

**FOR THE RECORD:
USAID Answers Recently Asked Questions
on Food Aid Reform**

Q: Has the Department of Defense assessed how food aid reform would impact merchant marine readiness and our national security?

- Yes. Under Secretary of Defense Frank Kendall released a letter on June 18, 2013, which re-stated DoD's support for the food aid reform proposal and its assessment that the proposal "will not impact U.S. maritime readiness and national security."

Q. Will the food aid reform proposal have any impact on "militarily useful vessels"?

- No. In his June 18 letter, Under Secretary Kendall stated that DoD is working closely with the Maritime Administration to support the U.S.-flag fleet and facilitate the retention of militarily useful ships. Under Secretary Kendall also stated that DoD's analysis has confirmed that no militarily useful vessels will be affected by the food aid reform proposal.

Q. What about the impact on "non-militarily useful vessels"? I've heard that thousands of mariners on those ships could lose their jobs? Has the Department of Defense looked at the impact on mariners on vessels that carry food aid cargo, but are not useful to the U.S. military?

- Yes. DoD has assessed the possible impact of food aid on mariners on non-militarily vessels. DoD's analysis indicated that the reform proposal "may affect 8-11 vessels – all non-militarily useful – and roughly 360 to 495 mariners."

Q. Does that mean those mariners are going to lose their jobs?

- Those jobs can be retained if affected vessels sell their excess capacity to other U.S. exporters. Other U.S.-flag preference opportunities exist, including USDA impelled food aid (50% compliance), Export Import Bank (100%), civilian agencies (50%) and coastwise trade (i.e., Jones Act, 100%). Ships participating in the food aid program are often also active in the growing coastwise trade, which according to the Maritime Administration represents more than **1 billion** metric tons of cargo annually. In contrast, USAID transported just **1.5 million** metric tons in last year -- and 55% of that tonnage would still be shipped on U.S. vessels under the reform proposal.

Q: What's the basis for the claim that food aid reform will reach "two to four million more people in need annually with the same resources"?

- The U.S. Government used a series of calculations to determine anticipated savings -- using estimates of 20 percent, 25 percent, and 30 percent, which are consistent with the findings of the [GAO study](#), [the Cornell study](#), [the USDA Evaluation](#), and an in-house review of actual procurement and shipping costs in FY 2011 and their equivalent Title II cost. We then adjusted for savings that we would expect in the future regardless of reform -- from changes to cargo preference legislation -- and added the savings from eliminating monetization.
- Once we had a dollar figure, we ran another series of scenarios to see how many beneficiaries would result using the standard Title II cost/beneficiary, the weighted average of FY10-FY12 cost/beneficiary for EFSP, the FY12 cost/beneficiary, or the cost/beneficiary of FY10 & FY12 (*excluding FY11 as a possible outlier because of the disproportionate number of very large scale responses*).
- This resulted in a range of possible outcomes, from which we concluded that we could conservatively estimate that reform would allow us to reach at least 2 to 4 million more beneficiaries.
- A recent independent study by the Center for Global Development (CGD) using USAID data found our estimates to be conservative. CGD estimated 4 to 10 million more people would be reached. For more information on USAID's calculations, [click here](#) and for CGD's analysis, [click here](#).

Q: Will branding foreign-sourced commodities as “From the American People” risk the reputation for safety and quality that American-produced commodities have earned?

- USAID food assistance will continue to be branded and marked, with the USAID logo prominently displayed on all program-related materials, whether purchased in the U.S. or in the affected region.
- USAID and its partners purchase products overseas that are already available in local markets for local consumption. Food safety standards are rigorously followed: USAID's partners must comply with recipient country food safety standards; cereals must be tested for aflatoxin; and awardees are required to use established inspection services prior to shipment and distribution.
- USAID has purchased commodities locally and regionally for three years. In that time there have been no reports of unsafe, low-quality food being distributed to beneficiaries.

Q: Is it more expensive to purchase and deliver food sourced locally and regionally than food from the United States?

