yes, Mr. Chairman and members of the committee. I am pleased to appear before you to discuss the role of LRP in the context of the United States Department of Agriculture's food aid programs.

The 2008 Farm Bill directed USDA to undertake a local and regional procurement pilot program to be completed in Fiscal Year 2012. Local and regional purchase of food aid has the potential to provide another tool in support of President Obama's commitment to work in partnership with the people of economically poor nations. This pilot program will help inform USDA whether local and regional purchases are more quickly available and cost effective than traditional food aid donations.

Congress directed that the pilot program be used for emergency food crises as well as field-based projects that provide development assistance. Further, Congress directed that it not disrupt local and regional markets, and the first step was for the Secretary of Agriculture to submit a study on local and regional procurement to the Congress, and that report was provided in January of this year.

USDA consulted with USAID, other donor countries, PVOs and the World Food Program, and the study found the following: First, local and regional purchase is an important tool enabling food aid agencies to respond quickly to emergency food needs both during and after food crises and disasters; second, local and regional purchase can be a timely and effective complement to in-kind food aid programs; and third, to ensure the success of LRP, market intelligence is critical.

USDA will issue guidelines to implement the pilot program by mid-July. We will then solicit proposals to conduct field-based local purchase pilot program. The Farm Bill provides \$25 million each in Fiscal Years 2010 and 2011 for the pilot program, and requires that a diversity of field-based projects be undertaken in food surplus regions, food deficit regions, and multiple geographic regions. Africa is designated as the priority region, and USDA is required to conduct the majority of field-based projects in Africa. A portion of the funds is to be used for development assistance projects of not less than 1 year.

USDA has the capacity to implement the pilot program and our experience with the pilot will help inform us for future efforts.

USDA has reviewed the GAO study thoroughly, and we have come to many of the same conclusions. We agree with GAO that local and regional procurement is an important tool that can reduce commodity and transportation costs and shorten delivery times, and we share GAO's concern that poorly targeted local and regional purchases have the potential to lead to price spikes and shortages of staple foods in source countries. But likewise, poorly targeted distributions of in-kind food aid have the potential to depress prices and negatively impact domestic production in recipient countries.

USDA agrees that the best way to mitigate these potential adverse effects is through improved market intelligence.

In addition to feeding hungry people, USDA's food aid programs are opportunities to use USDA's global capacity building and development expertise to help developing countries create sustainable economic growth that improves peoples' lives. Successful development efforts come from the local level. USDA and others have knowledge and resources that can assist with development but the recipients—village farmers and community folk—best know the barriers to their development and what is required to move forward. We must work in partnership with the recipients to design sustainable and effective human and economic development projects.

We are particularly proud to administer the Food for Progress and McGovern-Dole programs. To date, USDA has provided meals to more than 22 million children in 41 countries and boosted attendance in the schools served. These programs have helped build school gardens and fish ponds, improve sanitation systems, rehabilitate schools, and remove unexploded ordnance that prevent children from attending school.

This administration is committed to a permanent solution for food and security, and we look forward to implementing the LRP pilot program and using it as another tool to achieve our goal of feeding the hungry and malnourished, and I look forward to answering any questions that you may have. Thank you.

[The prepared statement of Mr. Philbrook follows:]

STATEMENT BY BUD PHILBROOK
DEPUTY UNDER SECRETARY FOR FARM AND FOREIGN
AGRICULTURAL SERVICES
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH
WASHINGTON, DC
THURSDAY, JUNE 4, 2009

Mr. Chairman, members of the committee, I am pleased to appear before you today to discuss the role of local and regional purchase of U.S. food aid in the context of the U.S. Department of Agriculture's food aid programs.

Background

The Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) directed USDA to undertake a local and regional procurement pilot program. USDA is pleased to bring its expertise in food aid delivery to implement this program effectively.

USDA's food aid programs have helped feed millions of hungry people around the world. We are proud to operate both the Food for Progress Program and the McGovern-Dole Food for Education and Child Nutrition Program.

Local and regional purchase of food aid has the potential to provide another tool – like prepositioning of food commodities which is also an important tool but not a substitute for local and regional purchase -- in support of President Obama's commitment to work in partnership with the people of poor nations "to make your farms flourish and let clean waters flow; to nourish starved bodies and feed hungry minds."

