

WRITTEN TESTIMONY OF CHARLES SANDEFUR
PRESIDENT
ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
and
CHAIRMAN, THE ALLIANCE FOR FOOD AID

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COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
UNITED STATES SENATE
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Mr. Chairman, thank you for this opportunity to testify before the Committee, today, on U.S. food aid programs. My name is Charles Sandefur and I am the President of Adventist Development and Relief Agency International ("ADRA") and Chairman of the Alliance for Food Aid (AFA or "Alliance"). The Alliance is comprised of private voluntary organizations and cooperatives (jointly called "PVOs") that conduct international food assistance programs. ADRA currently operates in 120 countries and we have provided food aid for nearly 50 years.

PVOs focus on identifying needs of poor communities and working in concert with local organizations and institutions to make improvements in people's lives that will last for the long run. We use technical assistance, training and behavioral change communications and focus on building local capacity, institutions and leaders.

Mr. Chairman, we are grateful for the tremendous support that you and this Committee have provided over many years. Food aid is our nation's principal program supporting food security in the developing world. It contributes to meeting the Millennium Development Goal of cutting hunger in half by 2015, and is critical for saving lives in the face of disaster. Some improvements and upgrades are needed in program and commodity quality and targeting, and greater efficiencies can be built into procurement and transportation procedures. However, most important for the 2007 Farm Bill is assuring predictable levels for both chronic and emergency needs in order to support good program planning and implementation and to reverse the downward trend in multi-year developmental programs.

The Alliance has four core recommendations for the 2007 Farm Bill -

- ? Assure adequate and timely provisions of emergency food aid by replenishing the Bill Emerson Humanitarian Trust and assuring its early availability to alleviate hunger in the face of food shortages, civil unrest, economic crisis and natural disasters.
- ? Reinforce efforts to promote food security and to prevent the erosion of health and incomes in communities that suffer from chronic hunger by requiring no less than 1,200,000 metric tons along with sufficient support funds for these programs each year.
- ? Expand the use of the USDA Food for Progress program to 500,000 metric tons for rural and agricultural development in countries that are instituting economic reforms by lifting the transportation cap.
- ? Improve efficiency and effectiveness by directing the administrative agencies to approve programs by the beginning of the fiscal year, which will allow the spreading out of orders

throughout the year and timely delivery, and to institute upgraded quality control systems and greater transparency in program planning.

Why Change is Needed

Food security is negatively affected by a wide range of issues, including poor agricultural productivity; high unemployment; low and unpredictable incomes; remoteness of farm communities; susceptibility to natural disasters, civil unrest and instability; wide discrepancies between the well-off and the poor; chronic disease; and lack of basic health, education, water and sanitation services. Thus, rather than just distributing food to needy people, US food aid has evolved into a multi-faceted program that addresses the underlying causes of hunger and poverty. This mixture of food and support for local development is the program's strength and was embraced in the 2002 Farm Bill. However, the Administration was given wide berth to set priorities and waive requirements, which has taken food aid down a different road than anticipated in 2002.

Policy changes over the past five years have essentially reduced overall food aid levels (particularly by eliminating Section 416 surplus commodities and Title I appropriations), shrunk development-oriented programs to half their 2002 levels, and exposed the lack of contingency planning for food emergencies. While the 2002 Farm Bill called for increased levels of PL 480 Title II development programs to 1,875,000 metric tons, instead these programs were reduced and are now about 750,000 metric tons. The 2002 Bill also called for upgrades and improvements in governmental management and information systems, but instead the level of programming has become less predictable; program priorities and proposal review processes have become more opaque; the "consultative" nature Food Aid Consultative Group process has deteriorated; Title II procedures are making it more difficult for PVOs to access funding; and commodity quality control systems have not been renovated to modern standards. Meanwhile, the world's efforts to meet the Millennium Development Goal of cutting hunger in half by 2015 is far from reach - the number of people suffering from chronic hunger increased from 1996 to 2004 from under 800 million to 842 million -- and international appeals for emergency food aid are under-funded. While US food aid alone cannot resolve this sad and complex problem, it is a critical component of an international food security strategy and is particularly effective in countries with chronic food deficits and for vulnerable, low-income populations.

Several food aid statutes set tonnage minimums - to assure that food is provided in times of high prices. These requirements are important, but they need to be updated and supported by sufficient appropriations.

