



FACT SHEET

Food Aid Reform: Behind the Numbers

The Food Aid Reform proposal in the FY 2014 President's Budget will reach more people in need by expanding the flexibility in our food assistance delivery while reducing average per person costs, addressing clear inefficiencies in P.L. 480 Title II (Title II), while allowing for the majority of emergency food aid to still be procured from the United States. This fact sheet details the total resources available for food aid under the reforms and how the reforms will allow USAID to reach more people and reduce the average cost per beneficiary. In addition, this fact sheet clarifies the overall International Disaster Assistance (IDA) request and explains how it is allocated between emergency food and non-food emergency needs.

FOOD AID REFORM WILL ALLOW THE U.S. TO REACH 2-4 MILLION MORE PEOPLE PER YEAR

Using the net efficiency savings described below and the Title II average cost per beneficiary of \$37/beneficiary, which is substantially higher than costs of equivalent IDA emergency food aid based on 2010-12 data, **a conservative estimate is that 2 to 4 million additional people in need can be reached each year.** This estimate takes into account that some responses may be more expensive than others due to complex environmental factors.

Food Aid Reform creates an estimated \$155-\$215 million in annual gross efficiency savings—and \$105-\$165 million in net efficiency savings—helping more people in need. By relocating funding from Title II to foreign assistance accounts to reduce the cost inefficiencies related to Title II in-kind food aid, the reform will generate the following savings:

Estimated Efficiency Savings: About \$30 Million Per Year By Eliminating Monetization. Monetization, the resale of U.S. food abroad to fund development programs, results in an average loss of 25 percent on each dollar of monetized food aid. The proposal maintains the same development program levels at a lower cost. In short, about \$90 million in direct funding through Development Assistance (DA) provides the same level of program activities as the roughly \$120 million in monetized Title II food aid provided in FY 2012. (See discussion below of other, non-monetized development food aid)

Estimated Efficiency Savings: \$125-185 million per year by increasing interventions such as Local and Regional Purchase (LRP) and Cash Voucher programs. Interventions such as LRP from developing countries near crises and cash vouchers **substantially reduce costs, including commodity, handling, shipping, and other delivery costs** compared to Title II. Independent analyses and USAID experience have demonstrated that LRP and other cash-based programs are cheaper, safe and efficient options. LRP alone lowers certain food aid costs by 25-50 percent compared to Title II. Consistent with independent analyses, IDA-funded LRP average costs are 20-30 percent less than Title II since 2010. We estimated the efficiency savings by applying these percentages to the following funding reallocated from Title II:

- Development Assistance (the non-monetized portion of the \$250 million reallocated from Title II)
- IDA (the \$337 million in reallocated Title II that is not required to be used to buy and ship U.S. commodities)
- Emergency Food Assistance Contingency Fund (\$75 million)

Total Gross Efficiency Savings: \$155-\$215 million per year. The estimated gross efficiency savings are the sum of the savings from funding development programs directly rather than monetizing food aid plus the remaining savings achieved by using more cost-effective interventions than Title II with the portion of the reallocated Title II funding that is not required to be used for the purchase and shipment of U.S. commodities.

Total Net Efficiency Savings: \$105-\$265 million per year. An estimated \$50 million of the above annual discretionary savings relates to lower shipping costs. We excluded these shipping savings from the estimate of net funds

available to help additional beneficiaries because, under Title II, USAID receives cargo preference reimbursements (20% excess freight calculated on all shipments) that offset much of the high U.S.-flag vessel costs. Therefore, these savings do not necessarily translate into new beneficiaries. Sources: [Cornell Study](#), [USDA LRP Pilot Evaluation](#), [GAO Study on Monetization](#), [GAO Study on Local and Regional Procurement](#)

Additionally, and not included in the above estimates, the shift of funding from Title II to foreign assistance accounts **eliminates mandatory funding for cargo preference reimbursements** to Title II, **reducing the deficit by an estimated \$50 million per year—\$500 million over the next decade**—based on recent data.

FOOD AID REFORM WILL REDUCE OUR OVERALL COST PER METRIC TON

As the USAID end-of-year fact sheet on food assistance shows, **FY 2012 local and regional purchases alone averaged \$929/metric ton (MT) compared to \$1,188/MT for emergency Title II programs**. This is \$259, or 20 percent, less per metric ton. For the period of 2010-2012, LRP purchases averaged nearly 30 percent less than Title II costs per ton. Source: [Fiscal Year 2012 Food for Peace Fact Sheet](#).

\$330 MILLION IN THE CDRF WILL SUPPORT COMPARABLE LEVELS OF PROGRAMMING RELATIVE TO TITLE II DEVELOPMENT PROGRAMS

Under the reform, development programs previously funded under Title II will be funded through \$330 million in Development Assistance (DA) in the Community Development and Resilience Fund (CDRF), consisting of \$250 million reallocated from Title II and an additional \$80 million already in DA, which will eliminate monetization and utilize interventions such as cash vouchers and local and regional procurement for direct food distributions.

- As noted above, by providing cash-based resources to USAID partners instead of Title II, the U.S. Government can fund these activities for at least 20-30 percent less cost while maintaining the same programmatic levels of activity.
- With at least 20 percent efficiency savings from the transfer of **\$250 million** to DA (equivalent to \$320 million within Title II) and **\$80 million** already funded within DA, the **\$330 million** in the Community Development and Resilience Fund is comparable to **\$400 million** in the current system achieving the same results. These programs will continue to be managed by USAID's Office of Food for Peace as a grants-based program that is fully accessible on a competitive basis for partners that implement Title II programs. Source: [GAO Study on Inefficiencies of Monetization](#), [CARE White Paper](#), [Cornell Study on Monetization](#)

FY 2014 FOOD AID AND NON-FOOD EMERGENCY ASSISTANCE FUNDING IS COMPARABLE TO PREVIOUS YEARS

USAID Food Assistance: The FY 2014 Budget provides **\$1.8 billion** for USAID food assistance, **\$1.4 billion of which is reallocated from Title II**, while at the same time modernizing food aid so that we can respond more effectively to hunger needs around the world, reaching more people with better programming. The FY 2014 Budget **explicitly requests:**

- \$1.4 billion in International Disaster Assistance (IDA) (\$1,116 million reallocated from Title II and \$300 million already in IDA)
- \$330 million for CDRF in Development Assistance (\$250 million reallocated from Title II, \$80 million already in DA)
- \$75 million in the Emergency Food Assistance Contingency Fund (all reallocated from Title II)

USAID Non-food Emergency Assistance: The FY 2014 Budget includes a total of \$2,045 million for IDA, including \$629 million for non-food emergency assistance. In total, the President's request includes:

- **\$629 million in IDA for non-food humanitarian assistance.** The IDA request level, an increase of \$35 million from the FY 2013 request, will allow the United States to maintain a reasonable balance of resources for protracted complex emergencies, disaster risk reduction activities, and responses to new and sudden disasters. This is IDA base funding for non-food emergency responses.
- **\$250 million in the Emergency Refugee and Migration Assistance (ERMA) Account**, a \$223 million increase from the FY 2012 level of \$27 million, to address urgent and unexpected needs in Syria and elsewhere, from which the President can order that funding be transferred to IDA. ([See State Executive Budget Summary](#) for additional details.)

The FY 2013 Continuing Resolution provided \$767 million in unrequested Overseas Contingency Operations funding in IDA that will be used for one-time extraordinary non-food and food humanitarian disaster responses over the next 18 months. The allocation of these funds for activities has not yet been determined.