The pilot program will help inform USDA on how efficient and cost-effective local and regional purchases compare to traditional food aid procurement.

Local and Regional Food Aid Procurement Pilot Project

The 2008 Farm Bill directs the Secretary of Agriculture to implement a local and regional purchase pilot program in developing countries through

fiscal year 2012. Congress specifically directed that the pilot program be used for food crises and disasters, as well as field-based projects that provide development assistance for a period of not less than one year. Additionally, the Secretary is to implement the program in a way to ensure that it will not disrupt the local and regional markets.

The first step in designing the program was for the Secretary of Agriculture to submit a study on local and regional procurement to the House of Representatives Committee on Agriculture, the Senate Committee on Agriculture, Nutrition and Forestry, and the House of Representatives Committee on Foreign Affairs. That report was provided in January 2009.

USDA consulted with the U.S. Agency for International Development, given its experience with local and regional procurement, as well as with other donor countries, private voluntary organizations (PVOs), and the World Food Program of the United Nations in preparing the study. The study found the following:

- Local and regional purchase is an important tool, enabling food aid agencies to respond quickly to emergency food needs, both during and after food crises and disasters.
- Local and regional purchase can be a timely and effective complement to in-kind food aid programs.
- Market intelligence on when and how to use appropriate local and regional purchase methods to meet food aid needs, and avoid harming low-income consumers, producers, and fragile market systems, is critical.

We will issue guidelines to implement the pilot program by mid-July.

After publishing the guidelines, USDA will begin to solicit proposals from organizations to conduct local purchase pilot programs. These organizations must be eligible under the Food for Peace Act and, in the case of PVOs, subject to the guidelines promulgated for this pilot program. The Farm Bill provides that the Secretary shall use \$25 million of Commodity Credit Corporation (CCC) funds in each of fiscal years 2010 and 2011 to implement the local and regional purchase pilot program.

The Farm Bill requires a diversity of field-based projects be undertaken in food surplus regions, food deficit regions, and multiple geographical regions.

Africa is designated as the priority area of operations, and USDA is required to fund the majority of field-based projects in Africa.

Finally, the Farm Bill requires the Secretary to ensure that an independent third party conducts a comprehensive independent evaluation of the field-based pilot projects. The independent evaluation must include a number of factors, including prevailing and historic price movements of the local markets, the impact on local consumer prices, costs for storage, handling, transportation, and administration, and the impact on large and small producers. The Farm Bill provides that the Secretary shall use \$5 million of CCC funds in fiscal year 2012, the year in which the evaluation will be carried out.

USDA has the capacity to implement the pilot program. Our experience with the pilot will help inform us for the future.

Government Accountability Office Study

It is timely that the Government Accountability Office (GAO) was doing a study of local and regional procurement at the same time that USDA was studying this tool. We came to many of the same conclusions as GAO. The GAO study has highlighted some additional points to consider when implementing local and regional procurement. USDA has reviewed the GAO study thoroughly.

We agree with GAO that local and regional procurement is an important tool that, when used appropriately, at the right time and under the right conditions can reduce commodity and transportation costs and shorten delivery times. We share GAO's concern that poorly targeted local and regional purchases have the potential to lead to price spikes and shortages of staple foods in source countries. Likewise, poorly targeted distributions of in-kind food aid have the potential to depress prices and negatively impact domestic production in recipient countries. USDA agrees that the best way to mitigate these potential adverse affects is through improved market intelligence.

As GAO noted, the existing memorandum of understanding on cargo preference does not specifically addresses issues related to local and regional purchases. While cargo preference is not the subject of this hearing, USDA looks forward to working with the U.S. Agency for International

Development and the Maritime Administration to clarify the application of cargo preference to this type of food aid.

Creating Sustainable Economic Growth

In addition to feeding hungry people, USDA's food aid programs provide opportunities to use USDA's global capacity building and development expertise to help developing countries create sustainable economic growth that improves people's lives. We can share with developing countries the tools they need to develop their own extension services; educate farmers, food processors, shippers, marketers, and exporters in the latest agricultural technology; build cold storage and food production facilities; and get agricultural products to market for domestic or foreign consumption. These tools complement other such activities undertaken by the U.S. Agency for International Development (USAID), and the Department of State to help the United States Government (USG) better enable developing countries attain food security.