With these factors and trends in mind, we offer recommendations to improve the quality and predictability of food aid, and to assure the United States has a plan and effective methods to address both chronic and emergency needs.

PL 480 Title II - the Core US Food Aid Program:

1. Importance of Assuring Adequate Funding and Predictable Tonnage Levels:

We recommend maintaining the Title II minimum tonnage, and urge you to consider increasing the level.

Administered by the US Agency for International Development (USAID), Title II provides food aid donations for development programs and emergency needs through PVOs and the UN World Food Program. Just to maintain minimal levels of food intake in 70 needy countries

monitored by the USDA Economic Research Service, annual worldwide food aid needs are 15,200,000 MT. The law sets a minimum tonnage level of 2,500,000 metric tons for Title II, which meets only 16% of annual chronic needs identified by ERS.

From FY 1999 through FY 2002, most emergency food aid was provided through the Section 416 surplus commodity program. However, as the attached funding chart shows, availability of Section 416 surplus commodities diminished since FY 2001. While Title II funding has been increased since FY 2001, this increase is insufficient to make up for the loss of Section 416 and cannot maintain adequate levels for both emergency and non-emergency requirements. This has resulted in cutbacks in developmental food aid programs and increased reliance on supplemental appropriations to fill gaps in emergencies.

In several recent years, after supplemental appropriations were provided, actual Title II program levels reached 3,000,000 metric tons. Increasing the minimum tonnage can help to leverage adequate appropriations at the beginning of the fiscal year, rather than waiting for supplemental appropriations. On-time appropriations would allow orderly program planning and more timely and efficient delivery of commodities throughout the year, without program disruptions.

While some emergencies, such as sudden natural disasters and outbreak of civil war, are not anticipated before the beginning of the fiscal, many are anticipated, although the exact levels needed may not be clear. For example, areas such as the Horn of Africa that are prone to drought, flooding, locusts or other natural disasters are monitored through a variety of early warning systems. Other emergencies, such as ongoing conflict in Sudan, are expected to continue until the source of the problem is resolved. Because the Administration does not ask for adequate funding to meet these anticipated emergency needs, funds have been withheld from the nonemergency programs for several months as USAID adjusts its budget and waits to see if there will be supplemental funding. As a result, there are gaps in food aid deliveries for both emergency and nonemergency programs, PVOs must cover local costs while programs are on hold, and some programs are, de facto, cut back.

In several recent years, after supplemental appropriations were provided, actual Title II program levels reached 3,000,000 metric tons. Increasing the minimum tonnage could help to leverage adequate appropriations at the beginning of the fiscal year, rather than waiting for supplemental appropriations. On-time appropriations would allow orderly program planning and more timely and efficient delivery of commodities throughout the year, without program disruptions. When adequate sums are available, more commodities can be pre-positioned off-shore for more timely deliveries if an emergency arises. The procurement can be spread out throughout the year, which will allow USDA to plan its procurement to get the best prices possible for commodity and inland transport.

2. A Safebox for Developmental Food Aid Programs:

We recommend requiring no less than 1,200,000 metric tons or \$600 million for non-emergency Title II programs each fiscal year, and that this minimum cannot be waived.

A consequence of trying to provide all emergency food aid out of the Title II budget is a reduction in non-emergency food aid programs. Section 204(a)(2) of the Agricultural Trade Development and Assistance Act sets a minimum tonnage of 1,875,000 metric tons for Title II non-emergency programs. The law permits USAID to waive this minimum after the beginning of the fiscal year if there are insufficient requests for programs or the commodities are needed for emergencies. However, no attempts are being made by the Administration to seek proposals for 1,875,000 metric tons and preemptively, it is known that it will be waived. The program is effectively being capped at \$350,000,000 for the cost of commodities, ocean freight, delivery

(called internal transportation, storage and handling, or "ITSH") and related support costs (called "section 202(e) funds"), or about 750,000 metric tons.

As a result, programs that address the underlying causes of chronic hunger, such as mother-child health care, agricultural and rural development, food as payment for work on community infrastructure projects, school meals, take home rations for poor and hungry families, and programs targeting HIV/AIDS-affected communities are being curtailed. Chronic hunger leads to high infant and child mortality and morbidity, poor physical and cognitive development, low productivity, high susceptibility to disease, and premature death.