- On average purchasing food locally and regionally is less expensive than purchasing U.S. food. Here's how we've calculated the numbers: Looking first at average cost per metric ton (MT), in FY12, local and regional purchases alone averaged \$929/MT. This calculation starts with an Emergency Food Security Program total expenditure of \$374.5 million. Of that \$374.5 million, 44 percent, or \$164.8 million, was used for local and regional purchase of commodities. Divided by the total number of commodities purchased locally and regionally (177,346 MT), this results in an average of \$929/MT.
- Comparatively, Title II purchases (U.S. purchased and shipped) averaged \$1,188/MT. This figure was calculated by dividing the total value of Title II emergency food aid (\$1.17 billion) by the total metric tonnage (985,780 MT) for an average \$1,188/MT. This is \$259, or 20 percent, more per metric ton for Title II than for local and regional purchase (LRP). *For the period from 2010 to 2012, LRP averaged nearly 30 percent less than Title II costs per ton.*
- A [GAO study](#), [a Cornell study](#), and others have found that the cost of procuring grains and legumes through local and regional procurement versus Title II in-kind food purchases is 30-50 percent less expensive.

Q: What's your source for claiming that food purchased locally or regionally will arrive faster than food purchased in the United States? If shipping food from the U.S. takes time -- and getting food to hungry people quickly is the goal -- why not preposition food near where it will be needed?

- Research from a variety of institutions – both public and private – tells us that locally and regionally procured food arrives faster than food from the United States:
 - An independent, third party evaluation of USDA's five-year pilot of local and regional procurement (LRP) in developing countries found that on average, LRP arrived *74 days faster than traditional in-kind assistance from the U.S.*
 - A January 2012 Cornell research paper found *an average time savings of 14 weeks for LRP compared to traditional in-kind assistance from the U.S.*
 - A 2008 GAO report found delivery of *in-kind food aid took an average of 147 days compared to 35 days for LRP and 41 days for regional procurement in Sub-Saharan Africa.*

- USAID's own experience implementing LRP programs reinforces these findings.
- Prepositioning has been incredibly useful in improving our response time to crises and is a tool we'll continue to use. However, maintaining secure, safe warehouses for food around the world is very expensive, so USAID limits its number of prepositioning warehouses to key locations closest to regions where there are recurrent crises.
- Prepositioning does not eliminate shipping expenses to the various prepositioning sites -- or the additional costs that are incurred when prepositioned food has to be moved again to the crisis location.
- We also don't want to unnecessarily subject larger volumes of commodities to the risk of spoilage or damage during warehousing. As certain commodities age faster than others, USAID is limited in the types of commodities that it can effectively store.
- Critically, prepositioning also does not change the fact that in some cases, like Syria, due to security concerns or other constraints, U.S. commodities are just not the most appropriate tool. There are other interventions that we and other international donors can now use to refine and improve our response.

Q: When purchasing food locally, what controls are in place to make sure we know where the food comes from? Is there a tracking system to ensure that local purchases are actually locally and regionally grown?

- As is the current practice for USAID-funded local and regional procurements, USAID partners will continue to be required to buy from developing countries near crises and to provide detailed information on planned procurement locations, quantities and other details when applying for assistance. These requirements are included in the actual agreement. Deviations from the agreed-upon terms require USAID approval. By requiring this information, USAID ensures that we are not inadvertently purchasing food from U.S. competitors.
- In most cases, we have information on both the source (where it was purchased) and origin (where it came from). In addition, USAID's largest partner, the United Nations World Food Program (WFP), has requirements for origin certification for local and regional procurement.

- In each country where USAID has done local and regional purchase of food, we have found that imports of the types of commodities we would purchase, such as sorghum, corn and beans, is fairly low.

Q. I've heard rumors that USAID's Food for Peace program has purchased rice from Thailand and soybeans from Brazil as part of its existing local and regional purchase program?

- USAID's Food for Peace program has not purchased rice from Thailand or soybeans from Brazil. Our local and regional purchase program (LRP) will only purchase from those countries listed as Development Assistance (ODA) recipients as part of the Organization for Economic Co-Operation and Development's (OECD) Development Assistance Committee (DAC). Our experience so far has been that the majority of LRP purchases are in countries neighboring a crisis or within the same country being served.
- For example, in Fiscal Year 2012, we made local in-country purchases in Burma, Cambodia, the DRC, Kenya, Niger, and Rwanda. Regional purchases were made in Nigeria (for Chad), Zambia (for Kenya), Burkina Faso/Senegal/Togo (for Mali), Uganda (for Sudan), Ethiopia/Tanzania (for South Sudan), Malawi/Zambia (for Zimbabwe) and Jordan/Lebanon/Turkey/Vietnam (for Syria).