We strongly believe that successful developmental efforts come from the local level. USDA and the Foreign Assistance agencies of the USG have knowledge and resources that can assist with development, but recipients best know their barriers and needed actions. We must work in partnership with the recipients to design sustainable and effective projects.

Fully Utilizing USDA's Food Aid and Development Programs

USDA, like all parts of the USG food aid implementers, has built long-term capacity building and development aspects into all our food assistance programs. This makes them well-suited to respond to the President's call to help stabilize emerging economies and rejuvenate failed and weakened states.

For example, last month Secretary Vilsack announced plans for \$27.5 million in assistance for Pakistan and Afghanistan under our Food for Progress Program. The Government of Afghanistan will use the proceeds from the sale of U.S.-donated vegetable oil to implement agricultural and rural development projects.

We are particularly proud to administer the McGovern-Dole International Food for Education and Child Nutrition (McGovern-Dole) Program. To date, USDA has provided meals to more than 22 million children and boosted attendance in schools in 41 countries, particularly for young girls, under the McGovern-Dole Program and its predecessor.

McGovern-Dole Program funds have helped build school gardens and fish ponds; improve sanitation systems; rehabilitate schools; and remove unexploded ordnance preventing children from attending school. The Administration requests a historic doubling for this program from \$100 million in the FY 2009 Omnibus Appropriations Act to almost \$200 million in the President's FY 2010 Budget, in order to serve additional children.

Conclusion

The Administration is committed to a permanent solution for food insecurity. We look forward to implementing the local and regional procurement pilot program and using it as another tool to achieve our goal of improving the lives of hungry and malnourished people. I look forward to any comments or questions you may have. Thank you.

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Mr. PAYNE. Thank you very much. And Ms. McKeever.

STATEMENT OF MS. JEAN MCKEEVER, ASSOCIATE ADMINISTRATOR, BUSINESS AND WORKFORCE DEVELOPMENT, SENIOR PROGRAM MANAGER, OFFICE OF CARGO PREFERENCE PROGRAM, MARITIME ADMINISTRATION, UNITED STATES DEPARTMENT OF TRANSPORTATION

Ms. MCKEEVER. Good morning, Mr. Chairman and members of the subcommittee.

I appreciate the invitation to brief the House Committee on Foreign Affairs, Subcommittee on Africa and Global Health, on the recent Government Accountability Office study on local and regional purchases, use for food aid.

The Cargo Preference Statute of 1954, as amended in 1985, was envisioned by the Congress to help support the U.S. Merchant Marine which is vital to the nation's defense by requiring the use of U.S.-flag carriers for at least 75 percent of food aid shipments. Support of the U.S. fleet was structured in a way that reimburses the food programs on shipments in excess of 50 percent of food aid shipped. Any additional costs on the first 50 percent of food aid shipped under cargo preference and not reimbursed are borne by the agencies implementing the food aid programs.

Mr. Chairman, the subcommittee asked that we address three specific issues in our testimony today. First, relating to the need to update the Memorandum of Understanding, or MOU; second, obstacles to ensuring that an updated framework governs the application of cargo preference requirements to LRP; and third, whether there are actions that Congress could take to clarify the application of cargo preference with regard to LRP. I will defer to my colleagues from the food aid programs on any issues related to the implementation of food aid programs.

In regard to ensuring that an updated framework governs the application of cargo preference requirements to U.S. food aid that clarifies how they pertain to U.S. agencies' use of LRP, we believe the requirements as established by law are clear, and there are no obstacles.

Except as otherwise exempted by law, cargos financed by the American taxpayer and moving by water are subject to 50-percent carriage on U.S.-flag vessels when practicable. Only food aid specified in 46 U.S.C. 55314, exported from the United States is subject to the 75-percent requirement; otherwise it is 50 percent.

With regard to the GAO recommendations on the Memorandum of Understanding, we maintain that the MOU is not an impediment to the agency's use of LRP. The MOU among USAID, the Commodity Credit Corporation of USDA, and the Maritime Administration merely describes the process of how MARAD's ocean freight differential reimbursement to USDA and USAID is calculated. In addition, because LRP is subject to cargo preference at the 50-percent level, the MOU is not applicable.