We believe this is counterproductive, as developmental food aid helps improve people's resilience to droughts and economic downturns. Giving people the means to improve their lives also provides hope for a better future and helps stabilize vulnerable areas.

Reports accompanying appropriations bills for the past 5 years admonish the Administration to meet the Title II non-emergency minimum tonnage and to rely on the Bill Emerson Humanitarian Trust for urgent needs. However, this language has had no perceivable effect. Therefore, we ask the Committee to create a safebox for non-emergency programs within Title II to assure a reasonable minimum level is provided each year and this level cannot be waived. As a first step, we recommend the safebox include 1,200,000 metric tons and sufficient funds to support these programs, for a total value of commodities, freight, delivery and support costs of \$600 million.

We also note with alarm that due to budget constraints, in 2006 USAID established a policy to limit non-emergency food aid to fewer countries in order to "focus" the remaining resources. Under this policy, non-emergency programs are being phased out in 17 countries and cutback in others and programs will be allowed in only 15-18 selected countries. Concentrating food aid resources in areas where there is high prevalence of food insecurity and vulnerability is appropriate and is also anticipated in the USAID Food for Peace Strategic Plan, 2006- 2010. However, the current policy eliminates too many areas where chronic hunger is prevalent and was driven by the decision to reduce the budget for non-emergency programs. Many poor, vulnerable populations will be excluded from receiving food aid, even though their needs are as compelling as those populations that will be served.

The capacity of PVOs to serve populations in non-eligible countries will be lost, making it more difficult to respond effectively at the early signs of an emerging food crisis, which runs counter to the intent of the Strategic Plan. As more programs are pushed into fewer countries, areas within priority countries may be targeted that are less food insecure than areas in non-selected countries.

3. Maximize uses of the Section 202(e) Support Funds:

We recommend 10% of the Title II program level be made available for Section 202(e) support funds and that these funds may also be used for program innovations.

Section 202(e) funds are provided to support program logistics, management and complementary activities. The law permits 5-10% of appropriated levels for this purpose, but in 2005, it was 5% of the program level. These funds are critical for improving program targeting and impact, assuring accountability for resources, covering costs related to implementation and improving program quality through complementary activities. Thus, we recommend 10% of the actual Title II program level be made available for these uses. As innovations are sought in

targeting and needs assessments, 202(e) should be available for these purposes as well. Section 202(e) is not sufficient or intended to replace monetization, but monetization is not appropriate in all target countries and in some countries the ability to monetize varies year-to-year based on the market situation.

4. Update Food Quality Systems and Product Formulations:

Title II funds should be provided to bring the food aid quality enhancement project to completion over the next 3-4 years.

Both the quality and formulation of food aid products are crucial to delivering safe, wholesome products to undernourished populations, particularly vulnerable groups such as infants and young children, women of child-bearing age and people living with HIV/AIDS. Formulations for the value-added products used in Title II have been static for decades and food aid distribution overseas has sometimes been disrupted due to quality concerns. Through private funding, SUSTAIN (a non-profit that provides technical assistance for food systems and was referenced in the 2002 Farm Bill), has made progress to address these issues in a scientific, systematic and impartial manner. As neither USDA nor USAID has provided funding to support these reforms, we support the use of Title II funds for this purpose.

5. Two Examples of Title II Non-emergency Programs, Kenya and Bolivia:

As the two examples below show, non-emergency food aid programs are often conducted in areas where poverty, unpredictable or unfavorable climate, and remoteness have made it very difficult for people to improve their lives without help from the outside. They also show that these programs leverage resources and create benefits beyond the targeted recipients, increasing the impact per dollar spent. Note that Title II non-emergency programs are being eliminated in both Kenya and Bolivia because they are not on the "Title II Priority Country List" initiated by USAID in the face of limited non-emergency food aid resources.

Kenya: A World Vision Title II program in Kenya targeted 1528 pastoralist families in the Turkana region, an arid environment that is plagued by recurring droughts. Before this program, these families were dependent on emergency food aid nearly every year. Some of the commodities provided were distributed as payment for participation in training and for working on projects that improved irrigation infrastructure, cultivation techniques and land management. Other commodities were sold through open tenders and the funds generated supported the food for work projects. Within 6 years, even though there had been droughts in between, income increased from a baseline of \$235 per year to \$800 per year, families could afford to send their children to school, and the communities no longer depended on relief. In fact, the program was turned over to the participants and they have spread their knowledge to 475 other farmer families.

