



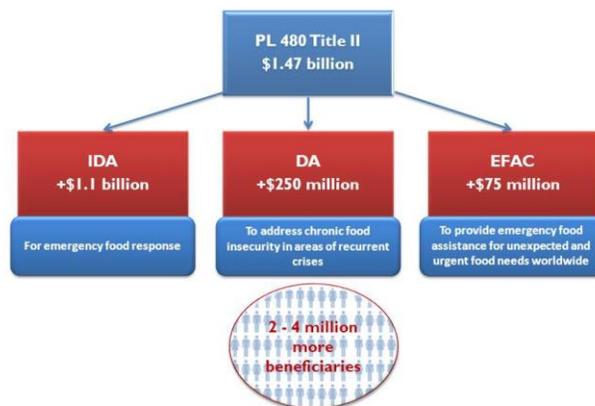
The Future of Food Assistance: U.S. Food Aid Reform

U.S. food assistance has been critical in helping more than three billion people in over 150 countries. Food assistance saves lives, helps people recover from crises, and addresses chronic poverty and malnutrition. Unfortunately humanitarian needs and the scope of food crises continue to expand while many countries, including ours, face increasing budget constraints. In 2011 alone, 206 million people were affected by droughts, floods, hurricanes and other natural disasters. Globally, 870 million people are chronically food insecure. The U.S. must be poised to respond in the most timely, effective and cost-efficient way possible.

The President's 2014 Budget includes food aid reform that will allow life-saving assistance to reach an estimated two to four million more people annually within the same resources. Food aid reform will ensure that the USG is able to flexibly respond to hunger needs around the world, reaching more people with more efficient programming.

Reform will enable robust emergency and development programming within current budget constraints. The proposal includes a shift of funding previously requested in P.L. 480 Title II to three other assistance accounts as follows:

Food Aid Reform – What Happens to P.L. 480 Title II?



The FY 2014 President's Budget provides USAID with **\$1.8 billion** for food assistance in a more effective and efficient system which will reach more people in need. It:

- **Shifts \$1.1 billion to International Disaster Assistance (IDA) for emergency food response (\$1.4 billion total)**
USAID's Office of Food for Peace currently implements a \$300 million cash-based program to provide emergency food assistance in times of crisis with current funding through IDA. The flexibility that IDA provides has allowed USAID to provide assistance to those most in need in complex environments like Syria.
- **Shifts \$250 million to Development Assistance (DA) for the Community Development and Resilience Fund (CDRF) to address chronic food insecurity in areas of recurrent crises (\$330 million total)**
The CDRF includes \$250 million in DA that is replacing current Title II funding as well as an additional \$80 million in DA from Bureau of Food Security resources, so that **in total the CDRF will be composed of \$330 million** to be managed by USAID's Office of Food for Peace. These CDRF programs will uphold the longstanding mission of Title II development programs to address chronic poverty, build resilience, and help prevent food crises. After the cost inefficiencies of Title II are taken into account, these development programs will support the same level of program activity leading to more people helped through food assistance.
- **Creates a new Emergency Food Assistance Contingency Fund (\$75 million)**
This new fund will enable the President to provide emergency food assistance for unexpected and urgent food needs worldwide with the same flexibility to use the right tool to address above-trend emergencies that is at the core of these reforms.

USAID is recommitting to a more efficient and effective program that will reach 4 million more people each year with equivalent funding.

Flexibility, timeliness and efficiency will be gained. Through the food aid reform proposal, the USG will gain more flexibility to use the right tool in each situation, resulting in more efficient and effective responses.

- Rather than limiting the United States to a tied, commodities-only approach, these reforms will enable experts to select the right tool to most efficiently meet the needs of hungry and vulnerable people.
- Food reform pairs in-kind food aid procurements from the United States with a more expansive use of interventions such as food vouchers and local and regional procurement from developing countries near crisis areas. Studies show that local and regional procurement of food and other cash-based programs can get food to people in critical need 11 to 14 weeks faster and at savings of 25 – 50 percent.

Food aid reform reaffirms the U.S. commitment to PVO development food aid partners and programs.

- The non-emergency development programs previously implemented through Title II will remain a critical element of the USG's response to global hunger. The food aid reform proposal maintains both the intent of Title II development programs to reduce chronic poverty, build resilience, and help prevent future food crises as well as equivalent funding levels at \$330 million, given the cost savings associated with ending monetization.
- USAID's PVO partners will benefit from increased efficiencies due to ending monetization and the expanded availability of cash for emergencies.

The inefficiencies of Title II monetization will end.

- Food aid reform ends the costly and inefficient process of Title II monetization, the sale of U.S. food abroad for cash, which, according to several studies, including by the Government Accountability Office (GAO), loses an average of 25 cents per taxpayer dollar spent on food aid.
- What do these efficiency gains translate to? Based on 2012 Title II monetization levels, eliminating monetization would enable U.S. development food aid to reach an estimated 800,000 more undernourished women, men, and children.
- In addition to being inefficient, monetization incurs additional administrative costs and is an added burden on Private Voluntary Organizations (PVOs), as PVO staff must negotiate the sale and transportation of commodities in order to generate the proceeds to fund the development programs they implement.

Commodity purchases in the United States will continue.

- The food aid reform proposal guarantees that in 2014 no less than 55 percent of the requested \$1.4 billion in total funding for emergency food assistance in IDA will be used for the purchase, transport, and related costs of U.S. commodities.
- U.S. commodities will make up a significant portion of purchases, particularly for many processed foods and large cereal procurements that are unavailable elsewhere in the world or produced in insufficient amounts by developing countries near crises. In other cases, U.S. commodities may be the best option because of inflation or food price volatility.
- By shifting \$25 million of the efficiency savings obtained through these reforms to the Department of Transportation's Maritime Administration, the reform will help to retain militarily-useful U.S.-flag vessels as well as to provide incentives to facilitate the retention of mariners in the workforce.



Many Ready to Use Therapeutic Foods (RUTF) and other food commodities will continue to be purchased in the U.S.