Finally, we appreciate the subcommittee's consideration in asking whether there are actions that Congress could take that could clarify some of the ambiguities in the application of cargo preference requirements as they pertain to LRP. We anticipate holding discussions with the agencies whose programs are affected by the

legislation in P.L. 110–417, and we look forward to working with them toward an appropriate consensus in advance of submitting regulations for review by the Office of Management and Budget.

In summary, I want to thank the members of the subcommittee and the chairman for your leadership in holding this hearing today, and I will be glad to answer any questions that you may have.

[The prepared statement of Ms. McKeever follows:]

STATEMENT OF
JEAN E. McKEEVER
ASSOCIATE ADMINISTRATOR FOR
BUSINESS AND WORKFORCE DEVELOPMENT
MARITIME ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH

ON
LOCAL AND REGIONAL PURCHASES:
OPPORTUNITIES TO ENHANCE U.S. FOOD AID

June 4, 2009

Good morning, Mr. Chairman and Members of the Subcommittee. I appreciate the invitation to brief the House Committee on Foreign Affairs, Subcommittee on Africa and Global Health on the recent Government Accountability Office (GAO) study on local and regional purchases (LRP) used for food aid.

The cargo preference statute of 1954, as amended in 1985 was envisioned by Congress to help support the U.S. merchant marine, which is vital to the nation's defense, by requiring the use of U.S.-flag carriers for at least 75 percent food aid shipments. Support of the U.S. fleet was structured in a way that reimbursed the food programs on the shipments in excess of 50 percent of food aid shipped. Any additional costs on the first 50 percent of food aid shipped under cargo preference and not reimbursed are borne by the agencies implementing the food aid programs.

Mr. Chairman, the Subcommittee asked that we address three specific issues in our testimony today, relating to the need to update the memorandum of understanding (MOU), obstacles to ensuring that an updated framework governs the application of cargo preference requirements to LRP, and whether there are actions that Congress could take to clarify the application of cargo preference with regard to LRP. I will defer to my colleagues from the food aid agencies on any issues related to the implementation of food aid programs.

In regard to ensuring that an updated framework governs the application of cargo preference requirements to U.S. food aid clarifies how they pertain to U.S. agencies' use of LRP, we believe the requirements, as established by law are clear, and there are no obstacles. Except as otherwise exempted by law, cargoes financed by the American taxpayer and moving by water are subject to 50 percent carriage on US-flag vessels when practicable. Only food aid specified

in 46 USC 55314 exported from the United States is subject to the 75 percent requirement.

With regard to the GAO recommendations on the Memorandum of agreement, we have maintained that the MOU is not an impediment to agencies' use of LRP. The MOU among the U.S. Agency for International Development (USAID), the Commodity Credit Corporation of the Department of Agriculture (USDA) and the Maritime Administration (MARAD) merely describes the process of how MARAD's ocean freight differential (OFD) reimbursement to USDA and USAID is calculated. In addition, because LRP is subject to cargo preference at the 50 percent level, the MOU is not applicable.

Finally, we appreciate the Subcommittee's consideration in asking whether there are actions that Congress could take that could clarify some of the ambiguities in the application of cargo preference requirements as they pertain to LRP. Following the enactment of PL 110-417, the National Defense Authorization Act of 2009, we anticipate holding discussions with the agencies whose programs are affected by the legislation and working with them towards an appropriate consensus in advance of submitting regulations for review by the Office of Management and Budget.

In summary, I want to thank the members of the Subcommittee and Chairman for your leadership in holding this hearing today. I will be glad to answer any questions you may have.

Mr. PAYNE. Thank you very much. I let me thank all of you for your testimony, and we will move into questions, but before I do that, I would like to welcome the members of the National Assembly of Cambodia on my right-side of the room who are visiting the U.S. Congress hosted by the National Democratic Institute. We wonder if you would stand.

[Applause.]

Mr. PAYNE. Thank you. Let me begin by asking this question and anyone could chime in. In your opinion, what are the macro and microeconomic impacts locally and regional from local and regional purchases vis-à-vis in-kind contributions?

For example, does it reduce unemployment while increasing production as a result of increased consumer demand in agricultural products? Is there evidence that the LRP leads to agricultural and microenterprise development in general? Would anyone like to tackle that? Yes.

Mr. BRAUSE. Mr. Chairman, thank you very much.