PVOs were hoping to replicate this successful model in other areas of Kenya where pastoralists are still dependent on emergency rations nearly every year. However, USAID is phasing out non-emergency projects in Kenya as part of a larger effort to limit the scope of developmental food aid programs. Meanwhile, Kenya remains a recipient of emergency food aid and pastoralists are particularly at risk.

Bolivia: Adventist Development and Relief Agency International (ADRA), Food for the Hungry (FH) and several other PVOs are conducting multi-faceted, 6-year programs in Bolivia

using food distribution (corn-soy blend, lentils, green peas, soy-fortified bulgur, wheat-soy blend and flour) and proceeds generated from the monetization of flour to support individual, community and municipal efforts to overcome development constraints and to enhance household food security.

In the targeted rural areas over 70% of the population live in poverty and infant mortality rates are 116 per 1000 births. These communities must rely on their own agricultural production as they are remotely located, have poor roads and lack transportation.

The current PVO programs focus on addressing their lack of access to markets, health care, schools and social services by increasing production and incomes and improving nutrition among vulnerable groups. Food aid is distributed (1) for Maternal and Child Health and Nutrition (pregnant and lactating mothers, infants and children under five, the most critical stages for cognitive and physical growth) and (2) in conjunction with training and technical assistance for improved agricultural production, diversified crops to improve the diet, and marketing of agricultural products. Concurrent activities included increasing access to clean water, improving health and sanitation practices, natural resource management, building greenhouses, and improving marketing roads and irrigation systems.

In FH's midterm evaluation (2006, three years after the program began, compared to 2002 baseline data), they found a 35% decrease in chronic malnutrition in children (height/weight or "stunting") and household incomes had increased by 270% or more. The direct beneficiaries of the FH program, alone, were 212,292 people and indirectly, 410,000 people benefited. Because of program efficiencies and FH's ability to raise more matching funds after the program began, the number of beneficiaries was 283% greater than originally planned.

Assure Timely Use of the Bill Emerson Humanitarian Trust

Replenish the Trust with \$60 million per year until it is full and assure it is available to respond to emergencies in a timely manner and without interfering with the provision of 1,200,000 metric tons (or \$600 million) for Title II non-emergency programs each year.

Administered by USDA, the funds and commodities in the Bill Emerson Humanitarian Trust (BEHT or "Trust") are needed to supplement P.L. 480 Title II when there are urgent humanitarian food aid needs. The commodities are provided by the Trust and CCC covers the ocean freight and delivery costs. The Trust can hold up to 4 million MT or cash equivalent, but currently only holds about 915,000 MT of wheat and \$107,000,000 (which is available to buy commodities when needed). Because a diversity of commodities is needed for emergencies, it is best for the Trust to be replenished with funds that can be used to procure the appropriate commodity when needed.

Two mechanisms need to be improved to make the Trust more readily available for emergencies: the "trigger" for releasing commodities and the level of reimbursement. We urge you to make the needed changes in the 2007 Farm Bill.

Trigger: Section 302(c)(1)(c) of the Bill Emerson Humanitarian Trust Act states that a waiver of the Title II non-emergency minimum tonnage is not a prerequisite for the release of commodities from the Trust. Nonetheless, the Administration has taken the stance that it will only use the Trust commodities as a last resort after all other avenues, including the Title II waiver, are considered. This may partially be driven by the 500,000 metric ton limitation on

tonnage that can be provided in any fiscal year, although if the Trust is not used one year the 500,000 metric tons for that year can be added to future year releases. Another reason may be the term "unanticipated" emergencies, which is how the BEHT Act refers to releases for international humanitarian crises versus "emergencies," which is how the BEHT Act refers to releases when in case of short supply of a commodity. Thus, we have several recommendations for fixing the language.

