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FORESTRY

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Examining the Performance of U.S. Trade and Food Aid Programs

Mr. Chairman and members of the committee, thank you for this opportunity to present CARE's perspectives on the performance of United States international food assistance programs. Ensuring that our nation's food assistance programs achieve success at reducing hunger around the world is a critical challenge for all of us. CARE shares your commitment to combat hunger by providing effective and accountable programming wherever it is needed. CARE would like to express its great appreciation for all the support that Chairman Harkin, Senator Chambliss, the ranking member from Georgia, CARE's home state, and this Committee have given to programs using food aid.

CARE has been a cooperating partner of the Food for Peace program since it was established in 1954. Over the past 53 years, CARE has programmed more than 18.5 million tons of food from Food for Peace (valued at over \$7.4 billion) to reach more than 200 million people. CARE operates food assistance programs today in twenty-two countries in Africa, Latin America, and Asia . In the half-century or so that U.S. food aid programs have existed in their current form, our work together has helped to save countless lives, and protect and improve the health and well-being of millions of people living on the edge of disaster. CARE is proud to be a part of this great effort.

CARE's approach to food assistance has evolved over the years. We began by focusing on the provision of food and other assistance to people facing the threat of famine. We still use food in this way, but we have learned that food resources alone, although valuable, are not enough to address hunger. To improve people's lives, we developed multi-year programs that combine food assistance with other resources. These programs target the neediest people, often before a humanitarian emergency is apparent. They are designed to address the underlying causes of hunger and to strengthen poor peoples' capacity to cope with misfortune.

When it uses food aid, CARE's central focus is on helping poor people overcome hunger. Our objectives are always to save lives and protect livelihoods - while minimizing any unintended harmful consequences that might result from the use of food resources.

CARE strives to use food only when and where it is appropriate . Well-managed food aid continues to be an important component of a global strategy to reduce hunger.

While acknowledging the important contribution of U.S. food assistance programs, we also accept the challenges that we still face, and they are daunting. There are currently approximately 820 million undernourished people in the developing world. Many of these people are now so

poor that they lack the means to rebuild their lives following natural disasters or other humanitarian emergencies. These problems are particularly acute in sub-Saharan Africa, where, for at least the last three decades, hunger has steadily worsened, becoming more widespread and persistent over time. The growing numbers of highly vulnerable people who have fallen into extreme and intractable poverty helps to explain the increased frequency and severity of humanitarian emergencies, and the exploding demand for emergency food aid. In parts of the Horn of Africa, the Sahel, and southern Africa, events that would not have triggered major humanitarian emergencies twenty-five years ago do so now.

While humanitarian crises have increased, the funding needed to adequately support food assistance demands worldwide has declined by nearly half in real terms since 1980 . We recognize that these resource constraints will not be easy to resolve in the current budget environment. This is why everything possible must be done to improve the efficiency and effectiveness of food aid practices so that we can achieve the greatest impact possible with the resources that we have. One important way to achieve this is to improve the timeliness and targeting of food aid. Food aid is especially valuable when it arrives on time and reaches the people who need it most. If it is late or poorly targeted, essential food aid can be wasted. Worse yet, untimely deliveries and poorly targeted food aid can have unintended, and sometimes harmful, economic consequences.

With these concerns in mind, CARE recommends several specific changes to current policies affecting U.S. food assistance programming.

#### Local Purchase

CARE endorses increasing procurement flexibility in the Title II program so that food may be routinely purchased locally or regionally in developing countries. Under the right circumstances, having a local purchase option can reduce delays and improve program efficiency and effectiveness, and therefore save lives.

Although local purchase can be a useful tool under the right conditions, this approach must be undertaken carefully. If not managed properly, local purchase can trigger price spikes that are harmful to poor people who must purchase food in order to meet their basic needs. This is why we feel that a carefully monitored pilot program would be a useful way to introduce this innovation.

#### Better Strategies are Needed to Provide Cash Resources for Food Security Programs

In addition to direct distribution of food, there is a need for a reasonable level of cash assistance for complementary activities intended to reduce hunger. Experience has shown that cash-supported activities are often critical to the success of food programs. Although current law provides authority for limited cash assistance, CARE recommends that Congress increase the total amount of cash assistance provided within the Title II program and consider new strategies on how best to make those resources available.