We believe that the LRP can have significant impact in both a macro level and a micro level, and as I think has been pointed out, we have to be careful because those impacts can be both positive and negative. We have to watch out that both LRP commodities and in-kind food aid don't have a negative impact on macro market systems in the countries in which they are provided.

But in a more positive sense, having the flexible tools available to us both in-kind food aid and LRP will let us target our assistance so that we can have the greatest positive impact on not only the vulnerable people but the market systems in which they work and live.

Part of our efforts under LRP will be to strengthen the local market systems for the small farmers, to give them the knowledge and the technical skills they need to bring their fruits to market so that they can strengthen their livelihoods and increase the incomes that they have for their families.

So if LRP is used properly, it can have an impact at the household level and it can have an impact at the more macro level in the countries in which it is used.

Mr. PAYNE. Thank you very much. I wonder if anyone would like to talk about what kind of strategies or mechanisms you recommend to increase effective and reliable market intelligence, in order to make informed decisions about LRP. We have heard that inaccurate information led to problems, and I don't know if anyone could think of any strategies, or how we can determine that information is more accurate. Yes.

Mr. BRAUSE. Mr. Chairman, USAID has been paying very close attention to the Belman amendment which is in the Food for Peace Act which requires us to track the market impact of in-kind food aid. That same system can be used to help us track the potential impact of local and regional procurements on market.

In addition, the Office of Food for Peace and USAID in general support the famine early warning system which currently has 25 offices around Africa and the world that track food security issues, including market data to help ensure that we have the information available to know what the right resource should be to address a particular food security situation.

We also work very closely with our partners, the U.S. PVOs, and the World Food Program who also have very significant technical knowledge that allows them to identify the most appropriate response for a given food security situation, and we will be looking to them to help guide us as well on what resources we should bring to bear on any particular situation in the developing world. Thank you.

Mr. MELITO. I would like to add that I agree with what Mr. Brause said. Greater coordination though among the donors is probably the area that they should press the most. I mean, there are a lot of individual efforts going on. Each transaction provides good information about the market, but if you aggregate those transactions you learn a lot more, so greater collaboration.

Mr. PAYNE. Thank you very much.

Let me just, before I yield, ask Ms. McKeever: You did mention in your testimony that you will be getting together with the various agencies to discuss the Memorandum of Understanding, but I wonder, do you think that it is recommended to revisit the 1985 statute of the Memorandum of Understanding and to meet current food crisis cost effectively and in a timely way?

Do you feel that there really needs to be a revisit. There was some mention of ambiguity in the agreement, as was mentioned in the testimony of Dr. Melito.

Ms. McKEEVER. In our view the Memorandum of Understanding is strictly limited in scope to how our reimbursement methodology works with regard to paying an ocean freight differential to the food agencies when there is a preference shipping requirement for cargos over 50 percent, between the 50 percent and 75 percent, is strictly a process memorandum of how we pay that differential, and it doesn't extend to other matters. It is very limited in scope.

So, to the extent there are matters in the cargo preference arena that have to be clarified, we think it is more appropriate to do it through regulation rather than expanding that MOU which really is not germane to this particular topic. That is strictly a procedural MOU, and we think it should be kept that way and limited in scope to the ocean freight differential payments. It wasn't intended to be an all-encompassing vehicle to embrace any number of elements of the cargo preference program. That was never the intention.

Mr. MELITO. Mr. Chairman.

Mr. PAYNE. Yes.

Mr. MELITO. GAO recommended in 2007 to update the MOU based on our in-kind system which was directly related to the system for compensating the programs. So there is a need to update the MOU even within the context of DOT's criteria.

However, when the memorandum was created in 1987, when it was signed, it never envisioned LRP, and these ambiguities do have the potential to really restrict the use of LRP. So there needs to be a vehicle for resolving the ambiguities and the MOU is the most direct way to bring the agencies together and resolve the issue. Thank you.

Mr. PAYNE. Thank you very much.

I will yield to the gentlelady from California, Congresswoman Watson.

Ms. WATSON. First, let me get to a domestic question that has been of great concern to all of us. I would like to address this question to Mr. Philbrook.

Unemployment is on the rise in this country. That doesn't even have to be said. And as the tragic results of General Motors having to declare bankruptcy, many of the families in Michigan may struggle to provide food, and how is the USDA planning on addressing the increase in demand for food stamps in our nation, and can we provide enough food stamps to meet the demand?

