

## Key Components of Food Aid Reform and Top Line Messages

### I. Key Components

The FY 2014 Food Aid Reform will ensure that the U.S. Government can respond more effectively to humanitarian crises and chronic food insecurity within current budget constraints, while reaching 2 to 4 million additional people in need each year.

- It includes a shift of funding previously requested in P.L. 480 Title II to three other assistance accounts:
  - International Disaster Assistance (IDA) for emergency food response;
  - Development Assistance (DA) for the Community Development and Resilience Fund (CDRF) to address chronic food insecurity in areas of recurrent crises; and
  - A new Emergency Food Assistance Contingency Fund.
- The CDRF will be composed of \$330 million, replacing Title II non-emergency resources, including \$80 million in DA from the Bureau for Food Security resources and \$250 million in additional DA, to be implemented by partners that receive Title II funding.
  - These jointly-funded CDRF programs will be managed by USAID's Office of Food for Peace and support the objectives of the Feed the Future initiative, strengthening the ability to address chronic poverty, build resilience, and help prevent food crises.
- The reform will facilitate robust emergency and development programming within current budget constraints. (The Budget also shifts \$25 million of the efficiency savings to the Department of Transportation's Maritime Administration for additional targeted operating subsidies for militarily-useful vessels and incentives to facilitate the retention of mariners.)

### II. Topline Messages on Food Aid Reform

- **The reform will allow the U.S. to maintain its global leadership in food assistance.**
  - The reform permits the United States to adapt to the changing modalities of humanitarian assistance, a step that all other major food aid donors have already taken and that helps preserve U.S. global leadership. In addition to helping more people in crisis, the reform will reduce mandatory spending – and the deficit—by an estimated \$500 million over a decade.
- **The reform will ensure greater effectiveness, timeliness, and efficiency**
  - Food aid reform will ensure that the U.S. has the flexibility needed to effectively respond to hunger needs around the world, reaching more people with more efficient programming.
  - We are not reducing, much less ending, food aid. Just the opposite, we are recommitting to a more efficient and effective program that reaches 2 to 4 million more people each year.
  - The proposal continues in-kind food aid procurements from the United States, and allows for interventions such as local and regional procurement, and food vouchers for hungry people. It ensures the right tool is available for more efficient and effective responses.
  - It ends Title II monetization, or the sale of food for cash, which is an inefficient use of food resources.
- **Funding levels will be comparable to current resources but will help us reach more people in need, and faster.**
  - A 2011 GAO study on monetization shows that the process of monetization results on average in a loss of about 25 cents on every dollar spent. This is consistent with numerous academic studies.
  - In FY 2012 Title II had a 75% cost recovery rate for monetization and therefore “lost” \$31.7 million through these transactions. **This \$31.7 million would have fed more than 800,000 additional individuals.**

- Studies show that local and regional procurement of food versus procurement in the U.S. can get food to hungry people 11 – 14 weeks faster. (Sources: USDA Local and Regional Procurement (LRP) Evaluation; Cornell University study.)
- Both studies found significant cost savings for LRP over U.S. procurement for cereals (35-50% savings) and pulses (25-31%). This is consistent with USAID's Office of Food for Peace experience in its management of the current IDA account for emergency food response.

Between USAID and USDA programs, procurements in the U.S. will be sufficient to allow for efficiencies in procurement and shipping.

- **U.S. commodities will still play an important role.** In FY14, no less than 55% of the requested \$1,416 million in funding for emergency food aid in International Disaster Assistance will be used for the purchase, transport, and related costs of U.S. commodities.
- Moving forward, we anticipate that U.S. commodities will continue to be a significant portion of purchases, particularly for many processed products and large cereal procurements. This is because we anticipate that local and regional markets will not be able to supply the volume of food procured in recent years with Title II, (some 1.5 million tons, annually). In addition, there is insufficient production capacity for specialized products in developing countries.

The proposal reaffirms USAID's commitment to PVO development food aid partners and programs.

- **It keeps the covenant with the development food aid PVOs.** After the cost inefficiencies of Title II are taken into account, development programs will remain at their current level, which exceeds the floor level that is likely to come out of the current draft farm bills.
  - **USAID is maintaining both the funding levels and the intent of Title II development programs, which aim to reduce food insecurity among vulnerable groups.** USAID is committed to spending \$330 million within DA on development food assistance programs through the Community Development and Resilience Fund (CDRF). These programs will be managed by USAID's Office of Food for Peace and support the objectives of Feed the Future, strengthening the ability to address chronic poverty, build resilience, and help prevent food crises.
  - **The proposal is better for all in the long run.** Despite some potential growing pains at first, this food aid reform will benefit PVO partners, as they will not lose valuable cash resources through monetization.
  - **Title II PVO partners will also likely benefit from the expanded availability of cash for emergencies.** They will be more competitive as emergency responders because they excel at cash transfer and food voucher programs.

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