First, create a firm 1,200,000 metric tons (or \$600 million) requirement for Title II non-emergency programs that cannot be waived. This takes away the confusion about whether the waiver is used before the Trust can be accessed. Second, eliminate the part of the Trust that refers to "short supply," as it is a vestige of a time when food aid was considered "surplus" and is outdated now that the Trust can hold funds. Third, change the terminology and allow commodities or funds to be released when there are emergency food aid needs. And, fourth, allow up to 1,000,000 metric tons to be released in any fiscal year.

Replenishment: Currently, the Trust may be replenished either through a direct appropriation or by capturing \$20 million of funds reimbursed to CCC from PL 480 as repayment for previous use of the Trust. The Administration has never requested a direct appropriation, but Congress provided \$67 million for replenishment as part of the 2003 Iraq supplemental appropriations act. In addition, USDA has twice captured \$20 million from PL 480 reimbursements. Thus, the Trust now holds \$107,000,000. This amount plus the 915,000 MT of wheat held in storage makes up the total value of the Trust, which is about 1,500,000 metric tons in wheat equivalent prices. To bring the Trust to its full level, we urge that the \$20 million be raised to \$60 million per year.

Expand Food for Progress

Increase the Food for Progress to 500,000 metric tons for PVO programs that improve private sector agricultural, food and marketing systems in developing countries that are implementing market reforms.

The Food for Progress Act directs USDA through the Commodity Credit Corporation (CCC) to provide a minimum of 400,000 metric tons of commodities each year to developing countries that are introducing market reforms and supporting private sector development. These programs may be implemented by PVOs, the World Food Program and recipient country governments. The amount actually provided through CCC falls short of 400,000 metric tons because there is a cap on amount of funds that CCC can provide for delivering the commodities and administering the programs overseas.

USDA has authority to use PL 480 Title I funds in addition to the CCC funds to implement Food for Progress programs. In FY 2006, about 75 percent of Title I funds were used for this purpose. As no funds were appropriated for Title I in FY 2007, and the Administration seeks no funding in FY 2008, this means a cut in funding in Food for Progress.

Many poor, developing countries are undergoing economic reform and, therefore, the demand for Food for Progress programs is great. Forty-six different PVOs apply for Food for Progress programs. For FY 2007, 100 proposals were submitted by PVOs and 16 by governments, but only 11 new proposals were approved and 3 other programs were provided second year funding.

We therefore recommend increasing the minimum to 500,000 metric tons. To accommodate the additional tonnage the amount available for transporting the commodities and for administrative and management costs would need to be increased proportionately.

Example: International Relief & Development (IRD), Azerbaijan
Commodities: 10,000 MT soybean meal; Total value: 2,125,467 (one year);
Beneficiaries: 26,899

In this one-year program, IRD targeted areas were Ganja, Goranboy, and Khanlar in western Azerbaijan. This region was targeted because there is a high concentration of internally-displaced persons; the level of unemployment is not officially registered, but is close to 70%), and the local farmers and IDPs are in great need. Soybean meal monetization was chosen because of a lack of feed grains in the country. IRD trained farmers in crop/livestock production and market development and distribution of seed capital for business start-up. HIV/AIDS awareness was also conducted in the targeted communities.

Results:

? Business development classes were provided for 1,532 farmers, in the town of Ganja and four local regions (Kahnlar, Geranboy, Samukh and Zakatala). As a result, farmers submitted business proposals to IRD, and IRD funded 106 of them.

? IRD published two leaflets, "Raising chickens in your backyard" and "Chicks' diseases and their prevention"; five handbooks on various agricultural topics: "Recommendations for sheep keepers", "Recommendations for cattle keepers", "Recommendations for beekeepers", and "Recommendations for chicken keepers".

? The total number of people who benefited from the small grants was 26,899. The farmers and small entrepreneurs formed several groups that were eligible for receiving grants. Recipients included 16 cattle breeding groups, 22 women poultry groups, 38 sheep breeding groups, two women geese groups, 19 agro-service groups, two harvesting groups, and seven beekeeping groups. Monthly income of beneficiaries increased by at least 100%. The 19 agro-service groups received approximately \$5,090 and in the first year members provided services in their communities valued at \$46,421.

Monetization's Continued Contribution

Monetization is an important component of food aid programs and we support its continued use where appropriate, based on market analysis.