Mr. PHILBROOK. Congresswoman, I can't answer that question, but we—

Ms. WATSON. Is it an unknown?

Mr. PHILBROOK. I don't know that it is an unknown. It is just way outside my area of responsibility or knowledge. But we will get you answer to that question.

Ms. WATSON. I would like to have that answered because right here I am going to relate to the subject of this hearing, but that has been on my mind—

Mr. PHILBROOK. Yes, we will—

Ms. WATSON [continuing]. For the last 48–72 hours.

Mr. PHILBROOK. Yes, we will get you an answer to that question very quickly.

Ms. WATSON. Okay. I would like to address this to Mr. Brause, and maybe Ms. McKeever, whoever. We are finding more and more that international aid agencies are disjointed and uncoordinated, and that has been mentioned, and oftentimes we can find several agencies working in one area whereas other areas are completely ignored. In terms of food aid, how does the United States agencies coordinate with international bodies, and how does the World Food Program coordinate with other relief efforts, and how are efforts coordinated internationally?

And are blankets and clothing say, you know, mixed kind of aid along with food, are they shipped in the same shipments or are they required to be shipped separately, and are they locally procured?

So these are all relative kinds of activities. We just need to have some clarity, so let me start with Mr. Brause.

Mr. BRAUSE. Thank you very much.

Fortunately, I can tell you I just returned from a meeting in Helsinki with a group of major donors. We were meeting with the Office of the Coordinator for Humanitarian Affairs, Sir John Holmes of the United Nations, and our whole sole purpose was to discuss how we can better coordinate our assistance and ensure that the response in any crisis is well coordinated, well managed, and that all areas of assistance needs are identified and met. So there is a great deal of work that is actually done among the donors to ensure that we are always cooperating.

Now having said that, of course, it is not a perfect system, but for us that is why it is important that the United States has as many tools available to it as possible to make sure that we can fill gaps that develop. But I do want to say that the coordination is actually quite good.

Also in the case of WFP specifically, I leave over the weekend with Mr. Philbrook, we will be heading off to Rome to meet with

the World Food Program at their executive board meeting which again is a gathering of all the donors who support the World Food Program, and part of the purpose of being there is to discuss how to better support their activities worldwide.

Ms. WATSON. I guess it was a couple of years ago we were in Chad and we were told by Mr. Rusesabagina, who was the subject of the movie that dealt with Darfur, and he said that shipments of food from our various foreign agencies were hijacked and the food never got to the camps. You know, they had 250,000 in the camps in Chad which we visited. And so he bought his own company, and the whole issue was security.

When we roll the trucks in, are we finding that we are free to deliver the food or do we have trouble along the way? Is there hijacking? Are they attacking these food supplies? And anyone can respond that has any recent information.

Mr. BRAUSE. Congresswoman, unfortunately the situation in the developing world is rather difficult, and we find that in many of the countries in which we work—Sudan, Somalia as examples, and I guess now also in Pakistan—that security is a very, very, very significant issue.

Ms. WATSON. Yes.

Mr. BRAUSE. And it can in fact impede our programs and the efforts of the international community to meet the needs of the vulnerable groups we are trying to help. So it is an issue and all of the donors and the international organizations do work together on security planning, but it is often an imperfect system.

Can I answer one of your other questions? You asked whether the other resources—

Ms. WATSON. Right.

Mr. BRAUSE [continuing]. That we provide are—whether they are locally procured. In some cases they are locally procured and in other cases they are procured in the United States. As an example our assistance in Pakistan much of our materials are being resourced in Pakistan because Pakistan has the markets and the manufacturing capabilities to provide much of what the displaced in Pakistan need. So in that example we do buy locally.

Ms. WATSON. Let me refer to Ms. McKeever. How do we strengthen our food delivery programs?

Ms. MCKEEVER. You mean in terms of ship security?

Ms. WATSON. Yes.

Ms. MCKEEVER. We are working very closely with DoD and the U.S. Coast Guard and the State Department on security issues. That is an ongoing very serious matter to all of us.

Ms. WATSON. Yes.

Ms. MCKEEVER. And as you are well aware, Congresswoman, so those are—they are developing the best steps that could be taken within the constraints under which we have to operate.