Q: How will USAID ensure that local or regional procurement, cash transfer or food voucher programs will not negatively impact local markets?

- USAID makes every effort to ensure food assistance programs do not negatively impact local markets. Under Title II programs, a Bellmon determination is required to ensure monetized commodities for development food assistance programs do not adversely impact markets.
- Similarly, in their proposals to USAID for International Disaster Assistance-funded emergency food assistance, USAID partners are required to submit a market analysis in order for their proposal to be considered. The market impact analysis addresses what impact the proposed intervention is likely to have on the commodity market system in the proposed program location. This market analysis informs the partner's chosen method of intervention. Proposals that do not include this market analysis will not be considered.
- USAID also draws on FEWS NET analyses to inform our programming decisions.

Q.: When using food vouchers and cash transfers, how does USAID safeguard against theft, fraud and other abuses?

- From requirements built into USAID's application process to post-distribution monitoring, a variety of mechanisms are in place to ensure USAID and its partners safeguard against theft, fraud and other abuses.
- In USAID's annual program statement for emergency food assistance, the Agency requires that partners share their risk mitigation plan in their proposals to ensure against abuses in their programs. USAID staff regularly monitor these programs and routinely follow up to ensure these steps are put into place during program implementation.
- Operationally USAID partners also take a variety of steps to safeguard the programs. For example, in voucher programs:
 - The vouchers often have holograms, water marks, or serial numbers to prevent fraud.
 - Partners change the voucher paper color monthly, so vouchers cannot be copied.
 - Vouchers often have limited redemption periods, to ensure beneficiaries use the vouchers in a timely manner to prevent loss or damage to the voucher.
 - Partners also monitor markets during redemption periods, to ensure they are used properly by both beneficiaries and vendors.
 - Partners routinely require receipts for voucher processing when the vendors bring the vouchers to the partner to exchange for cash.
- For cash transfer and voucher programs, partners require beneficiaries to present a government identification card, and in some instances use biometrics (e.g. fingerprints) to verify beneficiaries' identities and to confirm they are supposed to receive assistance.
- Following a voucher or cash distribution, USAID and its partners do post-distribution monitoring with beneficiaries and vendors to determine how vouchers and cash were used. Hotlines are often established, for beneficiaries to lodge complaints if there are problems with the program.

Q: Why is USAID seeking additional flexibility when it already has over \$300 million in resources from the International Disaster Assistance Account (IDA) that can be used for more flexible responses such as LRP, cash transfers, or food vouchers?

- USAID does have IDA resources available for local and regional purchase, cash transfers or food vouchers, and has used these tools when in-kind food aid cannot arrive in time or they are more appropriate due to local market conditions.
- In FY13 and FY14, however, much of these flexible funds will go towards the large-scale response for the Syria crisis, leaving little in flexible food aid resources for the rest of the world.

Therefore, through the President's Food Aid Reform proposal, USAID is seeking to expand the flexibility of these resources so we can meet the needs of hungry people around the world in as efficient and effective a way as possible.

Q: Why is the Administration pushing for food aid reform now?

- This proposal is not new -- Republicans and Democrats have supported food aid reform for a decade. In fact, President Bush included food aid reform proposals in his budget from FY 2006 to FY 2009.
- Since 1954, the United States has helped feed more than three billion people in over 150 countries. But over the last 60 years, the world has changed. Budgets are tight and the cost of doing business has grown -- eroding our reach and impact. As more efficient tools surfaced and best practices evolved, we've learned that the current approach to food aid can become -- at times -- an impediment to its own mission.
- The President's proposal commits to a more rapid, cost-effective, and life-saving food aid program that pairs the continued purchase of American food aid with a diverse set of tools, including local procurement and food vouchers.
- The proposal has received widespread support, from the Heritage Foundation, AEI and Cato to the Center for Global Development, Brookings and the Center for American Progress, as well as the National Farmers Union, Cargill, Catholic Relief Services and CARE, among others.