Monetization is the sale of commodities in net food-importing, developing countries and the use of proceeds in projects that improve local food security. It can have multiple benefits and is appropriate for low-income countries that must depend on imports to meet their nutritional needs. Limited liquidity or limited access to credit for international purchases can make it difficult for traders in these countries to import adequate amounts of foodstuffs and monetization is particularly helpful in such cases. In all cases, the proceeds are used to support food security efforts or the delivery of food in the recipient country.

Monetization can also be an effective vehicle to increase small-scale trader participation in the local market and financial systems, can be used to address structural market inefficiencies, and

can help control urban market price spikes. The commodity can also be used to expand local processing, such as when International Relief & Development used bulk wheat and soy flour provided through Food for Progress to resuscitate small noodle production plants in Indonesia and later to start the production of soy-fortified products for school feeding in Cambodia. Or, when ACDI/VOCA used soybean meal donated by USDA to help reestablish the feed industry in Indonesia after the economic crisis.

Market analysis is an important element of a monetization program. A "Bellmon Determination" is required for both monetization and distribution to make sure the commodities chosen will not interfere with local production and marketing and that there is adequate storage for the provided commodities. When commodities are chosen for monetization, they are usually those that are not locally produced or are produced in small amounts. Therefore, the likelihood of creating local disincentives to production is small. However, some countries in a region have linked markets, so the analysis must also consider inter-country trade. For example, there is a Bellmon analysis for West Africa.

As the potential disincentive effect of food aid is oft cited, but little researched, one study worth noting is by Abdulai, Barrett and Hoddinott [October 2005], which looks at disincentive effects of food aid provided in Ethiopia, the largest food aid recipient country in Africa over the 10-year review period. It received food for distribution and monetization. The study found no disincentive effect and note on page 1701 of the article: "In rural Ethiopia, simple test statistics...suggest that the disincentive effects of food aid on household behaviors are many, large in magnitude and statistically significant. However, when we take into account household characteristics...--that can affect behaviors and on which food aid is commonly targeted--many of these adverse effects vanish. In fact, there is some suggestion in these data that food aid leads to increases in labor supply to agriculture, wage work, and own business activities."

Save the Children and World Vision prepared a review of the PVO monetization programs under Title II, covering 6 commodities in 30 countries and 48 programs from 2001-2005. They found that the commodity choice and quantities avoided competing with local production and marketing and therefore diminished potential disincentive effects. As the commodity levels provided were small in comparison to needs and required imports, the potential for commercial import disruption was also small.

Example: Africare's PL 480 Title II Development Program in Guinea

Africare began implementation of a five-year Guinea Food Security Initiative (GnFSI) in the Prefecture of Dinguiraye in the Upper Region of Guinea in September 2000. This program represents an expansion of a very successful first phase program (1995 - 2000). This multi-sector program is currently operating in 50 of 84 districts of the Prefecture providing support to a population of 107,750 people.

Africare's program focuses on improved post-harvest storage losses, improving the nutritional status of under-5 children and increasing the capacity of District Development Committees to understand and address the challenges to food availability, access and utilization that exist. Dinguiraye is an area that prior to Africare's intervention, received no outside assistance and limited support from its own governmental ministries. Chronic malnutrition of under-5 children

was in excess of 50% and the amount of food available to households was adequate for less than four months per year.

The program's positive impacts are a result of improvements in the amount of time food harvests are stored without losses and a targeted program to teach mothers how to feed their children with more nutritious foods that are available locally. Improved storage practices promoted by Africare have added another month onto the period when local harvests are stored with minimal loss. More than 3,500 farmers received training in improved food transformation and storage (mostly women producers) during FY 04.

Working with the Ministry of Health, Africare's nutritional program has reduced chronic malnutrition rates to 21% and the number of caretakers of under-5 children that participate in growth monitoring, food demonstrations and guided health discussions has increased to more than 90% of the population. The prospective for these activities to continue under the auspices of the Ministry of Health is strong, because they are low cost and very popular with the beneficiaries themselves. More importantly, the target population has had an active role in improving the methodology by which more nutritious foods are identified and made available.

Monetization: The financial resources for the program are generated by monetization of Title II food commodities (approximately 4,600 MT's of vegetable oil during FY 05 for Africare and two other PVOs). This innovative program promotes private sector development and broadening of local markets, both for producers and consumers, independently of the food security activities funded with the sales proceeds.