Ms. WATSON. I want to address this question to the chair. He just came back from Zimbabwe, in our conversation, we were in South Africa, is about the food fights and the fact that most of the native people were starving and they were eating from the piles of garbage on the streets and so on. I would hope that part of this discussion you would share with us what are they doing about food there in Zimbabwe. And I yield back my time.

Mr. PAYNE. Thank you very much. Just in a nutshell the situation has improved in Zimbabwe. The currency has been changed; it was hyper-inflation. Of course, it was very worthless currency, and so it has gone to the dollar and the rand, and interestingly enough, there are commodities that are back on the shelves and the new MDC government, Tsvangirai and President Mugabe are attempting to move forward, primarily dealing with not only the food situation but the water situation with cholera. We recently visited the water supply for Harri and other parts to get first-hand knowledge of what is going on, but thank you for your interest, and we will be giving a report soon.

Congresswoman Woolsey.

Ms. WOOLSEY. Thank you, Mr. Chairman.

Maternal mortality in underdeveloped nations is a huge problem. We know that, that is an understatement. We also know that one of the keys to promoting healthy pregnancies and births is good nutrition. So what would be the best effort—probably you, Mr. Brause, would be the one that would talk about this—to get food into these needy areas and make sure that the people who need them the most get the food, who need it the most get it, and that they get quality food, balanced diets of some sort? That has to be part of what we are working on. And what role does food security plan in our overall goal for healthier mothers and babies?

Mr. BRAUSE. Thank you. Those are two critical issues that Food for Peace has been working on, and actually the entire agency has worked on not only with our food aid resources but with our development assistance resources and our health resources. But with food aid specifically, the Title II program has been supporting maternal child health programs around the world for decades and will continue to do so, and we work very closely with our partner organizations who also feel very strongly about addressing the needs of pregnant women and young children to ensure that the children are born healthy and that they develop healthy during those critical first few years, and that leads me to the response on what we could do on food assistance.

The Office of Food for Peace has just recently signed an agreement with Tufts University School of Nutrition to do an evaluation of the commodities that we have available to us and their nutritional composition to meet the needs of the beneficiaries around the world. And the group that we are trying to work on now is the under twos. What commodities and what nutritional makeup do those commodities need that would be appropriate for young children? Because if you miss the nutrition for children under two, then you have lost pretty much the entire ball game, and we really, really want to focus on that, and that is actually something that WFP and the NGOs are keenly interested in.

So we are working together, if I might just add, with USDA on that effort to make sure we get the best commodities available.

Ms. WOOLSEY. Do you see any difference in delivery of these food products between the urban areas and the rural areas, the moms who do all the toting, walk miles to get commodities or what they need? Do the urban families, are they treated differently than the rural families? Is there a difference in their health?

Mr. BRAUSE. I would say generally in the rural areas families have more access to locally grown foods, and we are paying particular attention to the urban poor, and they are the ones who often are in an environment where food is available but they don't have access to it, so they have to make the difficult decisions on what to buy and what not to buy.

Ms. WOOLSEY. Mr. Philbrook, you look like you wanted to say something.

Mr. PHILBROOK. Well, thank you, Congresswoman. I just wanted to add that in rural areas of developing countries, that is where the largest percentage of the population is, up to 70 percent in many countries, and most of the women are also the farmers. In fact, the vast majority of farmers in developing countries are women. And so material health and child health and nutrition need to go hand in hand with what women do, and it would be our judgment that if we want to address the issue that you raise we need to look at it comprehensively. We need to do rural agricultural development, and that includes—that includes a wide range of activities from extension information to irrigation, appropriate irrigation technology, to education, to health care, to assisting folks with understanding the values of bio technology, et cetera. It is a comprehensive development that needs to be done at the local level, at the village level with local people, mostly with women. If we address that comprehensively, then I believe we address the issue that you raise.

Ms. WOOLSEY. And do you believe we also address the issue of self-sufficiency for the communities?

Mr. PHILBROOK. That is the key, that would be one of the key results of that activity, yes.

Ms. WOOLSEY. Okay. Thank you, Mr. Chairman. Thank you.

Mr. PAYNE. Yes, Congresswoman Watson wanted to ask another question.