Currently, the Title II program provides three conduits for distributing in-country cash support: (1) Section 202(e) funds, provided primarily for administrative and operational costs; (2)

funding for Internal Transport, Storage and Handling for logistics-related support; and (3) proceeds from the sale of monetized commodities made available for costs associated with enhancing the effectiveness of Title II programs. The practice of purchasing commodities here in the United States, shipping those resources overseas, and then selling them to generate funds for food security programs is far less efficient than the logical alternative - simply providing cash to fund food security programs.

As a step towards improving the efficiency and effectiveness of non-emergency food aid programs, we recommend: (a) increasing Section 202(e) funding levels to at least 25% of the overall Title II appropriation; and (b) expanding Section 202(e) flexibility to permit the use of funds to enhance the effectiveness of program efforts. Not only would this substantially improve the cost-effectiveness of non-emergency programs, it would also eliminate a source of unnecessary controversy that hangs over U.S. food assistance. Economic research supports the view that open market sales of imported food aid may in some cases create market distortions that are harmful to local farmers, traders and economies. It also shows that monetized food tends to displace commercial imports, both from the U.S. and from other countries. For this reason, monetization became an especially contentious issue during recent WTO negotiations.

Mr. Chairman, for the reasons just described CARE has made an internal decision to phase out of monetization. This transition should be completed by the end of fiscal year 2009. In the future, CARE will confine its use of food aid to emergency and safety net programs that involve targeted distribution to the chronically hungry.

#### The Bill Emerson Humanitarian Trust

The Bill Emerson Humanitarian Trust was intended to function as a reserve of food and food-associated assistance funding that can be drawn upon quickly to address unanticipated, rapid onset humanitarian crises. Unfortunately, at present the trust is difficult to access and is usually deployed a last resort, rather than a first response. Two changes would help the trust function as it was originally intended. First, to make the Trust more accessible, the conditions for releasing food and funds should be clarified in law. Second, we recommend modifying current law to ensure replenishment of commodities as part of the normal, annual appropriations process. CARE is eager to work with the committee to strengthen the statutory provisions affecting the Bill Emerson Humanitarian Trust in order to make this vital assistance tool as effective as possible.

#### Addressing the Underlying Causes of Food Insecurity and Hunger

Chronic hunger is often the result of multiple, deeply rooted causes. In the long term, achieving a lasting reduction in the incidence of chronic hunger will require: improvements in agricultural productivity; greater access to information, capital, basic education, health services, and technical training for the poor; and changes in the status of women and girls. This ambitious list obviously goes well beyond the mandates set forth in the Farm Bill. Indeed, it is beyond the means of any single donor government. But this crucial, broader objective is not impossible, and it is fully consistent with the values of the American people to help others help themselves.

Addressing the underlying causes of hunger will require setting common goals and promoting coordinated action across programs and agencies, as well as with national governments, implementing partners and other donors. Within the U.S. government, there are several such initiatives underway. One example that CARE has direct experience with is Ethiopia's Productive Safety Net Program. Under this program, multiple donors, including the United States, engage in coordinated planning and action. All are working toward a common goal to reduce levels of food insecurity in a country where conditions for its poor have not improved, in spite of extraordinary levels of food aid since the 1980s. While food aid plays an important role, the program does not rely on food aid alone. Program objectives include building infrastructure, expanding markets, diversifying and expanding the assets of poor households, and increasing the Government of Ethiopia's capacity to provide sustainable safety nets for chronically vulnerable citizens. We ask the Chairman and Committee members to consider this example as an encouraging model for coordinated action.

In closing, we must push ourselves to make food aid a more effective tool for reducing poverty and hunger.

CARE welcomes this opportunity to communicate our perspectives on U.S. food assistance policy at this important moment in the Committee's work. The intolerable crisis of 820 million hungry people worldwide represents a moral and ethical challenge to us all. But with your help, Mr. Chairman, I am convinced that we have both the will and the means to make a difference. CARE looks forward to working with the Committee in the months ahead to further strengthen the U.S. response to the problem of international hunger.

Mr. Chairman and members of the committee, thank you again for the opportunity to present our views. I look forward to answering your questions