Vegetable oil is mainly provided through imports, which means it would not cause disincentive to local production. The amount imported for monetization was small in comparison to import needs, which minimizes the likelihood of interfering with commercial imports. Further, vegetable oil availability is concentrated in the main city, not the outlying areas. Africare therefore arranged for the sales to reach the outlying areas through the sale of small lots to multiple buyers.

Africare worked with the Guinean government and private sector to increase the involvement of the small-scale economic operators to have access to vegetable oil, which is usually sold at the high end of the local market. A consequence has been the increased distribution of vegetable oil throughout the country, outside of the capital and principal urban markets to key rural areas that had never been served. This methodology included private sector sales techniques (e.g. closed tender bids, bank guarantees reflecting local interest rates and payment of required taxes by the buyer), and generated the following benefits:

1. Higher prices received from the buyers compared to if it was just sold to regular importers, which translates into a larger amount of sales proceeds to support the development activity.
2. Increased sophistication and understanding of commercial business practices by the private sector, especially the small-scale operator who was often unable to participate in these types of transactions (or even the formal financial system).
3. Increased availability of high quality commodities throughout the national market.

Pilot Program for Local/Regional Purchase

We recommend a field-based, pilot program for local purchases for famine prevention and relief.

In-kind food aid continues to be the most dependable and important source of food aid. Commodities committed by and sourced directly from donor countries, which have more than adequate production to meet their domestic needs, is required to assure that sufficient levels food aid are available each year. However, there are situations where purchases closer to the area of need could provide more timely response, diversity of the food basket, and benefits to local agricultural development.

The Administration has proposed to provide up to 25% of Title II funds for local or regional purchase for emergencies. Many of the areas where food aid is delivered need additional commodities from imports to meet their needs and there may little room to expand on the local/regional purchase, considering the large amounts that the UN World Food Program is already procuring. It is best to assure that the minimum tonnages are being met under Title II and to add a field-based pilot program for local purchase.

While PVOs have experience using privately-raised funds and, to a limited degree, USAID International Disaster and Famine Assistance account funds for local purchases, information from these programs has not been systematically collected and therefore is inadequate to use for developing appropriate methodologies and best practices for future programs. Thus, as part of the 2007 Farm Bill we recommend a pilot program for local purchases for famine prevention and relief -

- (1) Within recipient countries or nearby low-income countries,
- (2) In cases where the procurement is likely to expedite the provision of food aid,
- (3) Where the procurement will support or advance local agricultural production and marketing, and
- (4) Conducted by PVO implementing partners that have experience with food aid programming in the recipient countries.

To assure that accepted practices for food aid programs are followed and to identify appropriate methodologies and best practices for future programs, each PVO implementing a pilot program shall --

- (1) Prior to implementing a local purchase program, conduct an analysis of the potential impact of the purchase on the agricultural production, pricing and marketing of the same and similar commodities in the country and localities where the purchase will take place and where the food will be delivered;
- (2) Incorporate food quality and safety assurance measures and analyze and report on the ability to provide such assurances;
- (3) Collect sufficient data to analyze the ability to procure, package and deliver the food aid in a timely manner;
- (4) Collect sufficient data to determine the full cost of procurement, delivery and administration; and

(5) Monitor, analyze and report on the agricultural production, marketing and price impact of the local/regional purchases.

McGovern-Dole Food for Education

The McGovern-Dole Program provides incentives for poor families to send their children to school. Requiring an appropriation of no less than \$100,000,000 each year will give certainty that funds are available for multi-year programs. These types of programs used to be included in Title II, but with the establishment of McGovern-Dole in 2002, such programs under Title II are being phased out. Increased funding would allow more multi-year programs, improve program impact, and allow broader use of the authority in the law to support both educational programs and programs for children under the age of five, which is when malnutrition can have its most devastating impact on child development.

Conclusion:

In conclusion, Mr. Chairman, we can see the many benefits US food aid programs are now creating for poor communities, improving incomes, living conditions and nutrition and sowing the seeds for a promising future. Along with my colleagues at ADRA and other PVOs, I deeply wish to see the continuation and expansion of food aid programs so the opportunity for a healthy, productive life can be offered to others.

Mr. Chairman, thank you for supporting these life-giving programs. I would be pleased to answer any questions you may have.

Attachments:

PL 480 Title II Funding Chart,