Ms. WATSON. And I am sensitive to the fact that we have a bill on the floor. But I want to address this to Mr. Brause because you mentioned something that really triggered a memory. Intelligence, in going into the—I guess the biology of the food that we supply. I am reminded in the early seventies of the Nestles Company sending Similax to the western coast of Africa, and many of the babies died, and we realized then the biological and endocrine makeup of the African child was so different and they couldn't process the milk sugars and so on.

So in the laboratories that you mention, are we looking at the kinds of foods that we send geographically? And you know, if we don't have to time to really get into it, I could take it in writing, but I am really concerned about the products that we send over to meet the hunger needs.

Mr. BRAUSE. Yes, ma'am. As a matter of fact, cultural and regional food uses are a very big issue for USAID and the team that we have working on this, and again it is going to take all of us, it is going to take assistance from USDA and our partners, and even it is going to take assistance from industry. Our industry in the United States has the knowledge, the depth of knowledge on food manufacturing and food nutrition that we need to draw into this discussion. And so I think with the help of Tufts we are going to have that kind of information available to us very soon, and then

again we will work with industry to see if we can manufacture those products in the United States.

Mr. PAYNE. Well, thank you very much. I had several other questions, but because there is a vote on we will probably send some questions to you in writing, this whole question of how to deal with food aid. As a matter of fact it goes way back to the potato famine in Ireland in the 1840s: It was a question of food that was in the country, but it was high value food, and the question about importing wheat from the United States and the question was who is going to pay the tariffs as people died. So this whole question of food and food security is certainly not a new issue, and we certainly are trying to look at how we can have the most positive impact, and we really look forward to working with the GAO and the rest of you to try to figure out what is the best way; how we avoid price and securities; what happened in Ethiopia and Niger and other places when food was purchased locally and destabilized the market locally, and increased the price because of the scarcity for local people. It is a very complicated issue as we know. We will follow up with this, and since we have a vote, I would like to adjourn the meeting. I did have many, many more questions, but I would like to adjourn this portion of the meeting and ask for our briefer, Mr. Jury, to come forward.

So thank you all very much, panelists.

[Whereupon, the subcommittee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH
Donald M. Payne (D-NJ), Chairman

June 3, 2009

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend the following OPEN hearing of the Subcommittee on Africa and Global Health to be held in 2172 of the Rayburn House Office Building.

DATE: Thursday, June 4, 2009

TIME: 10:30 a.m.

SUBJECT: Local and Regional Purchases: Opportunities to Enhance U.S. Food Aid

WITNESSES: Mr. Thomas Melito
Director
International Affairs and Trade Team
United States Government Accountability Office

Mr. Jon C. Brause
Deputy Assistant Administrator
Bureau for Democracy, Conflict, and Humanitarian Assistance
United States Agency for International Development

Mr. Bud Philbrook
Deputy Under Secretary
Farm and Foreign Agricultural Services
United States Department of Agriculture

Ms. Jean McKeever
Associate Administrator
Business and Workforce Development
Senior Program Manager
Office of Cargo Preference Program
Maritime Administration
United States Department of Transportation

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee as noted above.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON Africa and Global Health MEETING

Day Thursday Date 6/4/2009 Room 2172 RHOB

Starting Time 10:40 a.m. Ending Time 12:03 p.m.

Recesses ☐ (_____ to _____)

Presiding Member(s) Donald M. Payne

CHECK ALL OF THE FOLLOWING THAT APPLY:

Open Session ☒

Electronically Recorded (taped) ☐

Executive (closed) Session ☐

Stenographic Record ☒

Televised ☒

TITLE OF HEARING or BILLS FOR MARKUP: *(Include bill number(s) and title(s) of legislation.)*

Local and Regional Purchases: Opportunities to Enhance U.S. Food Aid

SUBCOMMITTEE MEMBERS PRESENT:

Payne; Watson; Woolsey

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not Members of HIRC.)*

HEARING WITNESSES: Same as meeting notice attached? Yes ☒ No ☐

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

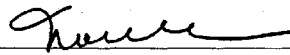
ACTIONS TAKEN DURING THE MARKUP: *(Attach copies of legislation and amendments.)*

RECORDED VOTES TAKEN (FOR MARKUP): *(Attach final vote tally sheet listing each member.)*

Subject	Yeas	Nays	Present	Not Voting

TIME SCHEDULED TO RECONVENE _____

or
TIME ADJOURNED 12:03 pm


Subcommittee Staff Director